

It is expected that a Quorum of the Personnel Committee, Board of Public Works, and Common Council will be attending this meeting: (although it is not expected that any official action of any of those bodies will be taken)

**CITY OF MENASHA
ADMINISTRATION COMMITTEE
Third Floor Council Chambers
140 Main Street, Menasha
November 19, 2012
6:30 PM
or immediately following Common Council
AGENDA**

- A. CALL TO ORDER
- B. ROLL CALL/EXCUSED ABSENCES
- C. MINUTES TO APPROVE
 - 1. [Administration Committee, 11/5/12](#)
- D. DISCUSSION/ACTION ITEMS
 - 1. [R-36-12 Resolution for Restoration of Shared Revenue Funding \(held 11/5/12\)](#)
 - 2. [R-42-12 Resolution for Preservation of Municipal Utility PILOTs](#)
- E. ADJOURNMENT

"Menasha is committed to its diverse population. Our Non-English speaking population and those with disabilities are invited to contact the Menasha City Clerk at 967-3603 24-hours in advance of the meeting for the City to arrange special accommodations."

CITY OF MENASHA
ADMINISTRATION COMMITTEE
Third Floor Council Chambers
140 Main Street, Menasha
November 5, 2012
MINUTES

DRAFT

A. CALL TO ORDER

Meeting called to order by Chairman Klein at 6:30 p.m.

B. ROLL CALL/EXCUSED ABSENCES

PRESENT: Aldermen Zelinski, Englebert, Benner, Klein, Taylor, Sevenich, Langdon, Krueger

ALSO PRESENT: Mayor Merkes, CA/HRD Captain, PC Styka, DPW Radtke, CDD Keil, C/T Stoffel, PHD Nett, Clerk Galeazzi

C. MINUTES TO APPROVE

1. [Administration Committee, 10/15/12](#)

Moved by Ald. Langdon, seconded by Ald. Krueger to approve minutes.
Motion carried on voice vote.

D. DISCUSSION/ACTION ITEMS

1. [Pitney Bowes Mailing System Rental Agreement](#)

C/T Stoffel explained the agreement is for three years and is a decrease in cost to the City.

Moved by Ald. Krueger, seconded by Ald. Langdon to recommend to Common Council approval of Pitney Bowes Mailing System Rental Agreement.
Motion carried on roll call 8-0.

2. [City of Menasha and Neenah-Menasha YMCA Senior Center Collaboration Contract for the term January 1, 2013 to December 31, 2013](#)

PHD Nett explained the terms of the contract are the same as for 2012. The contract amount is reduced from \$88,500 in 2012 to \$88,300 for 2013.

Moved by Ald. Krueger, seconded by Ald. Langdon to recommend to Common Council approval of City of Menasha and Neenah-Menasha YMCA Senior Center Collaboration Contract for the Term January 1, 2013 to December 31, 2013.
Motion carried on roll call 8-0.

3. [R-36-12 Resolution for Restoration of Shared Revenue Funding](#)

Mayor Merkes explained the resolution is from the League of Wisconsin Municipalities and will be joint with Menasha Utilities. Shared revenue has decreased over the past several years. The League is urging the Governor and Legislature to restore shared revenue funding to 2002 levels.

General discussion ensued on shared revenue.

Moved by Ald. Klein, seconded by Ald. Sevenich to hold this item
Item held.

4. [R-37-12 Resolution for Preservation of Tax Exempt Financing](#)

Mayor Merkes explained the resolution is from the League of Wisconsin Municipalities and opposes any efforts by Congress or future President to eliminate or limit the federal tax exemption on interest earned from municipal bonds. Menasha Utilities is interested in being part of this resolution.

It was suggested that the Mayor, Common Council and Utility Commission be part of this resolution.

Moved by Ald. Englebert, seconded by Ald. Langdon to recommend to Common Council approval of R-37-12 Resolution for Preservation of Tax Exempt Financing.

Motion carried on roll call 8-0.

E. ADJOURNMENT

Moved by Ald. Langdon, seconded by Ald. Krueger to adjourn at 6:42 p.m.

Motion carried on voice vote.

