The 2018 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 Policy Forum.
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**About the League of Wisconsin Municipalities**

The League of Wisconsin Municipalities is a nonpartisan, nonprofit organization founded in 1898 to advocate for Wisconsin’s cities and villages. In addition to advocacy, the League provides legal services to its members and training and networking opportunities.

www.lwm-info.org

The Wisconsin Policy Forum was created on January 1, 2018 with the merger of the Madison-based Wisconsin Taxpayers Alliance and the Milwaukee-based Public Policy Forum. With research staffs in both cities, the Forum will continue the tradition of independent, nonpartisan government research and education of its predecessors.

www.wispolicyforum.org
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EXECUTIVE SUMMARY

Wisconsin’s 600 cities and villages have benefited from the long economic recovery but they have not prospered in equal measure. On the positive side, the economy is expanding, the unemployment rate has fallen below 3%, and the state overall is seeing more growth and development after the hard years of the Great Recession. In general, local leaders report improvements in their finances, outlook, and job markets. Yet these gains have been absent or minimal in many municipalities, particularly the smallest ones.

Despite state-imposed limits on local property taxes, levies rose in 2016 at their fastest rate in six years. Under state law, cities and villages generally are allowed to raise their tax levies to fund ongoing operations only by the amount of new construction in their communities. This system has put constraints on municipal tax collections and spending but also has held down property taxes for homeowners and businesses. Most municipal leaders report they maintained or improved their staffing levels, services, and response times, particularly in crucial public safety areas.

Some challenges and signs of stress do stand out. State aid for all municipalities stagnated in 2016 and actually fell for those with fewer than 2,000 residents. As a result—despite solid growth in property taxes—overall revenues for Wisconsin’s cities and villages failed to keep up with inflation. In the smallest communities, the drop in state aid meant that overall revenues actually declined from 2015. The quality of local roads continued to decline, particularly in cities and villages with fewer than 10,000 people. New development also lagged in small communities. In fact, municipalities with more than 15,000 residents were two and a half times as likely to experience new construction growth of at least 1.5% compared to communities with fewer than 5,000 people.

We review these trends and more in this third edition of The State of Wisconsin’s Cities and Villages. As in previous years, the first section uses state and federal data to examine these municipalities and their revenues and spending, debt, and infrastructure. The second draws on a spring 2018 questionnaire that was returned by officials in 215 cities and villages—the most in the survey’s three-year history—regarding their communities’ financial health, workforce, services, and the views of citizens about local government.

Revenues and Spending

In 2016, total revenues for Wisconsin cities and villages—a combination of property taxes, state and federal aid, and other local taxes and fees—grew 1.7% over the previous year. This represents the smallest increase for municipalities since 2013. Property taxes rose 3.1%, the fastest since 2010, but state aid remained essentially flat, federal aid fell, and fees for local services rose at a slower rate than in 2015. Room taxes saw another large yearly increase and revenues from fees for services and licenses also rose. Overall, however, revenues for these communities did not match the 2.1% inflation rate and also did not rise when adjusted for population growth.

Villages and cities spent 2.6% more in 2016 than the previous year, a more modest increase than the 6% rise in 2015. Readers should be cautious about interpreting the significance of this spending slowdown since the totals include both ongoing expenses and capital payments for buildings, equipment, and infrastructure, which tend to be more volatile.

Spending in 2016 rose most for debt payments and streets, with road repairs getting additional money and new projects actually seeing a modest decrease. Communities increased spending on public safety services by 1.9%, with police getting an increase in funding and fire and EMS seeing a dip. Spending on development was nearly flat after double-digit increases the previous two years.

Street Quality

Despite the increased road spending, state data from 2017 show the share of streets rated “good” or better declined modestly to 67.7%. This continues a generally downward trend in road quality since 2011, when the share of “good” or better streets was 72%. By the same token, the share of roads rated “fair” or worse rose from 31.2% in 2016 to 32.3% last year.

The declines in road quality were generally greatest in smaller communities. For instance, the largest dip in the share of roads rated “good” or better came in communities with fewer than 1,000 people. Cities and villages with more than 15,000 people saw the percentage of roads rated “good” or better hold steady or rise slightly. The 2017-19 state budget may help improve local roads in the short term by providing more money for local road aid, but there is no guarantee this increased funding will continue.

Property Values and Development

Cities and villages saw increasing development in 2016—a welcome improvement since new construction figures are used to set the growth rates for local property taxes. New construction in Wisconsin’s cities and villages topped $5.6 billion in 2016, the largest increase since before the Great Recession. Development added an average of 1.8% to property values, also the fastest increase since the start of the economic downturn a decade ago.
Despite these gains, development growth statewide has not returned to pre-recession levels. In addition, development has been scattered, with some cities and villages seeing robust growth and others—often smaller communities—seeing little to none. In fact, half of all the municipalities had new construction rates of less than 0.8%. This marks a change from the pre-recession pattern in which growth was more evenly distributed. As we have previously noted, the absence of new construction limits the tax levy available to cities and villages as they attempt to maintain services and attract future growth.

Survey Findings on “Dark Store” appeals

This year’s survey was sent to cities and villages in the spring of 2018. For the first time, local officials were asked about appeals by businesses of their property tax assessments. A particularly controversial appeal by businesses maintains that, when determining the value of an occupied retail property, assessors should take greater account of the sales of similar stores that are vacant. These “dark store” appeals can lead to lower assessments and tax bills for retailers and other types of businesses. To the extent these challenges are successful, a common result is to shift property taxes from the businesses making the appeals onto homeowners and other businesses or put pressure on municipal service levels.

In the survey, city and village officials said they had 79 assessment appeals they would classify as “dark store” cases. This was an increase from 63 reported challenges in 2016 and 66 in 2015. While these appeals may be relatively few in number, a successful appeal may lower a business’s assessments by $1 million or more, substantially lowering their property tax bill.

Local Finances and Services

On the whole, more community leaders reported their finances had improved in 2017 than those who reported their condition had declined. Just over 23% of the cities and villages said their financial health had gotten better last year, with 16.5% saying it had gotten worse and 60.2% saying it had remained about the same. Once again, large municipalities reported a brighter fiscal picture.

Municipalities overall reported they are delivering better or more frequent services, particularly in critical public safety functions. For the third year in a row, local officials said their fire department response times had improved, with 16.1% of all municipalities reporting faster responses and 1.8% reporting slower ones.

A smaller share of municipalities reported fee increases in this year’s survey, but more communities are raising service charges than lowering them across every type of service. For instance, 35.1% of municipalities said they increased water service fees and none said they had lowered them. Almost without exception, respondents said fees for various services either went up or stayed flat.

Municipal Workforce

City and village leaders reported adding workers last year across their operations. Overall, 27.3% of communities said they had more employees in 2017 and only 11.9% said they had fewer workers.

Large and small municipalities both added employees, but larger communities—those with more than 15,000 people—were more than twice as likely to report hiring. Some cities and villages still reduced workers, including in critical areas such as public safety.

