

The Riverlea Tax Levies: What You Need to Know

Eric MacGilvray, Mayor

Introduction

The Village of Riverlea will have two tax levies on the ballot in the November 3 election:

- Issue 15: A replacement of the Village's **operating levy** at a reduced rate of 5.5 mils.
- Issue 16: A new 1.5 mil **infrastructure maintenance and repair levy**.

These are separate levies being proposed for different purposes. **If both levies pass, then the total property tax millage that Riverlea collects will decrease by .25 mils.** This memo explains the rationale behind each levy and their implications for the Village.

There will be a public forum to discuss the levies in the Circle Park on Riverglen Drive from 4:00-6:00 pm on Sunday, September 27 (rain date October 4). Masks will be required and chairs will be spread out in the park to make social distancing possible. We'll hold a second public forum via Zoom sometime in late October.

Issue 15: The operating levy

(1) What is the operating levy?

The operating levy is the main source of property tax revenue for the Village, and pays for services such as police protection, trash and snow removal, street and park maintenance, etc. This levy comes before voters every five years, and is currently set at 7.25 mils of voted millage. **Council voted unanimously in July to reduce the operating levy to 5.5 mils.** At this rate it will raise about \$145,000 per year, about two thirds of the Village's operating budget.

(2) Why the reduction?

In 2015, when the operating levy was last on the ballot, the Village's budget had been in deficit for most of the preceding ten years. During that period the balance in the general fund dropped from about \$600K to about \$300K. The 7.25 mil levy that was passed that year was designed to eliminate the structural deficit and rebuild our cash reserves to about two years' worth of operating expenses. That goal has been accomplished, and **we expect that a 5.5 mil levy will suffice to keep the budget in balance over the next five years.**

(3) How will this levy affect my tax bill?

The tax issue on the ballot would replace the existing 7.25 operating levy with a 5.5 mil levy, a decrease of 1.75 mils from the current rate. **This would yield a savings of about \$60 per \$100,000 of assessed market value, or about \$180 per year for a \$300,000 home.**

(4) What if the operating levy doesn't pass?

As the main source of revenue for the Village, **the operating levy is essential in order to continue providing services to residents**. If it were to fail, then our annual revenue would drop by more than half and we would be unable to pay our bills. We might be able to limp along for a year or two by spending the remaining general fund balance, but failure of the operating levy would effectively mean the end of Riverlea as a functioning municipality and a very uncertain future for Village residents.

Issue 16: The infrastructure maintenance and repair levy

(1) What is the infrastructure maintenance and repair levy?

The infrastructure maintenance and repair levy is a new property tax levy that will allow the Village to save for anticipated maintenance and repairs to Village infrastructure over the next 30 years. Like the operating levy, it will come before the voters every five years. **Council voted unanimously in July to set the levy at 1.5 mils**. If passed it will raise about \$40,000 per year.

(2) Don't we already have an infrastructure levy?

In 2015 Riverlea voters passed a 15.76 mil levy to fund the replacement of the Village's streets, curbs, and water lines, and to make substantial repairs to the storm sewer system. Because the project came in under budget, and because we were successful in getting support from the state, that levy has been reduced to 11 mils. That millage is being used to finance the capital investment, and doesn't pay for ongoing maintenance and repairs.

(3) How do we know what maintenance and repairs are going to cost?

After completion of the 2018-19 infrastructure project the Village commissioned our engineering firm, Burgess & Niple, to develop an Asset Management Plan (AMP) that will serve as a "user's guide" for operating and maintaining our infrastructure in the coming decades. **The AMP estimates a total cost of about \$2.3M for infrastructure maintenance and repair over the next 30 years**, with the largest line items being replacement of the sanitary sewer lift station (\$400K, projected for 2035) and milling and resurfacing the roads (\$540K, projected for 2041), and most of the balance going for periodic inspection and repair of the storm and sanitary sewers.

Needless to say, there's a fair amount of uncertainty involved in long-term estimates like this. Again, the infrastructure maintenance and repair levy will come before the voters every five years, and the millage can be adjusted as expenses come into clearer focus. We also anticipate that some expenses will be supported by state funding or general fund revenue.

(4) Why have a separate infrastructure maintenance and repair levy?

Having a separate levy means that **the revenue that's raised will go into a dedicated fund that can only be used for infrastructure maintenance and repair**. Because the amount of money to be raised is substantial and the expenses are largely back-loaded, we feel that it's prudent to put the revenue in a dedicated fund to make sure that it's used for its intended purpose.

More generally, the Village has never properly budgeted for infrastructure maintenance and repair, which is why we found ourselves in such a hole five years ago. **We hope to establish the principle that this is something that we save for, and to ensure that the AMP is supported by the necessary revenue so that our infrastructure doesn't fall into neglect again.**

(5) How will this levy affect my tax bill?

A 1.5 mil levy would cost about \$50 per \$100,000 of assessed market value, or about \$150 per year for a \$300,000 home.

(6) What if the infrastructure maintenance and repair levy doesn't pass?

Unlike the operating levy, failure of the infrastructure maintenance and repair levy wouldn't create an immediate crisis since our infrastructure is mostly new and maintenance expenses over the next five years are expected to be minimal. However, **the longer we wait to start saving, the more we'll have to raise on a shorter time frame.** Again we feel that it's important to establish the principle that this is something that the Village budgets for while the memory of the recent infrastructure project is still fresh.

Conclusion

To summarize, the operating levy will put the Village's budget into balance and allow us to continue providing services to residents. The infrastructure maintenance and repair levy will allow the Village to make the necessary long-term investments to keep our streets and sewers functioning properly. If both levies pass then **the net effect will be a reduction of .25 mils in the property taxes collected by Riverlea**, which would yield a savings of about \$10 per \$100,000 of assessed market value, or about \$30 per year for a \$300,000 home.

I'd like to thank the Village Infrastructure Committee, chaired by Council member Marc Benevento and including Street Commissioner Bill Charles, Council member Dan Schlichting, and resident volunteers Scott Flores and Greg Ross, for their hard work over the past year in developing the AMP with Burgess & Niple and working up an infrastructure maintenance and repair levy proposal for Council to consider. I'd also like to thank Clerk-Treasurer Josh Mehling for his help in working up the financial projections for the operating levy.

Again, a public forum on both levies will be held in the Circle Park from 4:00-6:00 pm on Sunday, September 27. We hope that many of you will be able to attend. And **please vote!**