The 2017 State of Wisconsin’s Cities and Villages

A report and tracking survey prepared annually for members of the League of Wisconsin Municipalities by the nonpartisan Wisconsin Taxpayers Alliance.
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The League of Wisconsin Municipalities advocates for Wisconsin’s cities and villages, provides legal services to our members, and training and networking opportunities. The League was established in 1898 and is a nonpartisan organization.

www.lwm-info.org

The Wisconsin Taxpayers Alliance (WISTAX) is a nonprofit, nonpartisan organization dedicated to citizen education. Founded in 1932, WISTAX is Wisconsin’s oldest and most respected statewide public policy research organization.

www.wistax.org
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EXECUTIVE SUMMARY

The last 15 years have been challenging for Wisconsin’s 601 cities and villages, home to almost three-quarters of state residents. Regardless of governing party in Madison, the trend has been toward: recurring state budget problems; a shift in spending priorities toward Medicaid and, to some extent, K-12 schools; and a preference for restraining municipal property tax growth with state-mandated levy limits, rather than state-funded tax relief.

These challenges facing Wisconsin municipalities prompted the League of Wisconsin Municipalities several years ago to ask the nonpartisan Wisconsin Taxpayers Alliance (WISTAX) to assess the ongoing status of cities and villages. The result was an annual report, of which this is the second in a series.

Approach

This WISTAX study, like the initial one, features two sections. The first draws on state and federal data. It examines the external economic and political environment in which municipalities operate, and then reviews internal issues: revenue and expenditure trends, accumulated debt, infrastructure quality, and development activity.

The second section turns from published figures to the observations of local officials gathered in a spring 2017 survey returned by nearly a third of League members. Among the day-to-day issues examined are: financial health, service delivery, staffing and benefits, and citizen perceptions and participation in government. Larger questions explored relate to community-wide employment trends and—for the first time—attracting residents and future challenges.

Revenues

According to the latest published figures, city and village revenues rose 3.0% in 2015, the largest increase since 3.5% in 2010. The main reason for this increase, however, did not rest with the two major municipal revenue sources: property taxes, which rose 2.4%, and state aids, up 2.8%. Nor were federal aids, which fell 7.9%, a factor.

Rather, smaller revenue sources are the cause. Room tax collections jumped 11.4%; fees and fines increased 5.3%; and, although overall state aid grew modestly, road aids were up 5.7%, the largest increase in 17 years. The biggest revenue surprise came from a small and unexpected source: property and equipment sales that surged more than 50% to $36.6 million, with much of the increase coming in a few communities.

Averages mask variability within individual communities. For example, 227 registered declines, and another 76 experienced small increases of 2% or less. On the other hand, 116 municipalities saw revenues grow more than 10%. Generally, changes were smallest in cities and villages with populations over 50,000.

Expenditures

In 2015, total city-village spending rose 6.0%, after averaging annual increases of 0.2% during 2010-14. By population, expenditures rose the most in small communities: 15.2% in those with fewer than 1,000 people. In large municipalities (over 50,000), spending was up 4.7%.

By category, one-year spending for development purposes climbed 20.3%, followed by debt service (12.2%), waste/sanitation (11.4%), and the broad category of culture/recreation (10.7%). Other than debt, these categories do not typically claim large shares of municipal budgets.

As a percentage of total spending, debt service has grown from under 15% in 1987 to 23% in 2015. In 2015, general obligation debt rose the most in municipalities with populations of 1,000 to 2,000 (6.1%) and the least among the next largest group (2,000-5,000, 0.8%). It was up 4% or more, on average, in communities whose populations exceeded 30,000.

Two traditionally large expenditures—public safety (2.6%) and street maintenance (-0.2%)—experienced relatively little or no change.

Infrastructure

Street quality and development activity are measures that can help gauge the condition and vitality of a community. In 2016, the percentage
of streets rated good or better rose from 67.8% to 68.8%. However, that percentage was 72% in 2011.

Street quality varied somewhat by municipal population. Streets rated good or better in 2016 ranged from a low of 65.2% in 50,000+ municipalities to a high of 73.9% in municipalities with populations of 5,000 to 10,000. Shares of streets rated poor or worse were highest in the smallest (<1,000) and largest (>50,000) municipalities: 11.4% and 10.4%, respectively.

Community Investment

The total market value of property in Wisconsin has been increasing in recent years but still remains below pre-recession levels. Surpassing that threshold depends in part on new construction activity.

In 2015, new construction accounted for 1.6% of total full-market property value. That percentage was up from 1.4% in 2014 and 0.7% in 2010; however, it still lags the 2.9% peak in 2005.

Resumption in growth has not been uniform. In more than half of municipalities, new construction in 2015 amounted to less than 1% of total value. Lack of activity was particularly prevalent in small municipalities. In more than half with 5,000 or fewer people, new construction fell below 1% of total value. Above that population level, two-thirds or more of municipalities reported new construction surpassing 1% of value.

Survey Findings: Fiscal Health and Operations

Surveying officials on the state of their municipalities in 2016 adds breadth and depth to published figures. The information is newer—gathered early in 2017; reflects “on-the-ground” observations from those responsible for day-to-day operations; and offers nuance that figures cannot.

Financial Condition. Of municipal officials responding to the survey, 32.2% reported fiscal conditions improved in 2016, while 18.5% felt they had worsened, a net difference of +13.7 points. Large communities (+19.5 points) were more positive than small ones (+12.2 points)

Local officials were more upbeat when asked to compare their community to peers: 41.0% reported their condition somewhat or much better than peer communities, while 17.5% did not, for a net positive difference of 23.5 points. The net difference was much greater for large municipalities (+50.0 points) than small ones (+17.0 points).

Reserves. The size of general fund reserves relative to annual spending was a second way to gauge financial health. No communities in 2016 reported negative balances, and only 9.0% said their reserves were 5% or less of expenditures. By contrast, 64.6% pegged their reserves at over 20% of spending.

Service Frequency. If cities and villages face increasing financial difficulties, it might be expected that delivery of services would be scaled back. However, no change was the most common response. Where change occurred, the direction was mostly positive. To illustrate, lawn mowing frequency was up more often (26.8%) than it was down (5.6%), a net difference of 21.2 points. Differences were also positive in other service areas investigated, except street repairs, where 19.7% of officials reported greater frequency and 20.2% reported less, a small negative difference (-0.5 points).

Other Indicators. Other survey findings also hint at financial health. Potentially an indicator of fiscal stress, municipal fees and charges are increasing for water, recreation, and, sewerage.

On the other hand, the size of municipal workforces was stable, with no change reported by 53.9% of respondents. To the extent there was change, it skewed toward increased employee counts in almost all departments queried. Lack of turnover was especially common in small municipalities (55.8%) as compared to large ones (38.3%). Retirement was the most common reason for leaving a city or village job, with 41.5% of respondents listing, followed by taking a position elsewhere (29.9%).

Municipalities are also taking steps to manage their most problematic benefit cost: health insurance. In 2016, 15.6% of municipalities
changed health insurance provider, up from 9.8% in 2015. Partly as a result, in over two-thirds of municipalities, health costs rose 5% or less.

**Survey Findings: Public Attitudes and Participation**

Asked to rate changes in public perception of services on a more favorable-less favorable scale, no change was by far the most common response. Where change occurred, the direction was positive. The largest net positive rating were for libraries, police, fire, and parks. Streets had the smallest positive gap.

The most surprising shift in public perceptions related to property taxes. While a majority of officials said there was no change in attitudes, where there was change it tended to be more (28.2%) than less (17.1%) favorable. A net difference of +11.1 points for 2016 contrasts sharply with a -16.0 difference from 2015.

As in last year’s report, the most discouraging finding related to electoral competition for city council or village board seats. In the past three years, almost 96% of municipalities reported no contests for seats. What’s more, 48% said the situation had deteriorated over the past five to 10 years.

**Survey Findings: Looking Outward and Ahead**

Three survey questions asked broader questions that dealt with community-wide employment trends, attracting residents, and future problems.