Despite decreasing unemployment rates across the state, the survey did not find a substantial increase in employee turnover for cities and villages. The median turnover rate for 2017 was 5.4%, barely an increase over the previous year and still well below the level for 2015. Just over one-third of communities, however, did experience a higher turnover rate of more than 10%.

Local Mood and Labor Market

City and village officials generally saw improvements in how residents viewed their work. Leaders generally rated public perception of local services and performance as more favorable than the previous year, with the exception of transit and property taxes.

As in past years, communities reported a decrease in competition in elections for city and village boards. Officials said they have seen a rise in the number of races with only one candidate or none at all. That trend is more pronounced in smaller communities but still present in nearly one in three larger municipalities. Local officials were three times more likely to see a decrease than an increase in competitive elections for city and village board seats.

Many more communities said employment prospects have gotten better for their residents both in the most recent year and over the past five years. However, two points bear watching: a modest drop in the share of communities reporting improvements and the fact that large communities were almost twice as likely to report an improvement in job opportunities for their residents. The economic recovery is real, but it is not universal.
I. OVERVIEW

Background

Beginning in 2016, the League of Wisconsin Municipalities (League) teamed up with the Wisconsin Taxpayers Alliance (now the Wisconsin Policy Forum, or WPF) to publish a series of annual studies assessing the financial health of Wisconsin’s cities and villages. The objectives were to (1) document annual changes in municipal finances and service delivery, and (2) identify areas where municipalities are succeeding and where they are challenged. This is the third report in the series.

As with past reports, this study has two major components. In the first half of the report, we analyze state data covering municipal finances, road quality, and economic development. Most of this year’s data are for 2016. A time lag is common with state and federal data as agencies often require a year or more to compile figures and ensure their accuracy.

In the second half, we examine responses from a survey of local officials covering municipal finances, service delivery, staffing, and public perceptions. This information is mostly for calendar 2017. Since the goal of these annual studies is to track municipal health over time, most survey questions are the same from year to year. With the addition of this year’s survey results, we now have three years of information with which to consider trends.

This year’s survey includes a new set of questions asking about assessment challenges. In light of the controversy over “dark store” tax appeals, the questions were aimed at understanding trends in the number of businesses challenging their assessments based on this argument.

Municipal Overview

Understanding the financial health of Wisconsin’s 600 cities and villages is important, as they are home to nearly 4.2 million citizens—nearly 72% of the state’s 5.8 million people. Since 2010, 98% of the state’s population growth has occurred in these municipalities. As Table 1.1 shows, Wisconsin cities and villages come in all sizes, ranging from almost 600,000 residents in Milwaukee to just 57 in the Village of Big Falls in Waupaca County, but 26 large cities are home to about 37% of state residents.
The vast majority of Wisconsin’s cities and villages have relatively few residents: 242 have fewer than 1,000 and an additional 209 have between 1,000 and 5,000. Combined, these 451 cities and villages (three-quarters of the total) are home to just over 10% of Wisconsinites.

**Providing and Funding Services.** Just as municipal populations vary, so do the number of services offered, the way in which they are provided, and at times, the manner in which they are funded. All cities and villages provide police and fire protection. Larger municipalities generally have their own departments, while smaller ones may contract with neighboring communities for fire services. More populous cities and villages often provide recreation and cultural programs. Less populous ones often do not because they lack the population to support them.

Revenues in municipalities, regardless of size, are somewhat similar. The property tax is the largest source of revenue (52.9% of the total), followed by state aids (20.7%). Combined, these two sources account for almost three-quarters of municipal revenues. The remainder of spending is funded with federal aid (1.8%), fees and charges for services (13.2%), and some miscellaneous revenues (11.4%).

For the state’s most- and least-populous cities and villages (those above 30,000 and below 5,000), revenues differ slightly. Property taxes and state aid account for about the same share of revenues for both groups. (See Figure 1.1.) However, fees and charges are a greater source of revenue for larger communities. Part of the explanation is larger cities and villages typically offer recreation and cultural programs that are funded with fees.

Larger municipalities also receive more federal aid than small ones. For both, though, federal monies account for a very small share of revenues. Because they collect fewer fees and less federal aid, small communities rely to a greater degree on other revenues. Room tax collections are 2.6% of revenues in small cities and villages and 1.3% in large ones. Revenues from municipal utilities are greater in small versus large communities (3.1% vs. 1.4% of the total), as are “donations and contributions” (1.7% vs. 0.6%).
Outside Forces

Municipal finances in Wisconsin also are impacted by factors beyond municipal control, such as economic forces, state and federal policies, and demographic trends.

Economy. Over the past five years, Wisconsin’s economy has grown, but at a slower pace than most states. During 2012-17, the number of statewide jobs increased a total of 5.9%, 29th highest among the states. Nationally, job growth averaged 9.1%.

However, growth rates varied widely around the state. Jobs were added at or above the national rate in south-central Wisconsin, the western counties near the Twin Cities, the area around Wausau, and parts of the southeastern corner of the state.

Through the third quarter of 2017 (full-year figures were not available for counties), five-year changes varied from declines in 20 counties to double-digit increases in four: Kenosha (27.6%), Lafayette (13.9%), Ozaukee (11.1%), and Columbia (10.3%). (See Figure 1.2.) Jobs in the state’s largest county, Milwaukee, increased 2.7% over five years.

State Policy: Levy Limits. The 2015-17 state budget kept in place restrictive limits on municipal property tax levies. Cities and villages can increase operating 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.
- The municipality’s outstanding general obligation debt must be less than in the prior year.

State Policy: State Aids. For 2016 and 2017, state shared revenues and the expenditure restraint programs were unchanged. However, general transportation and mass transit aids rose 4% beginning in 2015 and are up another 4.3% in 2017. State reimbursement 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 and fire protection to state facilities.

*State Policy: Other Changes.* State lawmakers made significant changes to the room tax law effective January 1, 2017. For some communities with longstanding room taxes, the result was a diversion of revenues from general government to tourism promotion. Also beginning in 2017, the prevailing wage law for local public building projects was repealed.
2. MUNICIPAL CONDITIONS: 2016

Using information from the state departments of Revenue and Transportation, we now turn to examining trends in municipal revenues, spending, development (all 2016), and road quality (2017).

Revenue Growth Lags

After rising 2.0% in 2014 and 3.0% in 2015, total city and village revenues increased just 1.7% in 2016. (See Figure 2.1.) On a per capita basis, revenues were unchanged from 2015 at $1,216.

Property Taxes Up. Collections from the largest revenue source, the property tax, rose 3.1% in 2016, the largest increase since 2010. About 15% of these collections were used to fund tax incremental finance districts (TIDs). In 2016, property taxes for TIDs climbed 7.3%, while they increased 2.4% for regular municipal functions. The rise in TID collections was the largest since a double-digit increase in 2008.

