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June 21, 2024

General Manager
Racine Wastewater Utility
800 Center Street, Room 227
Racine, Wisconsin 53403

Village Clerk
Village of Mount Pleasant
(as successor to Town of Mount Pleasant)
8811 Campus Drive
Mount Pleasant, Wisconsin 53406

Village Clerk
Village of Caledonia
(as successor to Town of Caledonia)
5043 Chester Lane
Caledonia, Wisconsin 53402

General Manager/Department Head
Village of Mount Pleasant Sewer Utility
(as successor to Mount Pleasant Sewer
Utility District Number 1)
8811 Campus Drive
Mount Pleasant, Wisconsin 53406

General Manager/Department Head
Sturtevant Sewer and Storm Water
Utility (as successor to Village
of Sturtevant Water and Sewer Utility)
2801 89th Street
Sturtevant, Wisconsin 53177

City Clerk
City of Racine
730 Washington Avenue, Room 103
Racine, Wisconsin 53403

Village Clerk
Village of Sturtevant
2801 89th Street
Sturtevant, Wisconsin 53177

Village Clerk
Village of Wind Point
215 East Four Mile Road
Racine, Wisconsin 53402

General Manager/Department Head
Caledonia Sewer and Water Utility District
(as successor to Sewer Utility District
Number 1 of the Town of Caledonia,
Crestview Sanitary District, and
North Park Sanitary District)
5043 Chester Lane
Caledonia, Wisconsin 53402

Village Clerk
Village of Somers (as successor to Town of
Somers) and KR Utility District
7511 12th Street
Kenosha, Wisconsin 53144

City Hall Annex
800 Center Street, Suite 122
Racine, Wisconsin 53403
262-636-9115
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Via Certified Mail – Return Receipt Requested

Re: Notice of Potential Material Change of Circumstances –
Racine Area Intergovernmental Sanitary Sewer Service, Revenue-Sharing,
Cooperation and Settlement Agreement April 25, 2002

Dear Madams or Sirs,

The City of Racine (the “City”) hereby provides this notice that a potential Material Change of Circumstance has occurred or may occur in the foreseeable future within the meaning of Sections 2.7p and 12.7 of the **Racine Area Intergovernmental Sanitary Sewer Service , Revenue-Sharing, Cooperation and Settlement Agreement, dated April 25, 2002, as subsequently amended** (the “ Agreement“), which has the effect of materially altering the structured balance of benefits and burdens that the Parties have extensively negotiated and accepted in the Agreement (the “Cost-Benefit Balance”).

The potential Material Change of Circumstances that forms the basis for this Notice includes the following:

1. Numerous legislative changes have been enacted since the execution of the Agreement, which have resulted in significant adverse impacts to the City under the original Cost Benefit Balance agreed to by the parties in the Agreement including, but not limited to, the Revenue Sharing formula contained in Tables 1a and 1b of the Agreement. These legislative changes include, but are not limited to, the following:
 - a. Levy limits that restrict the annual increases in municipal tax levies.
 - b. The 2006 state-imposed limits on increases in municipal property tax levies, which were initially were linked to the percentage growth in property values due to new construction, but for which a “floor” was established to allow varied increases of between 2% and 3.86% if net new construction did not reach that level. (“New Construction Floor”).
 - c. The 2011 elimination of the New Construction Floor thereby tying increases in allowable increases to the levy limits to net new construction alone.
 - d. The reductions in shared revenues that were previously allowed for economically disadvantaged communities.
 - e. Changes in Wisconsin law relating to expanding the use of tax incremental financing for the outlying parties served by the Agreement

- f. The enactment of 2017 Wisconsin Act 58, as more particularly described in Paragraph 2.
- g. The enactment of 2017 Wisconsin Act 349, which lengthened the time under which tax increments may be allocated, expenditures for project costs may be made, and the maximum life may be extended for Tax Incremental Districts Number One and Four in the Village of Caledonia.

2. Enactment and Impact of 2017 Wisconsin Act 58.

- a. The State of Wisconsin authorized the Creation of an Information and Technology Zone (the “Zone”) which was designed for the creation of high paying jobs to serve the economic needs of the area which include those areas that are experiencing declining populations, job losses, deteriorating condition of property and other indicia of an economically disadvantage segment of the area’s economy (the “Economically Deprived Area”). *See*: 2017 Wisconsin Act 58, including Wis. Stat. Sec. 238.396(1m) as well as the: Legislative History of 2017 Wisconsin Act 58 prepared by the Legislative Fiscal Bureau dated October 4, 2017 (the “Enabling Statute”).
- b. The Enabling Statute provides significant benefits to the Village of Mt. Pleasant (the “Village”) for attracting qualified projects. The benefits include the following:
 - i. Tax benefits for qualifying projects, including payroll tax credits and supplemental credits for capital expenditures.
 - ii. A sales tax exemption.
 - iii. Exemptions from PSC requirements for energy facilities required to serve qualifying projects.
 - iv. The availability of market-based public utility rates for energy consumption.
 - v. Significant regulatory exemptions for permitting administered by the Wisconsin Department of Natural Resources.
 - vi. Special exemptions to requirements that apply to water diversions for the straddling communities.
 - vii. Significant expansion of the use of tax incremental financing for qualifying projects within, and in and some instances, outside the Zone, including, but not limited to the following:

1. An exemption for a TID in the zone from the 12% limit applied to total equalized value in a municipality applicable to TIDs under existing law.
 2. Increases the allowable life of a district for allocation of positive tax increment to recover the cost of eligible projects from 20 to 30 years.
 3. An elimination of the five-year limitation prohibiting eligible project costs to be incurred within five years of the unextended termination date of the TID.
 4. Allowing payment of project costs made outside of the Zone but within the county containing the Zone provided the expenditures benefit the TID and are approved by the DOA Secretary.
- viii. Exemptions from public bidding requirements for municipal infrastructure serving a qualified project.
- ix. Exemptions from the Expenditure Restraint Budget Test.
- x. A special exemption from the prohibition for the Village to use increment to fund enhancements for police and fire protection.
- xi. Authorization for the Legislature to pay up to 40% of the Village's bonding obligations to serve qualified projects.

(Collectively referred to as the "Enabling Statute Benefits"). *See*: Legislative History of 2017 Wisconsin Act 58 prepared by the Legislative Fiscal Bureau dated October 4, 2017 (the "Fiscal Bureau Memo").


- c. The estimated value of the Enabling Statute Benefits exceeds \$1 Billion. *See*: Fiscal Bureau Memo.
- d. In addition to the Enabling Statute Benefits, the State of Wisconsin incurred costs in excess of \$400 Million to upgrade associated roadway infrastructure to serve the Zone (the "Roadway Benefits").
- e. The Enabling Statute constitutes a legislative action within the meaning of the Original Agreement.
- f. The Village relied upon the Enabling Statute when it created TID 5.
- g. TID 5 was created to serve the Foxconn project (the "Foxconn Project").

- h. At the request of the State of Wisconsin and the Village, the City filed the application for approval of the water diversion from the Lake Michigan Basin to the Mississippi River Basin that was necessary to serve the Foxconn Project and for the benefit of the Village, (the “Water Diversion Application”) which was approved by the Wisconsin Department of Natural Resources.
- i. The Foxconn Project was projected to involve an investment of up to \$10 Billion in value and the creation of up to 13,000 jobs with an average salary of \$53,875 over a period of up to six years (the “Projections”). *See*: Fiscal Memo.
- j. The Projections were consistent with the purposes underlying the Enabling Statute.
- k. The City of Racine qualifies as an Economically Deprived Area within the meaning of the Enabling Statute.
- l. City of Racine relied upon the estimate of high-paying jobs and other benefits in the Projections that would inure to the substantial benefit of the City and its residents when the City filed the Water Diversion Application and executed the Amended Agreement and agreed to the benefits afforded TID 5 by expanded water infrastructure.
- m. After the announcement of the Foxconn Project, the City experienced significant interest for future residential and commercial development within the City as a result of the job projections associated with the project (the “City Development Opportunities”).
- n. The Village recently undertook an administrative action authorizing Microsoft to develop a substantial portion of TID 5 in lieu of the Foxconn Project (the “Village Administrative Action”).
- o. It is projected that the Microsoft Project has the potential to create more than \$3 billion in value and possibly as much as \$10 billion given the amount of land it controls in the Zone. In addition, the Village and Microsoft will enjoy many, if not all, of the Enabling Statute Benefits as well as the Roadway Benefits for this project.
- p. The Microsoft project will only generate approximately 200 jobs associated with each of the 5 phases of the development for a total of 1,000 jobs as compared to the up to 13,000 jobs projected for the Foxconn Project (the “Job Disparity”).
- q. The recent announcement that TID 5 will serve the Microsoft Project rather than the Foxconn Project has the potential to create substantial Enabling Statute and Roadway Benefits for the Village and significantly less benefits to

the City resulting from the Job Disparity and thereby adversely impacting the Cost-Benefit Balance relied upon the parties when they executed the Amended Agreement for water infrastructure to serve the Zone.

Based upon the foregoing, the City of Racine hereby invokes the process that applies to a Material Change of Circumstances in accordance with Sections 2.7p and 12.7 of the Agreement.

Sincerely,



Scott R. Letteney
City Attorney

Cc: Village of Mount Pleasant Village Attorney
Village of Sturtevant Village Attorney
Village of Caledonia Village Attorney
Village of Wind Point Village Attorney
Village of Somers Village Attorney