**Job Opportunities.** Of all cities and villages, 53.5% said job prospects were better in 2016 than in 2015. However, the dichotomy between large and small communities continued from the first survey: 85.7% of officials in large municipalities said employment opportunities were better for their residents in 2016 than in 2015; however, that percentage fell to 45.9% in small communities.

**Attracting Residents.** In an aging state with slowing population growth, attracting and keeping residents concerns municipal leaders. School quality (57.5%) and business and job opportunities (51.7%) were cited as by far the most important factors in this endeavor. Water resources and recreation, tax and utility costs, and housing were all named by 35% to 37% of respondents. Public safety, community amenities, and public services—all falling in the 24%-to-25% range—rounded out the top eight factors in appealing to residents.

**Future Problems.** Current challenges are future concerns in many municipalities. Infrastructure, particularly streets and transportation, and budget/levy limit issues are viewed as the leading challenges in five years by 57.8% and 43.5% of officials, respectively. Adding business and employment growth (32.2%) to the mix pretty much completes the list. Planning and growth issues, cost of government, municipal workforce issues, and housing follow at between 12% and 18%.
I. OVERVIEW

Background

This is the second in a series of annual studies assessing the changing “financial health” of Wisconsin’s cities and villages. The goals are to (1) identify areas where municipalities are succeeding and where they are most challenged, and (2) document annual changes in municipal finances and service delivery.

The study has two parts. First, we analyze state data covering municipal finances, road quality, and economic development. Most of this year’s data are for 2015. This time lag is common with state and federal data as agencies often require a year or more to compile figures and ensure their accuracy.

Second, we examine responses from a survey of local officials covering topics that include municipal finances, service delivery, staffing, and public perceptions. This information is mostly for calendar 2016.

Since the aim of these annual studies is to track municipal health over time, most survey questions are the same from year to year. Last year’s survey—the first—asked about municipal conditions in 2015, the base year. This year’s questions ask about conditions in 2016.

This year’s survey features two new questions. The first focuses on quality of life, asking officials about municipal qualities they believe are important for attracting and retaining residents. The second asks them to speculate about the main challenges they expect to face in five years.

Municipal Overview

Wisconsin’s 601 cities and villages are home to more than 4.1 million citizens—nearly 72% of the state’s 5.8 million people. Their populations range from nearly 600,000 in Milwaukee to just 57 in the Village of Big Falls in Waupaca County.

Despite a large number of municipalities, Wisconsin’s population is concentrated in relatively few. Twelve cities each have more than 50,000 residents; combined, they are home to about 28% of the population. Another 14 cities and villages with populations above 30,000 are home to more than 9% of residents. In other words, 37% of state residents live in just 26 cities and villages.

Wisconsin’s cities and villages are home to more than 4.1 million citizens, or nearly 72% of the state’s 5.8 million people.
Many cities and villages have relatively few residents: 242 have fewer than 1,000, while another 213 have between 1,000 and 5,000. Combined, these 455 cities and villages (76% of the total) are home to just over 10% of Wisconsinites.

Wisconsin’s number of small cities and villages is not unusual. Census Bureau figures show nationally, 76% of cities and villages had fewer than 5,000 residents, the same share as in Wisconsin. The median state (half of states lower, half higher) was also 76%.

Services. Just as populations vary, so do the number of services offered and how they are provided. Larger cities and villages often provide recreation programs. Smaller ones often do not because they lack the population to support them. Similar patterns hold for public services such as transit and the arts.

Municipalities provide law enforcement and fire protection in a variety of ways. The most populous cities and villages generally have their own departments; less populous ones often share services with neighbors (joint departments) or contract with departments in larger municipalities. Variations in service provision provide important context for discussion of municipal “health.”

Funding. Revenues in municipalities, regardless of size, are similar. The property tax is the largest revenue source, averaging 55% of the total. However, the most populous cities and villages (30,000 or more) rely slightly less on property taxes than the least populous ones (fewer than 5,000).

Cities and villages also count on state aid to help fund local services. State shared revenues, which originated in 1911 with the state income tax as a replacement for local property taxes, are the largest of these aid programs, accounting for just under 14% of municipal funding in 2015 (see Figure 1.1). Over the past two decades, these revenues have been falling. Transportation aids comprised another 4%, while smaller aid programs accounted for 3% of total funding. Combined, state aids comprised 21% of revenues, with less populous municipalities slightly more reliant on them than their more populous counterparts.

Fees and charges accounted for another 13% of local revenues, but varied the most between large and small municipalities. They were more than 13% of revenues in the most populous cities and villages, but only about 9% in the smallest ones. Populous cities have more programs funded by user fees.
Federal aid accounted for less than 2% of municipal revenues in 2015. However, that percentage has varied in recent years. After accounting for 2.4% of revenues during 2007-09, federal stimulus dollars helped increase that percentage to more than 3.0% in 2010 and 2011. Since then, federal support has fallen below its pre-2010 average. Again, the percentage varies widely by municipality as specific projects become eligible for federal assistance.

External Forces

Local services in Wisconsin are impacted by factors beyond municipal control: state and federal decisions, economic volatility, and demographic trends. Some of these are detailed below.

Economy. Over the past five years, Wisconsin’s economy has grown, but at a slower pace than most states. During 2011-16, private sector jobs in Wisconsin increased a total of 7.2%, 33rd highest among the states. Nationally, job growth averaged 11.4%.

However, growth rates varied within Wisconsin. With municipal figures unavailable, county numbers highlight regional differences. Five-year changes varied from a decline of 14.4% in Buffalo County to an increase of 24.4% in Kenosha County. The map (right) shows five-year growth by county.

Regionally, job growth was strongest in the northwest—from St. Croix and Polk counties east to Clark and Rusk counties—and in south central Wisconsin—from Columbia and Dane counties south to the state line.

With the exception of Kenosha County, employment in southeast Wisconsin grew modestly. Milwaukee and Racine counties underperformed the state average, while Waukesha County added jobs at a rate similar to the statewide norm.

State Policies: Levy Limits. The 2015-17 state budget kept in place restrictive limits on municipal property tax levies. Cities and villages can increase levies by a percentage equal to the rate of new construction, with several exceptions.

The budget allowed municipalities to carry forward, for up to five years, unused levy authority. The carryover can be accessed under certain conditions:

- It can be no greater than 5% of the prior year’s levy;
- It must be approved by two-thirds of the city council or village board; and
The municipality’s outstanding general obligation debt must be less than in the prior year.

The 2015-17 budget also created a levy exception for municipalities that own landfills. If a municipality shifts funding of garbage collection from the property tax to a fee, it must reduce its allowable levy by that amount. The provision allows municipalities that operated a landfill in 2013 to increase tipping fees (charges to dump garbage in a landfill) without a corresponding levy reduction.

State Policy: State Aids. For 2015 and 2016, state shared revenues and the expenditure restraint programs were unchanged. However, general transportation and mass transit aids rose 4% beginning in 2015. State payments for municipal services remained unchanged for both 2015 and 2016. On average, payments cover less than 40% of the cost of providing garbage collection and police/fire protection to state facilities.

State Policy: Other Changes. State lawmakers made significant changes to the room tax law, effective January 1, 2017, that will impact cities and villages this year and beyond. For some communities with long-standing room taxes, the result will be a diversion of revenues from general government to tourism promotion.

The 2015-17 state budget also repealed the prevailing wage law for local public building projects. The effective date for this provision is also January 1, 2017.
2. MUNICIPAL CONDITIONS: 2015

This first look at Wisconsin municipalities uses state information to examine trends in municipal revenues, spending, development (all 2015), and road quality (2016).

Revenues Surprise

Total city and village revenues rose a surprising 3.0% in 2015 (see Figure 2.1), the largest increase since 3.5% in 2010. Adjusted for inflation (yellow bars), revenues rose 2.4%. In the prior four years, revenues rose 2% or less. Adjusted for inflation and population, they declined in each of those years.