Respectfully submitted by Deborah A. Galeazzi, WCMC, City Clerk

RESOLUTION R-36-12

Resolution for Restoration of Shared Revenue Funding

INTRODUCED BY MAYOR MERKES

Whereas, 2011 Wisconsin Act 32, cut shared revenue funding for municipalities by 7% (\$47.7 million) effective 2012; and

Whereas, shared revenue funding for municipalities has been cut twice before due to the state's fiscal difficulties, including cuts of \$57.6 million in 2004 and \$23.1 million in 2010; and

Whereas, for over ninety years the state shared revenue program has been a key component of Wisconsin's state and local relationship and an important part of the state's overall program of property tax relief ; and

Whereas, Gov. Walker and legislative leaders have made job creation and economic growth a top priority; and

Whereas, to create jobs and economic growth, municipalities must invest in services that businesses demand, like police protection, fire suppression, road maintenance, and snowplowing; and

Whereas, to create jobs and economic growth, municipalities must invest in infrastructure that businesses demand, like sewer pipes, water mains, roads, culverts, and bridges; and

Whereas, to create jobs and economic growth, municipalities must invest significant funds in a variety of development tools, such as development incentives and grants, business incubators, recruitment and retention efforts, community branding, public/private partnerships, economic development networks, urban service area extensions, and tax incremental financing districts; and

Whereas, a strong infrastructure for economic growth, which includes an efficient and effective transportation system to serve the workers and business community, is vital and necessary to the future of our state; and

Whereas, job creation and economic growth in our communities will generate additional sales and income taxes for the state; and

Whereas, the state should reinvest a portion of its revenue growth in local communities to spur further job creation and economic growth and put Wisconsin on the road to permanent financial stability.

Whereas, the League of Wisconsin Municipalities adopted a resolution at their 2012 Annual Conference urging the Governor and the Legislature to restore shared revenue funding to 2002 levels.

Now, Therefore, Be It Resolved, that the City of Menasha Common Council urges the Governor and the Legislature to restore shared revenue funding to 2002 levels.

Passed and approved this day of , 2012.

Donald Merkes, Mayor

ATTEST: _____
Deborah A. Galeazzi, City Clerk

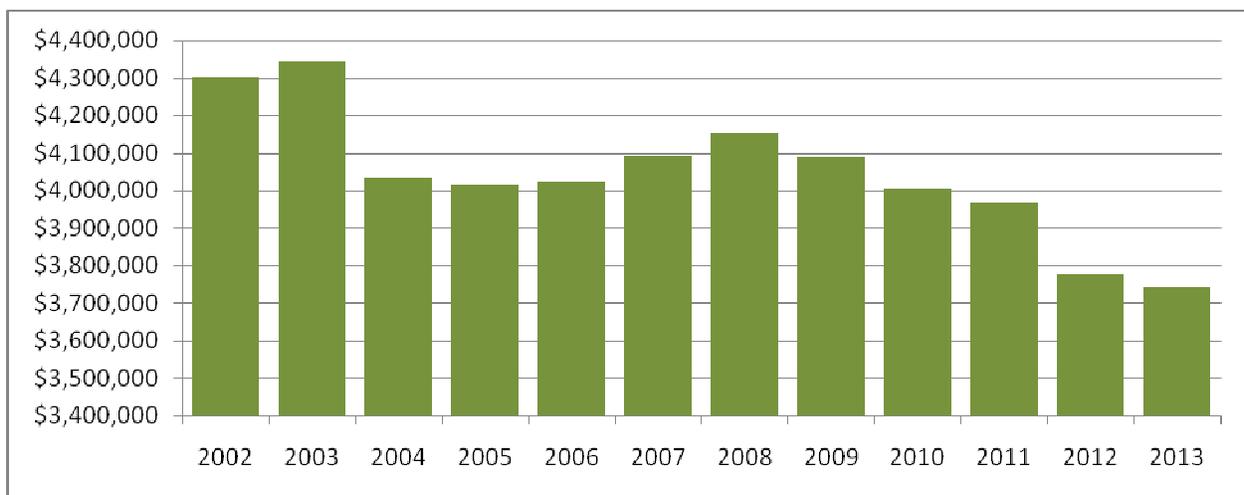


TO: Common Council
FROM: Mayor Merkes
DATE: 15 November 2012

RE: Historical Shared Revenue Funding

Wisconsin’s shared revenue program dates back to 1911, when the state adopted an income tax to broaden its tax base and deemed it fair to share 90% of the proceeds with local and county governments. In 1972, a new shared revenue distribution formula was adopted that based shared revenue distributions on criteria including: revenue, property value and population.

