

ALTERNATIVE REVENUE SOURCES

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- Frozen shared revenue appropriations from 1995 – 2002 forced municipalities to use property taxes from higher property values, charges and fees, and service reductions to balance their budgets
- 2003 and 2004 cuts in shared revenues and property tax limit pressures are further increasing pressures for alternative revenue sources

Magnitude of Shared Revenue Reductions: 2003 – 2004

In Total

- Shared revenue appropriations were reduced \$90 million from 2003 to 2004, from \$1,039.7 million to \$949.7 million, or 8.6% for all cities, villages, towns, and counties

Magnitude of Shared Revenue Reductions: 2003 – 2004 (Cont.)

- For Cities and Villages (\$ millions)

	<u>Cities</u>	<u>Villages</u>	<u>Total Cities & Villages</u>
2003	679.3	84.5	763.8
2004	634.7	76.5	711.2
% Reduction	<u>6.6%</u>	<u>9.5%</u>	<u>6.9%</u>

Source: Wisconsin Department of Revenue and Legislative Fiscal Bureau

Revenue Sources of Wisconsin Cities and Villages in 2001 (Total \$6.4 billion)

- Taxes 26.6%
- Intergovernmental Revenues 21.0%
- Public Charges for Services 13.7%
(Sewer service fees 6.5%)
(Other fees & charges* 7.2%)

*Parking, stormwater, airport, recycling, mass transit, municipal gas, zoos, museums, swimming pools and golf courses

Revenue Sources of Wisconsin Cities and Villages in 2001 (Total \$6.4 billion) (Cont.)

- Long-Term Debt 12.4%
- Utility Revenues 11.4%
- Intergovernmental Charges 4.7%
- Interest Income 3.3%
- Licenses & Permits 1.3%

Revenue Sources of Wisconsin Cities and Villages in 2001 (Total \$6.4 billion) (Cont.)

• Fines & Forfeitures	0.8%
• Other	<u>4.7%</u>
	<u>100%</u>

Source: Wisconsin Department of Revenue

Alternative Sources of Fee and Charges Revenue

- User Fees
- Special/Area/Street & Arterial Assessments
- Developer Fees/Exactions
- Impact Fees
- Stormwater Fees/Utility
- Direct Billing of Public Fire Protection

Assessments

- Statute 66.07
- Allows for assessments to property owners for the “cost of installing or constructing any public work or improvement”
- Must demonstrate benefit received

Assessments

- Include direct and indirect costs
 - Construction costs
 - Damages
 - Capitalized interest
 - Legal (not related to challenges)
 - Engineering/architectural
 - “reasonable charge for the services of the administrative staff”
- Costs come in lower...refund

Exactions

WI Statute Chapter 236

- Broad authority to impose exactions on developers
- Exactions are a condition of development approval
- 236.13(2)(a) - "Governing body, as a condition of approval, may require that the subdivider make and install any public improvements reasonably necessary"

Traditional Exactions

- Dedication of land
- Payment of fees in lieu of dedication
- Installation of on-site improvements
- Negotiated dedications of land or cash payments

Issues with 236

- Doesn't really include *off-site* improvements
- Focuses on subdivisions vs. all development
- Payments at plat approval

Utility Establishment

- Utilities always have money....
- New focus on utilities as a funding mechanism
 - Budget woes - expenditure restraint, past talk of levy limits
 - Looking to match fees to the entities that cause the costs
 - New mandates – increases in expenditures

Common uses:

- Water, Wastewater, Electric
- Newer utilities:
 - Stormwater
 - Recycling/garbage
 - Transportation
 - Fiber Optic/telecommunications

Stormwater Utilities

- Over 20 established utilities in WI
- Popular due to new EPA regulations
- Common threads:
 - Spending time on public education
 - Several going to referendum
 - Some not successful
 - Arguments coming from business community vs. residents
 - Non-profits are affected but may not make the biggest appeal against it

Getting Started

- Determine your issues:
 - Loss of shared revenue
 - Unfunded mandates
 - Increased cost
 - Impacts of growth
 - Equitability of fees – those who contribute to the problem pay for the problem

Determine Your Costs

- What is the cost of Stormwater operations – forecasted for 5 years
 - Annual operation costs (street sweeping)
 - Annual maintenance costs
 - Capital costs
 - Annual debt service
 - New costs to meet regulations
- What would you want to recover via user fees?

Considerations

- Could consider a go slow approach
 - Move certain costs over
 - Unfunded mandates
 - New capital projects
 - Current maintenance projects
- Takes time...start early
- Public education is key, involve businesses/nonprofits on a task force
- User fees must be equitable, but try to avoid a too complicated system

User fees

- Billed on utility bills
- Based on impervious area
- Often include credits for on-site improvements
- Residents typically pay less
 - Average: Approx. \$45 per year
 - Low \$10 – high \$100

Other Utilities

- Telecommunications – mostly communities with an electric utility
 - Some offer Cable TV and other services
- Transportation – not *yet* in WI, is happening in other states
- Garbage/recycling – user fees on the utility bills – doesn't have to be a utility