The two main revenue sources—property taxes and state aid—increased, but by a smaller percentage than total revenues. Property taxes rose 2.4% in 2015, while total state aids were up 2.8%.

Federal aid to cities and villages declined 7.9% in 2015, and 43% during 2011-15. A post-2011 drop was expected as federal stimulus spending ended; federal aid to municipalities jumped almost 50% during 2009-11. However, recent declines are greater than expected. In 2015, federal aid to Wisconsin cities and villages ($93.7 million) was at its lowest level since 1996, even without accounting for inflation. When inflation is accounted for, 2015 aids were 40% less than in 1996.

Combined, these three revenue comprise two-thirds of municipal revenues and increased 2.2% in 2015. Remaining revenues rose 4.6% and deserve further examination.

Room Taxes Soar: In addition to property taxes, municipalities can impose taxes on hotel and motel rooms. In 2015, 186 municipalities imposed a room tax. As the state economy continued growing, travel and tourism also expanded and room taxes climbed. Collections rose 11.4% in 2015, with most cities and villages collecting more in 2015 than in 2014. In most cases municipalities are limited to using only 30% of room tax revenues for general fund purposes. The rest must be forwarded to a third party to be used for tourism promotion and development.

In 79 of the 186, receipts increased more than 10%; in another 38, increases topped 5%. Indeed, among the 20 communities with the most in room tax revenues, increases were largest in Oak Creek (39.3%), Kenosha (36.9%), Lake Delton (19.9%), and Madison (13.0%). At the same time, room taxes declined 10% or more in 16 cities and villages.

Figure 2.1: Municipal Revenues Rise in 2015
% Change in City/Village Revenues, 2011-15
Fees and Fines Grow. Cities and villages impose fees for various services, licenses, and permits, and collect fines for violating ordinances. Collectively, these revenues account for 13% of municipal revenues. In 2015, fees and fines rose 5.3% over 2014 levels.

During 2009-15, these revenues increased 29.7%, faster than all other sources. During these years, the state tightened limits on municipal property taxes and cut aid to local governments. While federal aid surged in 2010 and 2011, it has since dropped 43%, leaving few revenue options for local governments.

Property & Equipment Sales Surge. Cities and villages regularly replace vehicles and equipment, selling the old vehicles and equipment. They occasionally sell public lands or buildings. Sales are generally small relative to total municipal revenues. However, in 2015, property and equipment sales surged more than 50% to $36.6 million. The $13.4 million increase over 2014 sales represented almost 10% of the total revenue increase for 2015.

Property sales are somewhat volatile. In 2009-11, annual sales statewide ranged from $26.6 million to $28.2 million. They jumped to $36.6 million in 2012, before falling to under $23.5 million in 2012 and 2014.

Annual increases are often due to several large, one-time sales in selected communities. In 2015, much of the gain was limited to four communities. In Pleasant Prairie and Little Chute, sales totalled $4.4 million and $3.3 million, respectively. Brown Deer ($2.0 million) and Madison ($1.3 million) each had sales of more than $1 million.

Road Aids Climb, Vary. As mentioned, total state aid to cities and villages rose 2.8% in 2015. The increase came despite unchanged shared revenues, the largest state aid program for cities and villages. Aid growth was driven by a 5.7% bump in road aids, the largest increase in 17 years.

Changes in road aids varied among municipalities. Cities and villages with populations under 1,000, between 10,000 and 15,000, and over 50,000 benefitted from significantly more aid (see Table 2.1). Those with populations between 15,000 and 30,000 experienced declines.

Two factors played a role in the variation. First, general transportation aids, which comprise nearly 80% of all road aids, increased more in larger communities

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**Table 2.1: Transportation Aids Rise in 2015**

<table>
<thead>
<tr>
<th>Pop. Group</th>
<th>Total</th>
<th>Gen'l Trans.</th>
<th>LRIP</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 ($ Millions)</td>
<td>$233.6</td>
<td>$183.0</td>
<td>$6.5</td>
<td>$44.1</td>
</tr>
<tr>
<td>&lt;1,000</td>
<td>8.9%</td>
<td>2.0%</td>
<td>18.3%</td>
<td>50.3%</td>
</tr>
<tr>
<td>1,000-2,000</td>
<td>5.0</td>
<td>2.2</td>
<td>62.2</td>
<td>-15.2</td>
</tr>
<tr>
<td>2,000-5,000</td>
<td>6.6</td>
<td>2.6</td>
<td>29.2</td>
<td>106.5</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>2.1</td>
<td>3.2</td>
<td>-5.1</td>
<td>-7.5</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>9.9</td>
<td>4.5</td>
<td>273.9</td>
<td>33.3</td>
</tr>
<tr>
<td>15,000-30,000</td>
<td>-1.7</td>
<td>3.6</td>
<td>139.0</td>
<td>-22.9</td>
</tr>
<tr>
<td>30,000-50,000</td>
<td>6.3</td>
<td>5.8</td>
<td>-39.6</td>
<td>33.4</td>
</tr>
<tr>
<td>&gt;50,000</td>
<td>8.4</td>
<td>5.1</td>
<td>405.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Total</td>
<td>5.7</td>
<td>4.2</td>
<td>86.2</td>
<td>11.2</td>
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</table>
than in small ones. Increases averaged more than 5% in cities and villages with populations over 30,000. They were less than 3% in municipalities with fewer than 5,000 residents.

Second, annual distributions of some of the smaller road aid programs varied more. Revenues from the local road improvement program (LRIP) nearly doubled from $3.5 million in 2014 to $6.5 million in 2015; increases for the largest municipalities topped 400%. Revenues declined in two population groups (see Table 2.1, page 6).

The selective nature of the program explains the swings. LRIP pays up to half of eligible costs for repairing “seriously deteriorating” roads, with relatively few projects funded each year. For example, in 2014, only 103 of 600 cities and villages received LRIP funds. The number receiving grants rose to 126 in 2015, but only 19 municipalities received funding in both years. In other words, 87 municipalities received LRIP funding in 2014 but not in 2015, and another 107 received support in 2015 but not in 2014.

*Total Revenues Vary by Municipal Population.* Just as state aid totals mask variation by municipality, the overall 3.0% rise in total municipal revenues from all sources hides differences among population groups. In 2015, revenues increased the most in the smallest cities and villages: 5.4% in those with fewer than 1,000 residents and 4.2% in those with 1,000 to 2,000 residents (see Figure 2.2). Revenues were up just 2.7% in the largest cities and in those with populations between 5,000 and 10,000.

When the time frame is expanded to three years, mid-sized cities and villages had the largest revenue gains. In municipalities with 10,000 to 15,000 residents, revenue growth averaged 3.4% per year (yellow bars in Figure 2.2). It averaged less than 1.5% in the largest municipalities.

While Figure 2.2 breaks out average growth among like-sized communities, it masks wide variation by individual municipality. For example, in 227 cities and villages, total revenues declined in 2015; in another 76, they increased less than 2% (see Table 2.2). By contrast, in 227 communities, revenues rose more than 4%; in 116 communities, they climbed more than 10%.

### Table 2.2: Rev. Change by Number of Muni's

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>&lt;0%</td>
<td>227</td>
</tr>
<tr>
<td>0% to 2%</td>
<td>76</td>
</tr>
<tr>
<td>2% to 4%</td>
<td>70</td>
</tr>
<tr>
<td>4% to 10%</td>
<td>111</td>
</tr>
<tr>
<td>&gt;10%</td>
<td>116</td>
</tr>
</tbody>
</table>

### Figure 2.2: Revenue Changes Vary by Population

One- and Three-Year Avg. Chg. in Total Revenues by Pop. Group, 2012-15

- >50,000: 1.0% (One Year), 2.7% (Three-Year)
- 30,000-50,000: 1.3% (One Year), 2.9% (Three-Year)
- 15,000-30,000: 2.4% (One Year), 3.0% (Three-Year)
- 10,000-15,000: Three-Year average 3.4% (One Year), 3.6%
- 5,000-10,000: 2.1% (One Year), 2.7%
- 2,000-5,000: 1.9% (One Year), 3.4%
- 1,000-2,000: 2.0% (One Year), 4.2%
- <1,000: 2.1% (One Year), 5.4% (Three-Year)
Changing Spending Patterns

With cities and villages under tight levy limits and state aid growing slowly, if at all, over the past few years, municipal officials have had to shift spending priorities from year to year. In general, spending categories that increased little during 2010-14 saw relatively large gains in 2015.