State Aids Stagnant. The slowdown in total revenue growth was largely due to stagnant state aid, which rose just 0.1% in 2016. The largest aid to cities and villages, shared revenues, was unchanged, while road aids declined 2.3%. The drop in road aids resulted from a nearly 50% decline in funding for the local road improvement program (LRIP), which pays up to half of eligible costs for repairing “seriously deteriorating” roads. Relatively few projects are funded each year. LRIP funding nearly doubled in 2015, and in 2016 it returned to its 2014 level.

The combination of property taxes and state aid rose 1.6% in 2016, down from a 2.5% uptick in 2015. However, the increase was higher than any of the changes during 2011-14, which ranged from being down 0.5% to up 1.2%.

Federal aid—generally a small revenue source—fell 1.5% in 2016 to $92.2 million. That was the fifth yearly drop in a row and—without even accounting for inflation—represented the smallest amount of federal aid since 1996.

Fees and Fines. Cities and villages impose fees for various services, licenses, and permits, and also collect fines for violating ordinances. Collectively, these dollars account for just over 13% of municipal revenues. While they continued to expand in 2016, the rate of growth slowed from an average of 4.3% per year during 2010-15 to 2.7% in 2016.
The amount cities and villages collected from licenses and permits was effectively unchanged at $138 million. Fines rose 3.1% to $60 million, while charges for public services increased 3.6% to $464 million.

**Room Taxes Continue to Grow.** With the economy continuing to expand and unemployment at record lows, Wisconsin’s tourism industry is flourishing. For restaurants, hotels, retailers, and others, this means business is good. For many municipalities, it means growth in their room tax collections.

In 2016, 186 municipalities imposed a room tax, which is typically capped at 8%. Collections rose 8.1% in 2016 on top of an 11.4% jump in 2015. (See Figure 2.2.) Since 2011, room taxes have risen more than any other municipal revenue, climbing an average of 9.5% per year, but 70% of the money must go toward promoting tourism.

**Revenues Vary by Municipal Population.** Overall averages can often mask important patterns in the underlying data. This was the case with 2016 revenue growth. Table 2.1 shows total revenues in 2016 fell 3.1% in cities and villages with fewer than 1,000 residents; they dropped 0.4% in those with populations of 1,000 to 2,000.

Yet, in municipalities with 2,000 to 5,000 residents, they jumped 3.9%. The 15,000 to 30,000 group saw similar gains. Revenues in the state’s largest cities rose just 0.7%, but that percentage was held down by Milwaukee. Excluding the state’s largest city, revenues in the top population group were up 1.3%.

For the state’s smallest communities, the revenue decline was driven largely by drops in state aid. In those with more than 30,000 residents (excluding Milwaukee), revenue growth was supported by increased fees and charges.
Pace of Spending Slows

After rising 6.0% in 2015, total expenditures increased 2.6% in 2016. Since 2012, spending changes have varied from a decline of 1.5% in 2014 to a 6.0% jump in 2015. Fluctuations occur for a variety of reasons, but the primary one is capital equipment purchases. The DOR data include both operating and capital spending. In years with a lot of capital purchases, spending growth surges but in the following year, it grows more slowly or even declines.

Figure 2.3 shows how overall spending can jump or fall from year to year. But it masks how local priorities can shift due to tight levy limits and slow growth (or cuts) in state aid.

Streets. Street construction and maintenance is one of the core services provided by cities and villages, and spending in this area has fluctuated from year to year. After increasing 11% in 2008, street spending declined for two consecutive years and then rose less than 0.7% in both 2011 and 2012. That was followed by two years of growth (6.3% and 3.9%, respectively). Street spending dipped 0.2% in 2015 but rose 3.8% in 2016.

Within that broad category, spending has shifted between construction and maintenance. In 2016, construction spending declined 2.3% after rising more than 7% in each of the prior two years. Cities and villages shifted some of their spending to maintaining streets, increasing those dollars 9.4% following a nearly 7% decline in the prior year. During 2006-16, street construction and maintenance has fluctuated between 12.5% (2012) and 14.4% (2008) of total municipal spending. In 2016, it fell near the middle of that range at 13.2% of the total.

Public Safety. When state residents think about municipal services, public safety is at or near the top of the list. Combined, police, fire, and ambulance services account for nearly a third of municipal expenditures and increased 1.9% in 2016. Prior to 2009, spending increases for public safety were fairly consistent. However, that has changed. For example, in 2010, spending on police increased 4.5%. It was nearly unchanged for the following two years before rising 6.8% in 2013. Spending dropped 2.5% in 2014, rose just 1.6% in 2015, and increased 3.7% in 2016.
Expenditures for fire and ambulance services show similar fluctuations. They declined 1% in 2016, and dropped slightly in three of the five years prior. However, fire and ambulance spending jumped 9.1% in 2013 and 4.2% in 2015.

**Development.** Last year’s report highlighted the double-digit increases in development spending during 2014 (+19.9%) and 2015 (+20.3%). In 2016, this spending rose less than 1%.

The 2016 numbers were largely driven by bigger communities. Cities with more than 50,000 residents typically account for 40%-50% of all development spending. In 2014 and 2015, their expenditures increased 60% and 20%, respectively. In 2016, they declined 16%, returning to just above the 2014 level. (See Figure 2.4.)

In most other population groups (the exception was 1,000-2,000), spending on development continued to grow, sometimes significantly. In cities and villages with fewer than 1,000 residents, it increased 44% after declining for two years. In the 10,000-15,000 and 30,000-50,000 groups, development spending rose between 18% and 27% following double-digit jumps in the prior two years.

**Debt Service Rise Continues.** While local officials can shift spending from one area to another each year, they have less flexibility with debt payments. The amount required to service existing debt depends on decisions to borrow in prior years. Cities and villages often borrow for new buildings, infrastructure, or investments in tax incremental finance (TIF) districts. After a reprieve in 2014, debt service surged 12.2% in 2015 and increased another 3.9% in 2016.

As a share of total spending, debt payments have been on a long-term upward trend. As Figure 2.5 (page 9) shows, they claimed 16.1% of spending in 1998 but approached 19% five years later. Debt service as a share of spending topped 20% for the first time in 2010, and reached 25.7% in 2012. After falling for two years, debt service’s bite out of municipal budgets grew in both 2015 and 2016, reaching 23.3% of spending.

While debt service averaged more than 20% of spending in all but the two smallest municipal groups, it was highest among the largest cities. In 2016, debt service averaged 26.3% of spending in this group. (See Table 2.2, page 9.) These payments accounted for more than 30% of spending in both Milwaukee (35.1%)
and Oshkosh (32.5%). However, debt service was less than 10% of total spending in Appleton and West Allis.

### Debt Rises

In 2016, municipal debt totaled $6.7 billion, up from $6.3 billion in 2015. (See Figure 2.6.) After changing little for four years, debt climbed 3.4% in 2015 and another 6.1% in 2016. The 9.8% two-year increase was the largest since 2008-10 (10.2%).