At the previous common council meeting there were questions regarding historical levels of shared revenue for the city of Menasha. Funding for our community through the program has decreased over \$560,000 since 2002 from \$4,302,952 to a projection of \$3,740,925 for the 2013 budget.



Shared revenues represent close to 20% of revenues for the city of Menasha. Maintaining current levels is important to maintain services and affordability in communities across the state. Restoring shared revenues to the 2002 levels would allow further property tax relief, economic growth programs, and investment in our community.

Attached is a recent article from “The Municipality” explaining the shared revenue program in further detail.

SHARED REVENUE: AN EQUITABLE, EFFICIENT WAY TO HELP FUND CRITICAL LOCAL SERVICES

By Curt Witynski, Assistant Director

Through the shared revenue program, the State of Wisconsin provides tax dollars to cities, villages, towns and counties to help pay for local services like police and fire protection. In 2011, cities and villages will receive \$652 million through this program. Counties are projected to receive \$183.3 million and towns \$59.3 million. When shared revenue is combined with the expenditure restraint program and the computer exemption reimbursement payment, it ranks as the fifth largest state general fund program, behind general elementary and secondary school aids, medical assistance, the University of Wisconsin system, and corrections.

The state shared revenue program is a key component of Wisconsin's state and local relationship. It is also an important part of the state's overall program of property tax relief. During the last ten years, however, funding for the program has been cut on several occasions, the most recent being a 3.5 percent cut that took effect in 2010. In 2002 Governor McCallum even proposed eliminating shared revenue in a bid to fix the state's fiscal difficulties. In 1981-82 shared revenue represented 15 percent of the state's general fund expenditures. It currently makes up 6 percent.

State policy makers need to be informed about the history and rationale for the shared revenue program. It is imperative that the program continue to be maintained and funding levels increased to previous levels.

HISTORY

The state created the shared revenue program in 1911 to address the negative effects of a new property tax exemption on local governments. The state, desiring to keep local governments whole, adopted the first tax on income in the country and used the revenue to replace local governments' lost property tax base. In the beginning, shared revenue was referred to as a shared tax system. At the outset, 70 percent of the income tax revenue

*Shared Revenue
continued on page 14*



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Shared Revenue
from page 13

went to municipalities, 20 percent to counties, and 10 percent to the state for administrative costs.

Initially, the state employed a "return to origin" shared tax system where a percentage of certain state taxes was earmarked for return to local governments based on the taxpayer's location. In other words, a percentage of sales or income tax revenue paid by residents and businesses in a community was returned to the community. Consequently, wealthier, economically successful communities received more shared revenue payments than poorer, less economically active communities.

In the early 1970s, the state legislature increased funding for shared revenue and significantly modified how it was distributed. The "return to origin" approach was replaced with a complex tax base "equalizing" distribution formula. Consequently, a major goal of the shared revenue program became to equalize local governments revenue raising capacity by sending proportionately larger amounts of aid to fiscally weaker municipalities. Under this distribution formula, poorer communities generally received proportionally more aid than wealthier communities.

The "equalizing" distribution formula was suspended in 2002. Since 2002 shared revenue payments have been distributed strictly on a historical basis. In the absence of any cuts in funding, each community receives roughly the same amount in shared revenue that it received the year prior.

More detailed information on the history of the shared revenue program is available from the Wisconsin Legislative Fiscal Bureau, *Shared Revenue Program, Informational Paper 18*, which is posted on the Fiscal Bureau's Web page at <<http://legis.wisconsin.gov/lfb/>>.

RATIONALE FOR THE SHARED REVENUE PROGRAM

While the policy of the state replacing lost local revenues caused by the creation of property tax exemptions has been a strong justification for the shared revenue program since its inception, several other equally important public policy goals justify its existence and warrant its continuation. These include the following:¹

- **Substituting State Taxes for Local Taxes.** Using state aid to help finance local government improves the overall equity and efficiency in the state-local tax system. The state income tax, for example, is generally perceived to be more progressive, equitable and better related to a taxpayer's ability to pay than the property tax. Moreover, it is much more efficient for the state to collect income and sales taxes than it is to have such collections made by a hodge-podge of 1,800 local taxing jurisdictions. In many states local sales or income taxes piggyback onto state taxes. Wisconsin's shared revenue program is similar to such a piggyback state-local tax system.