Total expenditures rose 6.0% in 2015, after rising an average of just 0.2% per year during 2010-14—and declining 1.5% in 2014. Spending growth outpaced revenue growth (3.0%). This can happen when (1) capital equipment expenditures are funded with borrowing or (2) reserves are spent.

Development. Although DOR categorizes conservation and development together, in cities and villages this spending is nearly all for economic and urban development (see box at left for definitions). Depending on the year, this category accounts for 5% to 8% of municipal expenditures. In 2015, development spending increased 20.3% (see Figure 2.3), mimicking a similar increase in 2014. During 2008-13, however, spending in this area declined 16%.

During 2014-15, the state’s largest cities (50,000 or more residents) increased development spending the most: 60% in 2014 and another 20% in 2015. Those with populations between 30,000 and 50,000 also had significant increases: 31% and 26%, respectively. Figure 2.4 (page 9) shows 2013-15 per capita development spending for all population groups.

In the state’s smallest communities, spending on development declined in both years. Moreover, these cities and villages spent the least per capita in this category.

The information in Figure 2.4 should not necessarily be extrapolated to individual communities as development spending is often volatile. While Milwaukee, Green Bay, and La Crosse generally mimicked the group pattern (up at least 35% in both 2014 and 2015), Kenosha’s development spending was $3 million in 2013, $30.6 million in 2014, and $11.8 million in 2015.

Solid Waste and Sanitation. One of the larger expenditure swings was in solid waste and sanitation. During 2010-14, spending fell in three of four years. On average, the decline was 1.1% per year. That was reversed in 2015 with an 11.4% increase (see Figure 2.3). Solid waste and sanitation accounts for less than 5% of all spending.
Public Safety. One of the most important services provided by local government is public safety—policing, fire protection, and emergency services. On average, expenditures claim about 30% of municipal budgets.

In 2015, public safety expenditures rose 2.6%. Growth in this area was uneven during 2010-15. Expenditures were largely unchanged in both 2011 and 2012. They jumped 7.2% in 2013 and fell 1.7% in 2014.

Streets. In addition to providing police and fire protection, another core municipal service is street maintenance. After increasing 6.3% in 2013 and 3.9% in 2014, spending in this core area fell 0.2% in 2015. Expenditures declined 6.4% during 2008-12.

At first blush, the decline seems unusual in a year when road aids increased. However, municipal street spending, in the short term, is not directly related to state aid. If streets need to be repaired and state aid remains stagnant, other revenues, such as property taxes, are often shifted from other areas. Longer term, street replacement schedules might be lengthened if state assistance is trending lower.

As a percentage of municipal street spending, state transportation aids are declining (see Figure 2.5). They dropped from 32% of spending in 2004 to 26% in 2008, but rebounded to 29% in 2011. By 2014, transportation aids had fallen to 24% of local street spending before edging up to 25% the next year.

Debt Service Climbs Again. Local officials annually determine spending levels for public safety, streets, development, and other services. These decisions are affected by state-mandated levy limits and state aid appropriations. They also make decisions about new borrowing—for new buildings, infrastructure, or investments in tax incremental finance (TIF) districts.

That said, annual payments for debt service are usually a function of past, rather than new, borrowing decisions. After a reprieve in 2014, debt service surged in 2015, rising 12.2%. As a share of total spending, debt service has been on a long-term upward trend. As Figure 2.6 (page 10) shows, it claimed 14.4% of spending in 2000. Over the ensuing 12 years, that percentage increased almost annually, reaching 25.7% of spending in 2012. Debt service as a share of total spending declined for two years, before increasing again in 2015 to 23.0%.
Debt Rises

Municipalities borrow for a variety of reasons. They issue long-term bonds to pay for new buildings (e.g., a fire station, police station, or new city hall). Some borrow for new fire trucks, police cars, or snow plows. Other major projects, such as sewer replacement, also involve borrowing. Less well known is city and village borrowing for TIF districts.

Similar to household borrowing, municipal borrowing can be cyclical. When the economy turns south and employment prospects dim, households are less likely to take on new debt. When the economy is strong, they are more likely to do so. Municipal borrowing often follows a similar pattern, though with a lag as some large-scale projects may be in progress as the economy turns down.

During 2002-10, total municipal debt increased an average of 5.2% per year. As the severity of the 2009 recession became apparent, total debt rose just 1.2% in 2011, declined slightly in 2012, and increased an average of 0.8% in 2013 and 2014.

With Wisconsin’s economy showing steady growth and unemployment falling to near 2000 levels, cities and villages are again taking on debt. In 2015, total general obligation debt increased 3.4%, the largest gain since 2010 (see Figure 2.7).

Two areas drove the increase. On average, borrowing for streets comprises about 30% of total municipal debt. Outstanding street debt increased 4.3% in 2015. An all-encompassing “other” category comprises about half of all debt, and rose 3.9% in 2015. This category includes debt not categorized as streets, police, fire protection, storm sewers, water or electric utilities, transit systems, or public schools.

Spending and Debt by Population

Spending. While total municipal expenditures climbed 6.0%, increases varied by population. Spending in the state’s least populous cities and villages—those with fewer than 1,000 residents—increased the most (15.2%, see Figure 2.8, upper chart, page 11). Due to relatively small budgets, spending can swing wildly from year to year in these communities. A major capital expenditure in one year results in a large percentage increase in spending. With no spending the following year, spending drops by a similar percentage. In larger communities, that same expenditure would
have a smaller impact on total spending. Municipalities with populations between 2,000 and 5,000 also increased spending significantly (9.5%).

Municipalities with populations between 10,000 and 50,000 also raised spending more than average. The largest increase was in the 30,000 to 50,000 group, where an 8.6% jump was driven by spending increases on development (26.2%), transportation (13.2%), and general government (26.7%). The jump in general government costs is unusual but resulted from Wauwatosa paying out nearly $9 million in property tax refunds.

Increases in general obligation debt also varied by population. It rose the most in municipalities with populations between 1,000 and 2,000 (6.1%, see Figure 2.8, lower chart). Debt rose little in the other four groups with fewer than 15,000 residents. The state’s largest cities and villages increased debt between 4% and 4.5%.

**Street Condition**

Previous discussions focused on municipal finances: a surprise increase in revenues, shifting spending patterns, and rising debt. While finances are related to service levels, conclusions about service provision cannot necessarily be drawn from these figures. Spending in some areas may rise due to increases in compensation or other costs, yet service levels remain unchanged. Data on the provision of municipal services are nearly nonexistent.

Street quality is the exception. The Wisconsin Department of Transportation (DOT) collects information from cities and villages on street quality. Pavement is rated on a scale of one through 10 (see box on page 13).

“**Good**” or **Better**: After declining for two consecutive years and during three of the last four, the percentage of city and village streets rated “good” or better increased in 2016 from 67.8% to 68.8%. In other words, more than two-thirds needed little repair; at most, they required some crack filling or possibly a sealcoat. However, the percent rated good or better remains below the nearly 72% in 2011.

Figure 2.9 (page 12) provides more detail. The 2016 shift was driven by a jump in streets rated excellent. That percentage climbed from 13.6 to 15.3%. Those rated
“very good” declined 0.2 percentage points, while the percentage rated “good” fell 0.4 percentage points to 36.5%.