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. Major projects such as sewer replacement or road construction typically involve borrowing. Less well known is city and village borrowing for TIF districts. Large increases in development spending over the past few years are likely driving some of the debt gains.

Similar to household borrowing, municipal borrowing can be cyclical. During 1988-97, municipal debt rose an average of 5.4% per year. Over the ensuing 13 years, cities and villages took on debt at an increasing rate; total debt rose an average of 6.2% per year. However, as the severity of the 2009 recession became apparent, outstanding debt rose just 1.2% in 2011, declined slightly in 2012, and increased an average of 0.8% in 2013 and 2014. Now, as the lingering effects of the recession have worn off, municipalities have been willing to take on more borrowing.

DOR reports place debt into seven categories: police, fire, streets, storm sewers, water utilities, electric utilities, and other. Two areas—streets (32%) and other (51%)—account for more than 80% of municipal debt. Over the past two years, outstanding debt for streets increased 11.5%; uncategorized debt (other) rose 9.6%. Borrowing for fire protection climbed 16.6% over the two years and accounts for about 4% of all municipal debt. Debt for electric utilities more than doubled, but still comprises less than 0.5% of the total.

### Table 2.2: Debt Service As % of Spending

<table>
<thead>
<tr>
<th>Pop. Group</th>
<th>Share</th>
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<tbody>
<tr>
<td>&lt; 1,000</td>
<td>18.7%</td>
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<tr>
<td>1,000-2,000</td>
<td>19.1</td>
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<tr>
<td>2,000-5,000</td>
<td>22.7</td>
</tr>
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<td>10,000-15,000</td>
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<td>15,000-30,000</td>
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<td>19.5</td>
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<tr>
<td>&gt; 50,000</td>
<td>26.3</td>
</tr>
<tr>
<td>All</td>
<td>23.3</td>
</tr>
</tbody>
</table>
Spending and Debt by Population

*Spending.* While total municipal expenditures climbed 2.6%, increases varied widely by population. Spending changes in the state’s most and least populous municipalities are illustrative.

Among cities and villages with fewer than 1,000 residents, total spending declined almost 10%. (See Table 2.3.) Typically, year-to-year changes in these small communities are volatile. For example, a major capital expenditure in one year can result in a large percentage increase in spending but with no major project the following year, spending can drop by a similar percentage. In 2015, for instance, spending in these small communities climbed more than 15%.

In the largest cities, spending rose less than 2% in 2016, down from a 4.7% increase the previous year. Municipalities with populations between 5,000 and 30,000 raised spending more than average. The largest increase (9.8%) was in the 5,000 to 10,000 group, where spending on development (+41%) and streets (+27%) were largely responsible for the jump.

Rapid growth in these two areas, along with a nearly 10% increase in parks and recreation spending, resulted in a nearly 7% rise in total expenditures in the 10,000-15,000 group. Meanwhile, double-digit increases in streets, parks and recreation, and debt service yielded a 6.7% gain in total spending among cities and villages with populations between 15,000 and 30,000.

In the 30,000-50,000 group, a 4% decline was driven by reduced spending on general government and transportation. The decrease in general government spending is explained in part by Wauwatosa’s one-time payment in 2015 of nearly $9 million in property tax refunds, which is accounted for in general government. Total spending on transportation, primarily street construction, declined 9.5%. As noted in last year’s report, this group’s transportation spending jumped more than 13% in 2015.

*Debt.* The largest cities and villages only made a small increase in their overall spending but added debt at the fastest rate; total general obligation (G.O.) debt rose 9.1% in cities with more than 50,000 residents. Increases of more than 7.5% also occurred in municipalities with populations between 30,000 and 50,000 and 10,000 and 15,000. Debt decreased in two of the three population groups with fewer than 5,000 residents.

### Table 2.3: Change in Spending/Debt Varies by Population

<table>
<thead>
<tr>
<th>Pop. Group</th>
<th>Exp.</th>
<th>Debt</th>
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</thead>
<tbody>
<tr>
<td>&lt; 1,000</td>
<td>-9.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>1,000-2,000</td>
<td>0.9%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>2,000-5,000</td>
<td>-0.1%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>9.8%</td>
<td>5.6%</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>6.9%</td>
<td>7.9%</td>
</tr>
<tr>
<td>15,000-30,000</td>
<td>6.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>30,000-50,000</td>
<td>-4.0%</td>
<td>7.6%</td>
</tr>
<tr>
<td>&gt; 50,000</td>
<td>1.9%</td>
<td>9.1%</td>
</tr>
<tr>
<td>All</td>
<td>2.6%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>
On a per capita basis, cities and villages with fewer than 5,000 residents and more than 50,000 carried the least amount of debt. (See Figure 2.7.) In 2016, debt per capita in the state’s largest cities averaged $1,497, similar to municipalities with 1,000-2,000 residents ($1,548) and 2,000-5,000 ($1,444). Debt per person in the least populous cities and villages averaged just $1,115. Debt per capita topped $1,800 in both the 5,000-10,000 group ($1,860) and the 10,000-15,000 group ($1,884).

These are the two groups whose populations increased the most during 2010-16: 6.1% for the 5,000-10,000 group and 5.5% for the 10,000-15,000 group. Cities with more than 30,000 residents increased 1.3%. The overall city and village population rose 2.5% during the period.

Street Condition

Every two years, the Wisconsin Department of Transportation (DOT) collects information from cities and villages on street quality. The 2017 data is self-reported by municipal officials using a standardized DOT rating system for road segments. (See box on page 13.) The rated streets account for about 87% of the 49,100 total miles in these cities and villages. The share of road miles with ratings has remained relatively constant over the past three years and we focus our analysis on these street segments.

“Good” or Better. Statewide, 2017 saw a drop in the share of city and village roads that local officials rated as “good,” “very good,” or “excellent.” The percentage fell to 67.7% from 68.8% in 2016 and is now 4.3 percentage points below the 2011 mark of 72%. (See Figure 2.8, page 12.) Despite these declines, more than two-thirds of municipal roads require little or no repair. Streets rated “good” or better need relatively minor maintenance, such as coating pavement with a sealer or filling cracks, but not major rehabilitation or new construction. The decrease this year in the reported number of high-quality streets was driven by a decline in the percentage of streets rated “excellent” and “very good.” In 2017, 14.7% of streets were rated “excellent” and 15.5% were rated “very good,” down 0.6 and 1.5 percentage points respectively from the previous year.

“Fair” or Worse. With a lower percentage of streets rated “good” or better by city and village officials, the percentage rated “fair” or worse inevitably
increased. In 2016, 31.2% of streets were rated “fair,” “poor,” “very poor,” or “failed,” but in 2017, that share increased to 32.3%. The reported increase in lower-quality streets was driven mostly by an increase in roads rated “fair” and “very poor,” up 1 and 0.2 percentage points respectively.

