

North Shore Fire Department Communities Impacted by ERP

A common theme when discussing how to manage costs in provision of local government services is through shared services and consolidations. The North Shore Fire Department has been a leader in the State of Wisconsin in providing shared emergency medical, fire suppression and life safety services to seven communities in Milwaukee County.

Formed in 1995, the Department is governed by a Board of Directors comprised of an elected official from each of the communities the Department serves. A 2015 study of the Department by the Wisconsin Policy Forum showed that the seven-member communities would have had to pay approximately \$2.8 million more annually for an equivalent level of service had they not consolidated.

One of the key tenants of successful consolidations is the need for the communities served through the agreement to be able to compromise when it comes to making decisions on service levels and budgeting. While not unlike a settlement process that might come from a single common council or village/town board, the decisions of the shared service governing body have different impacts on each municipality, this often makes coming to an agreement even more challenging.

Maintaining service levels for a group of communities participating in a shared service could negatively impact some communities who have had limited growth, or a reduction in equalized value as a result of demolition on construction projects. A community could then quickly find itself in a situation where the increases from the shared services agreement on the expenditure side of their budget disqualifies them from the State's Expenditure Restraint Program (ERP). These municipalities are forced to cut back on expenses in other areas of their budget in order to continue to qualify for this revenue stream they relied on. This clearly creates a disincentive for communities to work together. Current State Statutes penalize communities that enter into shared service agreements and compromise on service levels and cost sharing.

In 2006, the State of Wisconsin addressed the challenges levy limits placed on communities needing to compromise to share fire department services by authorizing a tax levy exemption for member communities. We are now finding that without a coinciding exemption on the expenditure restraint program qualification requirements, this levy limit exemption is not providing the flexibility it was thought to have provided when it was adopted.

The Village of Brown Deer, a member of the North Shore Fire Department, had a negative net new construction percent in 2017. To qualify for ERP payments a community must keep its growth in spending from one year to the next below a certain threshold, which is 60% of net new construction (capped at 2%) and added to CPI. The Village of Brown Deer's negative net new construction equated to 0%, making the Village of Brown Deer's increase entirely reliant upon CPI. Below is a chart which provides the CPI percentages used in the expenditure restraint equation between 2014 and 2018. Looking at 2015 and 2016 a net new construction of 0% combined with a CPI increase of less than 1% significantly restricts a municipality's ability to spend money even if the levy limit exemption allows for an increase in the levy. This combined with union negotiated wage increases between 2.25% and 2.5% during this same time period puts municipalities who are doing their best to keep up in an extremely difficult situation.

2014	2015	2016	2017	2018
2.6%	0.6%	0.9%	2.1%	2.42%

Net new construction is related to a municipality’s ability to construct and increase the value of the property, houses and businesses in their community. Several municipalities served by the North Shore Fire Department, like Brown Deer, are completely built out. This likely results in net new construction to continue to trend low for the foreseeable future. Populations in these communities over the course of the last ten years have remained stable. The 2010 population listed the seven North Shore communities as having a combined population of 64,830 residents. In 2018 this population was estimated at having only 173 more residents. With very little growth anticipated in the coming years, municipalities in the North Shore are reliant on a healthy CPI if they want to maintain their eligibility for ERP funds from the State.

Exempting the increase of shared service agreement contracts from the expenditure restraint calculation would be the equivalent of what is being done currently for shared services with the levy limit exemption. This detail in Governor Ever’s Budget will remove this impediment to successful sharing of services between local governments in Wisconsin.

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