“Fair” or Worse. With a higher percentage of streets rated good or better, the percentage rated “fair” or worse had to decline, from 32.2% in 2015 to 31.2% in 2016. The percentage of streets rated “very poor” declined 0.3 points from 2.7% to 2.4%. The percentage rated “poor” fell by the same number of points, from 6.4% to 6.1%. As the box on page 13 shows, those rated very poor need reconstruction. Rebuilding of these streets likely contributed to the rising percentage rated excellent.

The costs of repairing streets grows significantly as maintenance is delayed. As the box on page 13 shows, the average per mile cost of resurfacing is $606,000. That cost doubles if major reconditioning is required, and it more than quadruples if reconstruction is warranted.

By Population Group. When street conditions are examined by population (Table 2.3), several patterns emerge. First, as a group, Wisconsin’s 12 largest cities—those with more than 50,000 residents—had the smallest percentage of streets rated in one of the top three categories (good, very good, or excellent) in 2016: 65.2%. However, they also had the largest improvement in streets rated good or better (+2.1 percentage points).

Table 2.3: Street Quality Varies by Population

<table>
<thead>
<tr>
<th>Population</th>
<th>2015 “Good” or Better</th>
<th>2015 “Fair” or Worse</th>
<th>2016 “Good” or Better</th>
<th>2016 “Fair” or Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1,000</td>
<td>67.0%</td>
<td>11.1%</td>
<td>66.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>1,000-2,000</td>
<td>70.3%</td>
<td>8.6%</td>
<td>69.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>2,000-5,000</td>
<td>71.1%</td>
<td>8.5%</td>
<td>71.8%</td>
<td>8.2%</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>72.7%</td>
<td>8.5%</td>
<td>73.9%</td>
<td>7.8%</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>71.5%</td>
<td>9.0%</td>
<td>72.1%</td>
<td>8.2%</td>
</tr>
<tr>
<td>15,000-30,000</td>
<td>66.0%</td>
<td>11.2%</td>
<td>67.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>30,000-50,000</td>
<td>65.9%</td>
<td>9.4%</td>
<td>67.2%</td>
<td>8.0%</td>
</tr>
<tr>
<td>&gt;50,000</td>
<td>63.1%</td>
<td>10.7%</td>
<td>65.2%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>
The 30,000 to 50,000 group remained below average in its good-or-better percentage (67.2%), but its one-year gain (1.3 points) trailed only the largest communities. This group had the greatest decline in streets rated poor or worse (-1.4 points).

At the same time, street quality continued to erode in the least populous cities and villages. In those with fewer than 2,000 residents, the percentage of streets rated good or better declined (-1.0 points for the smallest municipalities and -0.8 points for those with 1,000-2,000 residents). Percentages rated poor or worse rose. As a group, Wisconsin’s least populous cities and villages now have the highest percentage of streets rated poor or worse (11.4%).

In 2016, the state’s most populous cities and villages saw the greatest improvement in the percentage of streets rated good or better.
Economic Development

According to accompanying survey results, municipal officials cited economic opportunity and housing as two of the most important factors in “keeping and attracting” residents. In short, city and village officials focus on growth—either new residential development, business development, or both.

Development affects communities in multiple ways. First, both business and residential development can make a community more attractive to newcomers. Second, development can also add to tax base and helps determine how much a municipality can levy. State-imposed levy limits allow property tax increases up to growth in new construction. Finally, new development increases demand for some services.

Net New Construction. New construction in Wisconsin cities and villages continued to expand in 2015, totaling $5.0 billion, the most since 2007 ($6.3 billion). In 2005, net new construction totalled $7.8 billion, a total that has yet to be exceeded. New construction added 2.9% to total equalized property values that year, another figure that is the highest on record.

As the state and nation moved into and through recession, real estate values fell and demand for new residential or business properties waned. By 2010, new construction added just 0.7% to city and village property values.

The good news is that development has consistently expanded since 2010, though growth has been sluggish. Not until 2013 did new construction add more than 1% to property values (see Figure 2.10, dashed line). And the 1.6% added in 2015 remains well below the 2.0% added in 2008. Moreover, 2015 new construction was less than 1% in more than half of all municipalities (blue line in Figure 10).

By Population. Municipalities with little or no development in 2015 tended to be small. Among municipalities with greater than 5,000 residents, about two in three had net new construction rates greater than 1% (see Figure 2.11). That percentage falls to less than 50% in cities and villages with 2,000 to 5,000 residents. Among the state’s least populous cities and villages, fewer than one-in-four had new construction rates of at least 1%.
3. SURVEY RESULTS: SECOND SURVEY BUILDS ON FIRST

The status of Wisconsin’s cities and villages, up to this point in the report, has been viewed through a data-driven lens, with the much of the latest information from 2015. And while “figures don’t lie,” as the saying goes, there’s truth in the observation that “perception is reality.”

This section turns to how local officials perceive the condition of their municipalities in response to a March 2017 survey and reference 2016. The League emailed the survey to about 500 municipal officials. All told, 188 surveys were returned, a respectable response rate of 38%.

Response rates varied by population size, ranging from about one in five for the smallest municipalities (under 1,000 people) to two-thirds for communities over 30,000. In the discussion that follows, findings from more populous (over 15,000) and less populous municipalities (less than 15,000) are distinguished when attitudes and conditions vary between the two.

Questions asked in the recent survey largely repeat those asked in the initial one conducted in the spring of 2016. From the outset of this project, it was the League’s goal to use last year’s results as a baseline from which trends could be spotted and emerging issues identified.

In both 2016 and 2017, officials were asked about their municipality’s financial health, services provided, staffing levels, and employee turnover. They were also queried on public perception of public services. Two questions focused on citizen participation as candidates for city council or village board. Finally, officials were asked about local economic conditions.

Two new, open-ended questions were added to this year’s survey. The first asked officials to reflect on community characteristics most important to attracting new residents. The second asked them to identify major challenges they think they will face in five years. It is to these two questions we turn first.

Attracting, Keeping Residents

Population growth in the state is slowing, resulting in a majority of school districts statewide losing students and labor force size stagnating as baby boomers begin to retire. These realities require cities and villages to be creative and proac-

This year’s survey was completed by 188 municipal officials, up from 148 last year.
When asked about the most important factors for attracting or retaining residents, K-12 schools and economic conditions were most cited.

Study Process. Those responding to the survey had a host of ideas about how to enhance the appeal of their communities. Able to list up to four factors important to retention and attraction, 174 respondents identified almost 650 such items. Individual responses were reviewed by two researchers and consensus reached on placing them in one of 30 categories. During a second round of analysis, some of these categories were found to be thematically similar and were further grouped.

Schools Matter. If there ever were an argument for more communication between school and municipal officials and joint collaboration, the leading factor in attracting and keeping residents would be it. Schools were listed 100 times (by 57.5% of respondents). And almost half of responses centered on one attribute. The phrasing varied—“high performing,” “good reputation,” “excellent schools”—but the message was the same: School quality matters (see Figure 3.1).

Parents and employers care most about excellence, rigor, student performance, graduation rates, and post-graduation success. If a community has students open-enrolling to other public districts or private schools, it’s a sign that parents are “voting with their feet.” Municipalities and employers cannot afford that to happen. School-municipal communication and cooperation can help.

Besides schools, seven other factors important to attraction and retention were most often cited: economic factors, followed by natural attributes and public costs (tied), housing, public safety, private amenities, and public services.

Jobs and Economy Close Second. Economic attractions of a community (90 responses, 51.7% of responses) were a close second to schools. Specific concerns within this category were: jobs (66), business opportunities (22), and wages (2).

Tie for Third. Two related natural or environmental factors attracted 64 mentions (36.8%), of which 58 specifically named parks and recreation; another six volunteered lakes and rivers.

The costs of government and quasi-public services gained an equal number of responses (64, 36.8%). Taxes were most often cited (54), but utility costs, which can be public or private, were also listed (10).
Housing Concerns. Housing concerns were close behind (61, 35.1%). In more specific terms, local officials named a number of attributes, including price, availability, selection, and quality.