The percentage of roads rated “poor,” “very poor,” and “failed”—i.e. those at the lowest end of the ratings scale—either remained constant or increased slightly, which suggests municipalities are not keeping pace with more substantial repairs and reconstruction. The data suggest more “excellent” and “very good” roads were allowed to age and deteriorate than streets of lesser quality were fixed. Continuation of this trend would be concerning, as delays may lead to bigger and more expensive repair projects.

By Population Group. The smallest cities and villages had the biggest declines in road quality. (See Table 2.4.) Communities of fewer than 15,000 people reported the largest drops in the share of streets rated “good” or better and the largest increases in roads rated “poor” or worse. In spite of this change, cities and villages with between 1,000 and 15,000 residents generally have better quality roads than larger municipalities. But in 2017, the gap in road quality narrowed between these communities and the largest urban areas.

### Table 2.4 Street Quality Varies by Population

<table>
<thead>
<tr>
<th>% of Streets Rated “Good” or Better, “Poor” or Worse</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pop. Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;1,000</td>
<td>66.0%</td>
<td>62.6%</td>
<td>11.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>1,000-2,000</td>
<td>69.5</td>
<td>68.0</td>
<td>9.2</td>
<td>9.5</td>
</tr>
<tr>
<td>2,000-5,000</td>
<td>71.8</td>
<td>68.9</td>
<td>8.2</td>
<td>8.9</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>73.9</td>
<td>71.3</td>
<td>7.8</td>
<td>8.4</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>72.1</td>
<td>71.0</td>
<td>8.2</td>
<td>8.7</td>
</tr>
<tr>
<td>15,000-30,000</td>
<td>67.1</td>
<td>67.1</td>
<td>10.3</td>
<td>9.6</td>
</tr>
<tr>
<td>30,000-50,000</td>
<td>67.2</td>
<td>67.6</td>
<td>8.0</td>
<td>8.3</td>
</tr>
<tr>
<td>&gt;50,000</td>
<td>65.2</td>
<td>65.2</td>
<td>10.4</td>
<td>10.0</td>
</tr>
</tbody>
</table>

By Population Group. The smallest cities and villages had the biggest declines in road quality. (See Table 2.4.) Communities of fewer than 15,000 people reported the largest drops in the share of streets rated “good” or better and the largest increases in roads rated “poor” or worse. In spite of this change, cities and villages with between 1,000 and 15,000 residents generally have better quality roads than larger municipalities. But in 2017, the gap in road quality narrowed between these communities and the largest urban areas.
Municipalities with more than 15,000 residents saw their road quality generally hold steady or rise slightly last year. In 2016, roads actually improved in the largest communities—cities with more than 50,000 residents reported that the share of streets rated “good” or better increased by 2.1 percentage points. In 2017, the largest cities saw no change in their streets rated “good” or better, though these communities saw a decline in the share of roads rated “poor” or worse for the second straight year.

Smaller communities saw a drop in road quality. The trend was most concerning in municipalities with fewer than 1,000 residents, where the share of streets rated “good” or better fell to 62.6% in 2017—the lowest of any class of communities. These smaller municipalities saw the largest decline in highly rated streets—3.4 percentage points—and the biggest increase in streets rated “poor” or worse—1.1 percentage points.

### Wisconsin Road Pavement Ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Excellent</td>
</tr>
<tr>
<td>9</td>
<td>Excellent</td>
</tr>
<tr>
<td>8</td>
<td>Very Good</td>
</tr>
<tr>
<td>7</td>
<td>Good</td>
</tr>
<tr>
<td>6</td>
<td>Good</td>
</tr>
<tr>
<td>5</td>
<td>Fair</td>
</tr>
<tr>
<td>4</td>
<td>Fair</td>
</tr>
<tr>
<td>3</td>
<td>Poor</td>
</tr>
<tr>
<td>2</td>
<td>Very Poor</td>
</tr>
<tr>
<td>1</td>
<td>Failed</td>
</tr>
</tbody>
</table>

### Per Mile Cost Estimates for Road Repair

- **Resurfacing**: $606,000  
  Rehabilitating the surface of a pavement to provide a smoother ride and extend the pavement's structural life. This can also include pavement widening as well as shoulder paving to improve safety and reduce minor shoulder maintenance costs.

- **Reconditioning**: Minor $657,000; Major $1,233,000  
  Resurfacing and improving an isolated grade, curve, or intersection.

- **Pavement replacement**: $917,000  
  The highest type of “resurfacing” whereby the existing pavement structure is replaced with a new one. This does not include widening of the roadway.

- **Reconstruction**: $2,649,000  
  Total rebuilding of the highway to provide a safer and higher capacity road, including longer passing and stopping sight distances, broader turning radii, and additional lanes at intersections. Other benefits include a smoother ride, reduced travel time, and lower maintenance costs.
The 2017-19 state budget increases state aid for local road and bridge projects by $86.9 million (the increased aids go to towns and counties as well as cities and villages). These increases were funded, in part, by delaying some major state highway projects. While this was good news for the current two-year budget cycle, continued challenges facing the state transportation fund may make it difficult to sustain this higher level of assistance.

Economic Development

Last year’s survey noted that municipal officials cited economic opportunity and housing as two of the most important factors in “keeping and attracting” residents. In short, growth in residential and business development is critical for municipal success.

Development affects communities in multiple ways. Business and residential development can make a community more attractive to newcomers as well as provide challenges and opportunities for existing residents. In addition, development can add to the tax base and increase the amount of property taxes a municipality can levy, as state-imposed levy limits are tied to the growth in new construction. Finally, new development increases demand for some services.

The new construction figures reported by the state lag one year. The 2017 figures released last August represent development that occurred during calendar 2016, which is how we label it here.

Net New Construction.

New construction in Wisconsin cities and villages totaled $5.6 billion in 2016, a 13% increase over 2015 and the most since 2007 ($6.3 billion). In 2005, net new construction hit $7.8 billion, which is the highest amount ever. That year, building projects added 2.9% to total equalized property values, another figure that is the highest on record.

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

The picture since then is mixed. The good news is that development has consistently expanded since 2010 but growth still has not returned to 2005-07 levels. Not until 2013 did new construction add more than 1% to property values. (See Figure 2.9.) The average growth of 1.8% in 2016 remains below the 2.0% average increase in 2008.

Figure 2.9: New Construction Rebounding

% Chg. in Equal. Property Values Due to New Construction, 2005-16
Unfortunately, many communities are missing out on even these modest levels of new construction. The median rate of development was 0.8% in 2016. In other words, half of all cities and villages had new construction rates less than that figure.

By Population. Both in 2016 and since the end of the recession, municipalities with little or no development have tended to be small. That wasn’t always the case. In 2009—the year the recession officially ended—almost 15% of municipalities with fewer than 5,000 residents had new construction rates of 1.5% or more. (See Figure 2.10.) That compares to just 9.3% of municipalities with more than 15,000 residents and almost 20% of those with 5,000 to 15,000 residents.

Since 2009, the percentages of cities and villages with at least 1.5% growth has increased significantly among the two “over-5,000” groups. By 2016, over half of the 15,000-and-over group saw such growth; among the 5,000-15,000 group, the percentage was 47.1%. However, among the state’s least populous cities and villages, only one-in-five had new construction of at least 1.5%.
3. SURVEY PRESENTS THREE-YEAR TRENDS

For the third year, the League and WPF collaborated on a survey of city and village officials about local conditions. Many of the questions are the same as in past years, allowing this report to present trends. For the first time, this year’s survey also asked about so-called “dark store” appeals and other challenges by businesses seeking to lower their property tax assessments. The dark store issue sparked debate—but no resolution—in the last legislative session and is now the subject of a study committee.

The survey was emailed in March to officials in the state’s 600 cities and villages, which was the first time all these municipalities were surveyed. In all, 215 surveys were returned—the second year in a row with more communities answering the survey—for a response rate of 36%. Smaller cities and villages were less likely than larger ones to return the survey. About one in three municipalities with fewer than 5,000 people responded to the survey, while two out of three cities with more than 50,000 people did so.

Each of the three surveys from 2016 to 2018 asked participants to respond to questions about their municipality’s financial health, services, staffing levels, and employee turnover. The questionnaire also asked about the area labor market, public perception of local services, and citizen participation in city and village board elections, as well as the new topic of property tax appeals by businesses.

“Dark Store” Appeals

Local officials reported a rise in 2017 in the number of dark store appeals of property tax assessments. These challenges are made by businesses, especially larger retailers, seeking to lower their assessments by contending that local officials are using the wrong method to value their property. Local officials said that in 2017 they had 79 tax appeals that they listed under the dark store rubric, up from 63 challenges in 2016 and 66 in 2015. (See Figure 3.1.) Most of the appeals continue to involve cities and villages with more than 15,000 residents, though smaller communities accounted for much of the growth in these cases in 2017.

The vast majority of municipalities—84.6%—said that the numbers of all assessment appeals in their community have not changed over the past three years. One in eight municipalities said they were seeing more appeals for commercial and manufacturing properties.
This share was larger, however, in cities and villages with more than 15,000 residents. A substantial minority of those communities—44.4%—reported an increase. (See Figure 3.2.)

Some caution is called for in interpreting this survey, since it relies on accurate responses from local officials and seeks to measure a relatively small number of appeals that may be volatile from year to year. Nevertheless, the responses suggest these appeals may be becoming more frequent. If so, that would be notable—each appeal can have a substantial impact, both in lowering the tax bill for the property owner in question and potentially shifting the tax burden to other businesses and homeowners.

The dark store issue impacts how the local property tax “pie” is divided. When the local assessor calculates a given property’s value, this assessment also determines what share of the overall tax levy will be paid by the parcel’s owner. If a retailer or other property owner successfully appeals an assessment, and the total tax levy and assessed values of other properties in that city remain the same, then the store’s share of the property tax levy will decline while homeowners and other businesses will pay a larger share. Given that these types of appeals involve properties with substantial property values, they can result in sizable tax shifts, which helps account for the controversial nature of the dark store issue.

Wisconsin assessors commonly use three methods to determine the market value of a given property such as a store:

- The sales approach, which focuses on what buyers have paid for other “comparable” properties.
- The cost approach, which uses the cost of building a property less depreciation.
- The income approach, which looks at how much income a property generates. For instance, an apartment building with high rents would be assessed for more under this approach than a building with lower rents.

Determining the value of a large retail property tends to be more complicated than for other real estate, in part because there are fewer comparable properties.

Determining the value of a large retail property or factory tends to be more complicated than other types of real estate, in part because there are fewer comparable properties than for homes or offices. Commercial buildings and lots may also have more differences between them, which can complicate comparisons.

Dark store proponents often argue for basing the real estate values of active stores and businesses in whole or in part on the sale of similar properties that
These advocates say that the sales of empty storefronts represent a good way to figure out what a store would sell for and that assessments based on the cost of building a property may include expensive features that other buyers may not want.

Dark store critics respond that it is unreasonable for a retailer to spend millions of dollars on a building and then claim it is worth much less. They add that a successful store with a good location is not comparable to a vacant storefront where a business was not successful; and they contend that some retailers restrict the sale of their properties to competitors, which may artificially lower the property’s market value.

In addition to dark store challenges, another type of tax appeal involves businesses with long-term leases that require the tenant to pay extra costs beyond just rent, such as property taxes, insurance, and repairs. Over the past decade, pharmacies with this type of lease have brought successful appeals, arguing that assessors should not be allowed to use a business’s “above market rent” to assign a higher value to the property.

The survey suggests this type of appeal may be becoming less frequent, with local leaders reporting that appeals in this category dropped to 38 in 2017 from 51 in 2016. (See Figure 3.3.) This may reflect the fact that some of these businesses have won their appeals, leading assessors to change their practices. Local leaders have said they believe the trend might still grow, however, if this type of lease is adopted by other kinds of companies.

The survey also turned up a large increase in other types of assessment appeals by businesses in Wisconsin. In all, local officials reported 333 appeals by commercial property owners in 2017, up 76% from 189 in 2016. Those numbers were largely driven by an increase in appeals by small commercial property owners, which rose from 76 in 2016 to 172 in 2017. In addition, cities and villages said that in 2017 they refunded $3.1 million in taxes from all appeals by owners of commercial and manufacturing property, up from $2.2 million in 2016 and $2.5 million in 2015.

Although these totals might suggest the dark store trend has prompted a major wave of tax appeals around Wisconsin, such a conclusion could be mis-

Cities and villages said in 2017 they refunded a total of $3.1 million in property taxes from all appeals, up from $2.2 million in 2016 and $2.5 million in 2015.
leading. The reported statewide increase in the number of cases was driven by the city of Madison, which saw its tax appeals for commercial properties rise from 75 in 2016 to 228 in 2017. Without Madison, the total reported appeals for commercial properties actually would have dipped slightly. According to the city assessor, Madison has seen only a small increase in dark store appeals; instead, most of the increase has been in response to an effort by the city to re-assess hotels and apartment buildings for the first time since the Great Recession.

Financial Health

The past three years of surveys have placed considerable focus on the fiscal health of cities and villages. In this year’s survey, communities of all sizes said they had improved financially in 2017, though it was a smaller share than in the two previous years. Once again, more large communities said conditions were better than smaller municipalities, both when compared to the previous year and to other similar communities.

Overall, 23.3% of the cities and villages reported better financial health in 2017 than in 2016, while 16.5% said their financial condition had declined. (See Figure 3.4.) Just over one-third of the municipalities with more than 15,000 residents reported being better off financially in 2017, compared to only 21.7% of the communities with fewer than 15,000 residents. More of the smaller communities—61.7%—saw their fiscal condition as about the same.

When comparing themselves to similar municipalities, 34.8% of all communities said their financial health was somewhat better or much better than that of their peers. (See Figure 3.5.) Large communities offered a more positive perception of their fiscal health, with 53.8% saying they are in better shape than their peers, and only 7.7% believing they are in worse shape. Small municipalities did not have such an optimistic view: only 32.1% said they are in better financial health, while 14.6% believed they are worse off.