Other Responses Vary. Public safety garnered 44 mentions (25.3%) from city and village officials, as did a range of private amenities (also 44). Individual amenities scattered among: cultural attractions (6), health care (6), restaurants (4), shopping (13), and amenities generally (15). If parks/recreation and rivers/lakes are considered public amenities, public and private amenities together attracted 108 mentions, even more than schools alone.

The only other category that at least 20% of survey participants cited was public services generally (35, 20.1%). If street conditions are included, the service category was named 41 (23.6%) times.

The attributes already mentioned account for almost four of every five items named as important to current or potential residents. Other community characteristics named ten or more times were: location (32), quality of life (22), size and “smallness” (together, 19), sense of community (17), and cost of living (11). Notions of small size and community engagement both point to the importance of human scale and being “part” of something—characteristics often found lacking in large, densely populated cities, of which it could be argued Wisconsin has at most one.

Future Challenges?

If city and village officials had a wide variety of ideas for attracting and keeping people in their communities, they differed less when thinking about the future. Indeed, the challenges they anticipate in five years are probably the same ones they face today.

Top-of-Mind Concerns. The survey asked officials to list up to three challenges they expect to face in five years. Respondents were also asked to identify one challenge as “most significant.”

Dollars-and-cents and bricks-and-mortar (and pavement) topped the list of concerns. Budgets and levy limits were named by 39 (22.0%) of officials; infrastructure was a close second with 37 (20.9%) mentions (see Figure 3.2, yellow bars). Over half of all responses were accounted for when the third leading choice—attracting businesses and creating jobs (20, 11.3%)—was included.

Infrastructure and financial issues topped the list of challenges municipal officials expect to be most pressing in five years.

![Figure 3.2: Infrastructure/Finances Lead Future Challenges](chart.png)

Expected Challenges In Five Years by % Citing*

<table>
<thead>
<tr>
<th>Challenge</th>
<th>0</th>
<th>20</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>20.9</td>
<td></td>
<td>57.6</td>
</tr>
<tr>
<td>Budget/Levy Limits</td>
<td>22.0</td>
<td></td>
<td>43.5</td>
</tr>
<tr>
<td>Jobs/Business</td>
<td>11.3</td>
<td></td>
<td>32.2</td>
</tr>
<tr>
<td>Planning/Growth</td>
<td>5.1</td>
<td></td>
<td>17.5</td>
</tr>
<tr>
<td>Cost of Gov’t</td>
<td>7.4</td>
<td></td>
<td>14.7</td>
</tr>
<tr>
<td>Muni. Workforce</td>
<td>5.5</td>
<td></td>
<td>13.6</td>
</tr>
<tr>
<td>Housing</td>
<td>6.2</td>
<td></td>
<td>12.4</td>
</tr>
</tbody>
</table>

*Percentages for “All” total to more than 100% since respondents were allowed up to cite three challenges
The only other top-of-mind items volunteered by at least five percent of those surveyed were costs of government (taxes and utility costs, 7.4%), housing (6.2%), and planning and growth issues (5.1%).

Intensity of Those Concerns. An alternative way to evaluate the most significant issues is not by number of mentions but by intensity. For example, citizen apathy and lack of engagement was only mentioned four times; however, half (2) of respondents said it was their highest concern. On the other hand, demography was named 13 times but listed as a number-one concern only twice.

Issues where the number of “first mentions” was half or more of all mentions were: housing (11/22), levy limits and budget concerns (39/77), state funding (4/6), and taxes/utility costs (13/26). State funding is another example of an issue that was not often mentioned, but when it was it was a top concern.

Digging Deeper: Infrastructure, Finances, Jobs. The scope of future challenges is broader when all responses (476)—not just the most significant ones—are examined. That said, conclusions change little.

Infrastructure (102, 57.6% of respondents) and budget-levy limits (77, 43.5%) again head the list, though in reverse order (Figure 3.2 blue bars, page 17). Of those listing infrastructure, almost half (47) specifically mentioned transportation or traffic. Streets were in some way mentioned another 13 times in other categories (e.g., budgets). Sewer and water were specifically mentioned 14 times as an infrastructure concern.

Only five other items were cited by more than 10% of respondents. Attracting jobs and business (57, 32.2%) was most prevalent. Concerns surrounding planning and growth broadly defined to include TIF districts (31, 17.5%) followed. Municipal workforce challenges, e.g., retirements and succession planning, were identified 24 times (13.6%). If taxes (21) and utility costs (5) are combined, the cost of government can also be included (26, 14.7%). Often but less frequently named was housing with 24 (12.4%) mentions.

Other items listed five or more times included debt, demographic trends, drugs and poverty, health care, maintaining service levels, schools, state funding, state mandates, tax base, and water rules (especially as they relate to phosphorus). Mandates and rules hint at a thematic concern that lurked in several other categories: the burden of complying with state regulations in one form or another.
**Take-aways?** Much attention has been given here to the two new questions included in the second annual survey of city and village officials: keys to attracting residents and future governmental challenges. Lost in the detail is one impressive statistic: In responding to the two open-ended queries, municipal officials offered, without prompting, over 1,100 ideas and concerns.

The nature of these responses prompts two related questions. First, Wisconsin has more than 3,000 units of government—more in per capita terms than all but about ten states. Regardless of type or size, are municipalities—and their county and school district brethren—under too much fiscal, economic, and demographic stress to enjoy the luxury of “going it alone.” And if so, how can municipalities, metaphorically, build more bridges between local governments?

Second, if the responses of local officials discussed here suggest Wisconsin municipalities are facing a “perfect storm” of more service demands in the face of state-imposed fiscal constraints, mandates, and stagnant state aid, how can they innovate and collaborate to do even more with less? And, how can state government facilitate, rather than complicate, that?

**Financial Health**

In addition to the two questions added this year to the second annual survey, municipal officials were asked to respond to a series of questions asked in both 2016 and 2017.

The fiscal environment Wisconsin municipalities have faced in the past few years has been challenging: tighter levy limits, stagnant to declining state aids, and state-initiated changes in employee benefits through Act 10. Understanding the financial health of cities and villages has been at the heart of the annual survey of municipalities.

**Fiscal Condition.** A battery of questions encouraged officials to assess their overall financial status in 2016 in two ways: first, by comparing themselves to peer communities; and second, by reporting any change in its own status from 2015 to 2016. To spot any developing trends, responses to this year’s survey can also be compared to last year’s.

Of municipalities responding, 41.0% of officials rated their financial condition somewhat or much better than their peers, while 17.5% labeled it somewhat or much worse (see blue bars in Figure 3.3). On a net basis, then, the overall assessment was favorable by a net difference of +23.5 points (41.0% - 17.5%).
As last year’s survey also revealed, responses varied by community size, so the reported financial health of “large” (> 15,000) and “small” (< 15,000) municipalities differed. Leaders of large communities were overwhelmingly positive in comparing themselves with peers: 55.6% “better” vs. 5.6% “worse”, a net difference of +50.0 points. The comparable net figure for small municipalities was also positive, but only +17.0 points (37.4% - 20.4%).

Regardless of population size, self-evaluations of financial health in 2016 vs. 2015 were still favorable but less so (see yellow bars in Figure 3.3). Among all survey participants, responses were 32.2% better vs. 18.5% worse, a net difference of only +13.7 points. Again, large municipalities were more positive (+19.5 points) than small ones (+12.2 points) but the difference was not large.

**Municipal Reserves.** A second way to assess financial health is to examine general fund reserves as a share of annual spending. A community with significant savings compared to expenditures is better equipped to deal with emergencies or an economic downturn. It is encouraging that no communities reported 2016 balances of 0% or less; 4.9% did in last year’s survey covering 2015.

The percentage of cities and villages with relatively small reserves (0% to 5%) was also modest and changed little from 2015 to 2016: 9.8% in the first year and 9.0% in the second (see Figure 3.4, page 21). In both years, however, all of these communities had populations under 15,000.
At the other end of the spectrum, a significant majority of cities and villages were strong financially with reported reserves equal to 20% or more of spending. The percentages changed little from 2015 (65.9%) to 2016 (64.6%), and varied little between large (63.6%) and small (64.9%) small municipalities.