An important way to measure the fiscal health of a municipality is by examining the reserves in its general fund, or main account, as a share of its annual spending. In 2017, 56% of respondents said they had reserves of more than 20% of their general fund expenditures, which was down from 64.6% in 2016. (See Figure 3.6, page 20.)
Here again, discrepancies showed up between larger and smaller communities. A significant majority (73.9%) of large municipalities said they have reserves of more than 20% of their general fund expenditures, up 10.3 percentage points from last year. Conversely, 52.8% of small municipalities reported that level of reserves, a decline of 12.1 percentage points from last year. There was also an increase in the number of smaller communities reporting no reserves at all.

Although more than one in 10 smaller communities said they had no reserves, only about one in 30 small communities reported doing “much worse” than similar municipalities. In this respect, there appears to be a discrepancy in what city and village leaders are perceiving and reporting. That is a reminder that some caution may be in order when using this self-reported survey data.

**Services and Facilities**

Overall, municipalities reported they are delivering better or more frequent services, particularly in critical public safety functions. For the third year, more local officials said fire department response times have improved. For 2017, 16.1% of all municipalities reported faster fire response times, while 1.8% reported slower response times. The net difference of 14.3 percentage points exceeded last year’s 10-point difference. (See Figure 3.7.) The improvement was particularly strong among larger communities but held true for smaller communities, as well.

Police response times also saw an improvement overall, with 11.5% of municipalities saying they had faster response times versus 6.6% reporting slower responses. The difference of 4.9 percentage points was smaller than in 2016, however. In both years, the majority of communities said there had been no change.

Another area where a slightly higher number of communities said they improved service was for street repairs. This may be due to the previously noted increase in state aids for local road programs. The survey also found a large net increase in the number of communities doing lawn mowing more frequently, some improvement in bus and transit service, and little overall change in the frequency of snow plowing.

Along with the level of services, local officials were asked about any increases or decreases in fees for those services in 2018. In general, fewer municipalities
said they raised fees this year, but overall more communities are increasing fees than lowering them across every type of service. For instance, more than one-third of municipalities reported a price increase in water services and none of them said they had lowered fees. Similarly, for recreation programs, 29.2% of all municipalities said they had raised fees and none said they had lowered them. One exception was in cities and villages with more than 15,000 residents, where 5.6% of communities said they had lowered transit fares.

In general, most communities said they had kept the same hours of operation in 2017 for their city or village halls, public libraries, and parks. But, overall, more municipalities reported increasing the hours of operation for these locations than decreasing them. For instance, 11.5% of larger cities and villages said they are keeping their parks open longer and none said they were decreasing park hours. More small communities reported increasing hours for all three services than decreasing hours.

**Employment Trends**

*Staffing Levels.* Across every category of worker, more municipalities reported having more full time equivalent (FTE) employees in 2017 as compared to 2016 than did those communities reporting fewer employees. Overall, 27.3% of communities reported having more FTEs, compared to 11.9% of municipalities that had fewer workers. (See Table 3.1.) Large and small communities both reported more employees, but that trend was more pronounced among cities and villages with more than 15,000 people, with 58.3% of those municipalities reporting a bigger workforce.

In spite of the overall trend toward growth, for every category of worker there were also at least some cities and villages that said they had fewer employees, including in critical areas such as public safety. For instance, 21.7% of communities said they had added police officers in 2017, which was 10.8 percentage points more than the communities that said they decreased officers. However, a little more than one in 10 cities and villages still reported having fewer police on staff. Cities and villages with more than 15,000 people did even better with regard to hiring more police, with more than one in three reporting more police and only 7.7% reporting fewer officers.

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**For 2017, 16.1% of all municipalities said they had faster fire response times, and 1.8% reported slower response times.**

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**Table 3.1: Staffing Changes, % of Respondents**

Q. How does the number of FTE employees you had in 2017 compare with the number you had in 2016?

<table>
<thead>
<tr>
<th></th>
<th>More</th>
<th>No Change</th>
<th>Fewer</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>27.3%</td>
<td>60.8%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Police</td>
<td>21.7</td>
<td>67.5</td>
<td>10.8</td>
</tr>
<tr>
<td>Firefighters</td>
<td>15.4</td>
<td>76.9</td>
<td>7.7</td>
</tr>
<tr>
<td>Parks/Rec.</td>
<td>11.5</td>
<td>81.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Streets/Public Works</td>
<td>15.1</td>
<td>78.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Library</td>
<td>10.5</td>
<td>84.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Genl. Admin/Support</td>
<td>12.1</td>
<td>81.1</td>
<td>6.8</td>
</tr>
</tbody>
</table>
On balance, there was a smaller share of communities reporting an increase in parks and recreation employees than for other types of workers. But the broad trend toward hiring even included administrative staff, particularly in larger cities and villages. In their general administration offices, 40% of large municipalities reported a staffing increase and only 8% said they had a decrease.

**Turnover.** Along with being surveyed about staffing levels, local officials were also asked about employee turnover over the previous two years. Cities and villages reported a median turnover rate of 5.4% in this year’s survey, up slightly from the 5% reported in the 2017 questionnaire but down from the 8.4% reported in the 2016 survey. For the third year in a row, workers turned over at a higher rate in large communities. Cities and villages with more than 15,000 people reported a median 8.2% turnover rate in this year’s survey, though that was down from 10% in each of the previous two years. It is notable that municipalities are not reporting substantial increases in turnover despite low unemployment, a competitive labor market, and an aging workforce.

Just over 44% of small municipalities reported having turnover of less than 2%, though fewer large communities could say the same. In fact, some communities are dealing with more challenging levels of worker turnover than others. A little more than one-third of all communities reported that more than 10% of their employees had left over the past two years, a 3.4 percentage point increase from the previous year’s survey.

Employees may be departing due to layoffs, family moves, or a new job, but survey results show the most common reason for leaving was retirement, as it has been for the past three years. However, the share of employees leaving due to retirement has been dropping and the share leaving for a new job has been rising. In the latest survey, municipalities reported on average that 38.5% of their employees left because of retirement while 33.9% took employment elsewhere. (See Figure 3.8.)

**Health Benefits.** Employee and retiree health care has been a large and relatively fast-growing cost for local governments and they have made major changes in this area since the passage of 2011 Wisconsin Act 10, which ended most collective bargaining for many unionized local government workers. For those reasons, trends in health care spending bear watching.

Figure 3.8: More Employees Leave for Another Job
% of Workers Leaving for Retirement or Another Job, 2015-17

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirement/Death</th>
<th>Took Job Elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>56.6%</td>
<td>27.4%</td>
</tr>
<tr>
<td>2016</td>
<td>41.5%</td>
<td>29.9%</td>
</tr>
<tr>
<td>2017</td>
<td>38.5%</td>
<td>33.9%</td>
</tr>
</tbody>
</table>
Overall, cities and villages reported a rise in their health care expenditures. The median increase across communities in 2017 was 3%, about one percentage point higher than 2016 and one point lower than 2015. There was some considerable variation, with 33.1% of cities and villages reporting no increase or even a decrease in costs and 16% saying they had experienced cost increases of 11% or greater.