**Fees and Charges.** The degree to which municipal fees and charges were increased last year over the prior year might also serve as an indicator of fiscal stress. With property tax levy growth limited by state law to new construction, fees are one alternative. And they are rising. For water, 42.8% of officials reported increases from 2015 to 2016; figures for other categories are: recreation, 34.6%; sewerage, 47.1%; transit, 15.8%; and other areas, 38.2%.

**Facilities and Service Delivery**

Overall access to facilities and frequency of service did not change appreciably from 2015 to 2016. Indeed, responses to this group of survey questions suggest that municipalities are doing somewhat more, despite limited resources.

**Facilities.** For example, the number of hours city and village halls are open to the public has remained constant: 89.2% of respondents reported no change in hours during 2016 vs. 91.8% in 2015. In fact, on the margin, a larger share of municipalities were open more hours (8.1%) in 2016 than fewer (2.7%).

Findings for libraries and parks are similar. No changes in library hours were reported by 83.1% of respondents; 95.9% responded similarly for parks. More than less hours were reported for both libraries (10.1% vs. 6.9%) and parks (3.0% vs. 1.2%).

**Frequency.** Presented with a list of common services, respondents were also asked whether frequency had increased or decreased. In the case of police and fire protection, changes in response times were measured.

Regardless of the service, no changes were reported by a majority of cities and villages, ranging from 60.1% for street repairs to 90.0% for transit. To the degree change was reported, the direction was almost always more positive than negative.

For example, 26.8% of officials said lawn mowing frequency was up, while only 5.6% said it was down, a net favorable difference of 21.2 points. Net positive differences were also reported for snow plowing (8.3 points), transit (5.1%), police response (6.8 points), and fire response (10.0 points).
Frequency of street repair is the one aberration that deserves more detailed inspection. For 2016, 19.7% reported increased activity, while 20.2% reported less. In other words, more communities reported a decline in frequency of street repair for a net change of -0.5 points. The net difference was even more negative in 2015, -11.9 points (12.5% more - 24.4% less).

**Employment . . .**

Levels. The relatively small shift in the frequency of service delivery and response times is reflected in changes in overall employment levels, as well. Across all employee types combined, the number of full-time equivalent employees (FTE) remained unchanged in 53.9% of cities and villages (see Table 3.1), a percentage similar to that reported last year (57.9%). Probably reflecting their size and fiscal condition, lack of change in employee counts was even more common among small municipalities (60.0%) than large ones (31.4%).

By specific employee type, no change was typically reported in 70% to 80% of cases: police (72.5%), fire (75.2%), parks/recreation (76.6%), and streets/public works (77.5%). The status quo prevailed at even higher levels among library (81.9%) and general administrative (82.3%) staff.

To the extent that employee numbers did change, on balance net increases prevailed. To illustrate, numbers of police officers increased in 16.1% of municipalities, while falling in 11.4%, for a net positive increase of 4.7 points. Net increases occurred in most other categories: fire protection (+7.8 points), parks (8.8), and administration (3.8).

Public works and libraries differed slightly. Public works employees rose a net of 2.3 points (12.4% up, 10.1% down). This was actually an improvement from last year’s survey when the net 2015 change was -1.1 points. Library workers registered a slight net decline (-0.9 points) in 2016, with 8.6% of communities reporting increases and 9.5% reporting decreases; in 2015, the net change was small and positive (1.9 points).

**Turnover.** Almost every year, of course, there are municipal employees who retire, move, or take another job. Significant turnover (more than 10% of the workforce) was reported by 30.4% of survey participants, a slight decline from the prior year (36.6%). Reporting of little or no turnover (0%-2%) rose year over year from
26.1% in 2015 to 39.8% in 2016. Moderate changes of between 2.5% and 10.0% occurred in 29.8% of respondents (vs. 37.3% the prior year).

Less turnover (0%-5%) was more common in small municipalities (55.8%) than populous ones (38.3%). Conversely, 44.1% of large communities reported turnover of more than 10% compared to just 27.2% for small cities and villages.

And Why? Reasons for leaving a position can be useful to city and village officials. As in the prior year, the chief explanation was retirement or death (41.5%), though that average was higher in large (53.0%) than in small (36.0%) communities.

Employees leaving to take a position elsewhere, however, should concern local leaders. That reason was given by 29.9% of respondents, up slightly from 27.4% the year before. The average percentage was slightly higher in small (33.1%) than in large (22.5%) places. Other reasons for leaving a job—family move (6.8%), layoff (3.5%), and “other” (17.9)—were not as significant.

. . . And Employee Benefits

In a post-Act 10 environment, special attention has been given to fringe benefits, and particularly health insurance.

Provider Change. One common question is the degree to which a public employer is changing health insurance provider for its largest employee group. In 2016, 15.6% of cities and villages reported a change compared to 9.8% in 2015. Percentages varied little by size of community.

Premium Payment. Regardless of provider, there is an inexorable move toward greater premium sharing between employer and employee: 11.7% of officials said employees were responsible for no share of the premium compared to 14.6% the year before. Another 11.0% reported modest sharing (up to 5%). Somewhat surprisingly, little or no premium sharing (5% or less) was more prevalent among small (25.2%) than large (13.9%) communities.

Health Costs. As insurance carriers change and employees become responsible for a greater share of premiums, one might expect increases in municipal costs for health insurance to slow. The survey showed no change or a decline in costs in 27.5% of municipalities and increases of 1% to 5% in another 40.3%. Larger increases were less common: 6% to 10% in 20.1% of cities and villages; 10% to 25% in 10.1%; and more than 25% in 2.0%. Large and small communities differed

In 2016, 15.6% of municipalities changed health insurance provider, compared to 9.8% in 2015.
Public perception of municipal services was more often better than worse in 2016. Street maintenance had the smallest net positive rating.

Table 3.2: Public Perceptions of Local Govt. and Taxes

Q. Municipal residents, voters, and taxpayers are familiar with local government taxes and services because they can “see and touch them.” They sometimes communicate their feelings to city and village officials. For each of the areas below, how did resident attitudes in 2016 compare to 2015? Would you say that those attitudes in 2016 were more favorable, less favorable, or unchanged?

<table>
<thead>
<tr>
<th>Service</th>
<th>More (%)</th>
<th>No Change (%)</th>
<th>Less (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Maintenance</td>
<td>27.4</td>
<td>49.2</td>
<td>23.5</td>
</tr>
<tr>
<td>Fire Protection</td>
<td>20.5</td>
<td>77.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>28.2</td>
<td>54.7</td>
<td>17.1</td>
</tr>
<tr>
<td>Police Protection</td>
<td>33.3</td>
<td>59.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Library Services</td>
<td>34.6</td>
<td>61.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Park Conditions</td>
<td>36.0</td>
<td>55.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Snow Removal</td>
<td>20.6</td>
<td>66.1</td>
<td>13.3</td>
</tr>
<tr>
<td>Bus/Transit</td>
<td>9.4</td>
<td>86.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>

little in the percentage that had double-digit increases, but the share of places with no increase was greater among the small (30.7%) than the large (17.1%).

Public Perceptions

The primary aim of surveying officials was to gain “on-the-ground” insights into financial condition, service delivery, and employment issues. However, local officials were also asked to think about three other areas: public perceptions, public engagement, and community-wide employment prospects.

Services Rated. How did residents view local services in 2016 as opposed to 2015? Municipal officials could characterize attitudes as “much more” or “somewhat more” favorable on the one hand, or “somewhat less” or “much less favorable” on the other.

Libraries received the highest scores with 34.6% responding more favorable and 3.9% less favorable, for a net difference of 30.7 points (see Table 3.2). In descending order, other services with high net positive ratings were: parks, 27.4%; policing, 26.5%; and fire protection, 18.6%.

Snow removal (+7.3 points) and transit (+5.6 points) were, on net, viewed favorably—but by smaller margins. In a wintry state such as Wisconsin, one wonders whether municipal snow removal can ever receive rave reviews. Public transit is a service that is not offered uniformly, so the number of respondents was somewhat smaller. Moreover, in the vast majority of communities (86.8%), perceptions of transit were unchanged over the year. The service with the smallest net favorable ratings both last year (+2.2 points) and this (+3.9 points) was street maintenance.

Property Taxes. Attitudes in one area other than services were also evaluated: property taxes. This year, favorable ratings (28.2%) exceeded unfavorable ratings (17.1%), yielding a net positive score of 11.1 points. The largest percentage of survey respondents (54.7%), however, saw no change in resident attitudes.

Curiously, the 2016 results differ from those received for 2015. That year, unfavorable responses (32.0%) swamped favorable (16.0%) by a two-to-one margin, a net difference of -16.0 points.

Whether this shift is meaningful cannot be gauged. Statistically, there is little difference between the two years: In recent years, total net property tax levies statewide have consistently been increasing between 1% and 2%. Another explanation for the seemingly contradictory findings could simply be a change in the composi-
tion of respondents from one year to the next. For example, the number of small communities responding this year was up over the previous year, while the reverse was somewhat true for large communities.

**Public Engagement**

_Electoral Competition._ Probably the most discouraging result from last year’s survey was the lack of candidates and competition for city and village board seats. The news from this year’s survey is marginally worse. Key findings include:

- In 57.3% of communities, there was, on average, one or no candidate for each board seat over the past three years (see Table 3.3). Last year, the percentage was 52.4%. These percentages were markedly lower in small municipalities (64.4%) than in large ones (27.8%), but in both cases they were higher for 2016 than for 2015.

- The share of communities reporting two or more candidates per seat was negligible both this year (4.3%) and last (4.1%). However, the percentage varied somewhat with population (8.3% in large communities vs. 3.4% in small ones).

- Put another way, over the past three years, 95.7% of cities and villages, regardless of size had no board contests.

- When asked whether electoral competition had diminished “over the past five to ten years,” the response was even more discouraging: 47.6% of municipalities said it had, while 39.3% said there had been no change in already dismal figures. Results were similar for small and large communities alike.

**Economic Prospects**

In a sense, the final survey question asked both this year and last returns to where the review of results began: an overall assessment of how communities are faring. Officials were asked to gauge how, if at all, “employment prospects for all people in your entire community” had changed, both over the last year and over the past five years.

_Overall._ Among all municipalities, employment opportunities are improving, though the change from 2015 to 2016 is negligible. To the degree there is improvement, it is most noticeable among small communities who already lagged their larger counterparts in the prior year.

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**Table 3.3: Electoral Competition**

Q. Over the past three years, for each seat, how many candidates have there been, on average?

<table>
<thead>
<tr>
<th></th>
<th>1 or Less</th>
<th>Between 1 and 2</th>
<th>2 or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>57.3</td>
<td>38.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Large Muni's</td>
<td>27.8</td>
<td>63.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Small Muni's</td>
<td>64.4</td>
<td>32.2</td>
<td>3.4</td>
</tr>
</tbody>
</table>
Of all cities and villages, 53.5% said job prospects were much or somewhat better this year, about the same percentage (53.2%) as last year. Where there was some shift in results in the past year, it was in reports of worsening job conditions. That percentage fell from 12.6% to 6.5%.

Findings were similar but slightly more encouraging when the time horizon was expanded from one to five years. This year, 58.5% of municipalities said conditions were better than five years ago, while 12.6% said they were worse (see Table 3.4). Those percentages were improvements over the prior survey when they were 53.6% “better” and 21.1% “worse.”

Small Communities Lag. By population size, employment opportunities continue to be greater for large municipalities than small, but the gap narrowed somewhat. In large communities, 85.7% called job prospects better this year than last and 91.4% called them better than five years ago. Corresponding figures for their small counterparts were 45.9% and 50.7%, respectively.

None of the large cities or villages said their prospects were worse in 2016; in 2015, a small share did, over one year (8.1%) and over five (15.5%).

Negative reports prevailed more frequently in small municipalities, but the percentages improved. Over one year, only 8.1% termed job opportunities worse—almost half the share reported for 2015 (15.4%). Looking back five years, 15.5% said that employment conditions had declined. That, too, was an improvement over the last survey when a disturbing 24.3% of small communities said their job outlook was worse than five years before.

<table>
<thead>
<tr>
<th>Better</th>
<th>Same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Municipalities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past Year</td>
<td>53.6</td>
<td>39.9</td>
</tr>
<tr>
<td>Past 5 Years</td>
<td>58.5</td>
<td>29.0</td>
</tr>
<tr>
<td><strong>Pop. &gt; 15,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past Year</td>
<td>85.7</td>
<td>14.3</td>
</tr>
<tr>
<td>Past 5 Years</td>
<td>91.4</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Pop. &lt; 15,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past Year</td>
<td>45.9</td>
<td>45.9</td>
</tr>
<tr>
<td>Past 5 Years</td>
<td>50.7</td>
<td>33.8</td>
</tr>
</tbody>
</table>

Table 3.4: Employment Prospects
Q. Think about employment prospects for all people in your entire community. How have they changed?
4. CONCLUSIONS

Assessing the status of Wisconsin’s city and villages must, by necessity, be grounded in dollars, counts, and percentages. The risk is to become lost in detail, of failing to see trends or patterns. Or, in the familiar, the “forest is lost for the trees.” That’s why it is important to acknowledge several over-arching themes that emerge from both “hard” and “soft” data presented here.

One theme returns from the first report in this series: important differences in the status of small (under 15,000 residents) and large (over 15,000 residents) municipalities. Lack of scale, financial resources, and professional staff all present internal operating problems for small communities, especially those with fewer than 5,000 residents.

But it is the economic and fiscal arenas where differences between the two groups stand out. Community-wide, job opportunities are less in small municipalities. They also have fewer tools with which to improve their physical and human capital: Small municipalities reported that they were financially weaker than their populous counterparts; public spending on development has lagged; and new construction activity (private development) has been comparatively weak.

That said, one cannot ignore a growing spirit of independence and self-reliance in many cities and villages. While the state withdraws financial help and simultaneously tightens levy limits and increases mandates, municipalities have responded by increasingly taking responsibility for their own futures, even if incurring debt were necessary.

Many municipalities, especially populous ones, have ramped up development expenditures and are enjoying renewed growth in new construction. They are finding ways to maintain—and even increase—services and staffing levels, despite moderate to no growth in revenues. Residents have responded, in a number of cases, by expressing greater satisfaction with services without increased anxiety over taxes.

Local governments are sometimes accused of being preoccupied with their own internal problems, of being cognitively “siloed” to the needs of other governments and larger market forces. Yet, they demonstrate encouraging awareness of “the big picture.” They recognize that municipal government is not the panacea; they acknowledge the central role that school quality and economic development play in building better futures attractive to new and old residents alike.

On balance, despite their fiscal challenges, Wisconsin’s cities and villages seem to have taken “Old Blue Eyes” to heart: “I faced it all and I stood tall and did it my way.”
Wisconsin is one of 35 states where the Municipal League sponsors an Insurance Program for members.

Since 2002, League Mutual, a policyholder-owned insurance company, has provided workers’ compensation, auto liability, police liability, general liability, and most important, public official liability insurance coverage to League Cities, Villages and Special Districts. Today 410 municipal policyholders place their trust in League Mutual, a company they control through their election of the Board of Directors.

Now in its 15th year of operation, League Mutual has assets of $75,000,000 and a policyholder surplus of $30,000,000. The excellent coverages and service results in a 99 percent renewal rate year after year.

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The 2017 State of Wisconsin's Cities and Villages

A report and tracking survey prepared annually for members of the League of Wisconsin Municipalities by the nonpartisan Wisconsin Taxpayers Alliance.