Nearly one in eight respondents (12.2%) changed their health insurance provider in 2017, down from the 15.6% that did so in 2016 but still more than the 9.8% who did so in 2015. For the third year in a row, there was no change in the median share of the health insurance premium paid by municipal employees. It remains at 12%, the level set for the state health insurance system by Act 10. There is, however, some variation among communities. For instance, 45.5% report that their employees pay between 11% and 25%, and a little more than one in 10 communities say their employees are responsible for more than 25% of their premium. Those numbers held relatively steady in 2017.

Public Perceptions and Engagement

Services. Along with being asked to assess their community’s financial health, service delivery, and labor market, local officials were asked to gauge residents’ attitudes about municipal services. Officials from cities and villages of all sizes generally rated public perception of their services and performance as more favorable in 2017 than the previous year, with the exception of transit and, not surprisingly, property taxes. (See Table 3.2.)

For the third year, public views on library services have improved, at least in the eyes of local officials; 37.6% of all municipalities reported library services were looked on more favorably in 2017 than in 2016 and only 2.1% of municipalities said those services were seen less favorably.

Property taxes were on the other end of the spectrum, with 24.7% of all cities and villages reporting taxes were seen less favorably, a 7.6 percentage point increase from the previous year. Only 11.9% of respondents said property taxes were viewed favorably, a 16.3-point decrease from the previous survey. On balance, more local officials, especially in larger municipalities, reported that transit was seen less favorably, though most communities again reported no change.

| 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 2017 compare to 2016? Would you say that those attitudes in 2017 were more favorable, less favorable, or unchanged? |
|-----------------|-----------------|-----------------|
| Street Maintenance | More | No Change | Less |
| Fire Protection | 30.8% | 51.8% | 17.4% |
| Property Taxes | 18.5% | 77.2% | 4.3% |
| Police Protection | 11.9% | 63.4% | 24.7% |
| Library Services | 21.3% | 67.5% | 11.2% |
| Park Conditions | 37.6% | 60.3% | 2.1% |
| Snow Removal | 32.6% | 62.6% | 4.8% |
| Bus/Transit | 22.4% | 67.9% | 9.7% |
| More | No Change | Less |
For the third year in a row, a shrinking share of officials in large municipalities reported a more positive public perception of firefighting services. Only 19% of large communities said fire protection was seen more favorably, a 10.4 percentage point decrease from last year’s survey and a 20.5-point decrease from 2015. Although the share of positive reports has been declining, no large municipality said fire protection was seen less favorably. Instead, most officials in large communities (81%) said they have not seen a change in public views of fire protection. It is worth noting that this change coincides with reports by local officials that they are hiring more firefighters and decreasing response times.

Although police protection has a net improvement in favorability of 10.1 points, only 21.3% of all communities reported that police protection was viewed more favorably in 2017 than in 2016, a 12-point decrease from last year’s survey. A little more than one in 10 cities and villages said police protection was looked on less favorably while the remaining municipalities saw no change.

Our third survey shows an increasing number of municipalities are averaging one or fewer candidates for each village board or city council seat. While this trend is more prevalent among small municipalities, nearly one in three large communities still report an average of one or fewer candidates for each seat. (See Figure 3.9.) Similar to the decline in candidates, 44.3% of cities and villages reported a decrease in competition among board seats over the past decade and only 14.3% had an increase.

Job Market Strengthens. Exactly half of the communities surveyed saw job prospects improving for their residents in 2017, with only 9.9% seeing a decline in their labor market. Though positive, this was a modest drop from last year’s survey, when 53.6% of cities and villages said that employment opportunities had improved. Municipalities reported a similar trend when asked about the past five years. A majority—51.5%—saw a brighter picture but that was down from the 58.5% who saw an improvement in the previous survey. (See Figure 3.10.) The share of communities seeing no change over the past five years rose to 37.6% from 29% in the previous survey.

For the third year, large communities saw a better job market for their residents. For instance, 87.5% of large municipalities reported a better labor market than five years ago and none of them saw a decline in employment prospects. Job opportunities in small municipalities were often seen favorably but much less so than in large cities and villages. In communities with fewer than 15,000 residents, 46.6% of officials said employment prospects were better than five years ago and 12.4% said they were worse.
4. CONCLUSION

Wisconsin’s 600 cities and villages say they are finding ways to maintain or even improve many of their services despite a challenging fiscal environment. That is an accomplishment in light of strict property tax levy limits and largely stagnant state aids. Many communities are seeing growth in development and reporting larger workforces and improved financial health. As a whole, these municipalities have found ways to avoid crisis and maintain (or even enhance) service levels.

This report finds in 2016 cities and villages:

- Raised property taxes by 3.1%, the largest increase since 2010.
- Saw their overall revenues grow by a more modest 1.7% because of flat state aid and declining federal aid.
- Increased their spending on both operations and capital projects and equipment by 2.6%, down from a 6% rise in 2015.
- Benefited from a 1.8% rise in property values from new construction—the largest increase since 2008 although it was still well below pre-recession levels.

We observe important differences among these cities and villages that may be cause for concern. While some communities have been able to attract reasonable amounts of new construction, other communities are experiencing slower or no growth. In 2016, over half of the municipalities with more than 15,000 residents experienced growth in property values of at least 1.5% due to new construction. Only one-in-five communities with fewer than 5,000 people could say the same—a trend that could affect their ability to raise revenues under state property tax caps.

In addition, cities and villages with fewer than 15,000 people are less likely to report improvements in their finances or job prospects for their residents and more likely to report modest or even dangerously low levels of budget reserves. They are less likely to say they are adding staff and more likely to report declines in the quality of their roads.
The national economy has experienced an unusually long period of expansion and, on the whole, Wisconsin municipalities are harvesting the benefits. But not all communities have experienced this growth in equal measure. In 2018, elected officials and ordinary voters alike should consider not only how to maintain this growth, but also how to ensure that its benefits are spread as widely as possible throughout the state.
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 424 municipal policyholders place their trust in League Mutual, a company they control through their election of the Board of Directors.

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About the League of Wisconsin Municipalities
The League of Wisconsin Municipalities is a nonpartisan, nonprofit organization founded in 1898 to advocate for Wisconsin’s cities and villages. In addition to advocacy, the League provides legal services to its members and training and networking opportunities.

www.lwm-info.org

The Wisconsin Policy Forum was created on January 1, 2018 with the merger of the Madison-based Wisconsin Taxpayers Alliance and the Milwaukee-based Public Policy Forum. With research staffs in both cities, the Forum will continue the tradition of independent, nonpartisan government research and education of its predecessors.

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The 2018 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 Policy Forum.

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