- **Property Tax Relief.** Shared revenue payments help municipalities avoid relying exclusively on the property tax to pay for vital local services like police, fire, streets, libraries, and parks. Under current law, the total amount of shared revenue payments the state plans to distribute to all local governments in 2011 is \$894.6 million. Needless to say, if these payments were eliminated or reduced, residential homeowners and business owners would experience higher property tax bills, higher fees, and/or dramatically reduced public services.

- **Funding Local Mandates.** Local governments provide a wide variety of services that are required by state law. State aid helps to offset the cost of providing such services.

- **Spreading Costs.** Some local services are provided to residents of other communities. Examples include:

- ◆ Commuters from outside a city who use city streets, city buses, and parking garages when working in the city.

- ◆ County residents who use municipal libraries, parks, and museums.

Shared revenue helps to ensure that local residents do not bear the entire burden of providing these services for non-residents.

1. This list of reasons for the shared revenue program is taken from the Legislative Fiscal Bureau's *Informational Paper 16, Municipal and County Finance*, by Rick Olin.

- **Tax Base Equalization.** While the equalization formula for distributing shared revenue has not been applied since 2002, the echo of that formula continues to impact how shared revenue is distributed among municipalities to this day. For example, a community with high property values like Brookfield continues to receive less shared revenue than communities like Beloit or Ashland, which have lower equalized values. Consequently, the shared revenue program continues to equalize local governments' revenue raising capacity by sending proportionately larger amounts of aid to fiscally weaker municipalities.

CRITICISM OF SHARED REVENUE

Over the years, critics of shared revenue, like Governor Scott McCallum, have made two main arguments in support of discontinuing the program:

1. The shared revenue system is not a good way to fund local services because the ultimate spenders are not required to levy the taxes they expend and, therefore, are less accountable to the citizenry for their spending decisions.
2. Unrestricted shared revenue payments spur local spending.

Neither of these arguments hold up under close examination.

1. ISSUE OF ACCOUNTABILITY

Most of the money spent by local officials to provide local services is raised locally in the form of property taxes, special assessments and fees. In 2007, about 18.1 percent of city

revenues came from state aids consisting primarily of shared revenue and transportation aids. Only about 11.5 percent of village resources came from state aids. Locally imposed taxes represented the largest revenue source for villages (34.7 percent) and cities (28.5 percent). Naturally, citizens and local taxpayer groups closely scrutinize municipal budgets every year to ensure that their tax bills are not unnecessarily increased because of superfluous spending.

Neither the electorate nor local officials distinguish between shared revenue, property taxes or other revenue sources when considering whether a particular expenditure might be excessive or non-essential. As long as property tax revenues, fees, and other locally raised funds support most of a municipality's budget, municipal spending decisions will be subject to the same level of scrutiny by the electors as if the entire budget was funded by the local property tax.

Municipal leaders are part-time officials living in the same neighborhoods of the people who elect them. Local officials receive comments and complaints on a daily basis about the quality and cost of services that they provide. Residents have continuing direct input into municipal spending decisions. Local elected officials are held accountable for their spending decisions at the ballot box every two years.

2. SHARED REVENUE DOES NOT SPUR SPENDING

The claim that shared revenues leads to excessive spending by municipalities can be refuted by looking at the numbers. Wisconsin's shared revenue

program is fairly unique among the states. Most states simply authorize local governments to raise revenue at the local level through income, sales and property taxes. If shared revenue leads to unnecessary spending by local governments, then Wisconsin local governments should compare unfavorably to local governments in other states when it comes to spending. This is not the case, however. Wisconsin local governments are not high spenders compared to local governments in other states. Based on the most recent national data (from 2008), Wisconsin ranked 27th in total state and local spending (measured as a percentage of income). The national average for "direct general spending" by state and local government in 2008 was \$7,886 per capita – or \$345 below the national average. In addition, Wisconsin ranked 41st (10th lowest) in total state and local government employees relative to population. Source: The Wisconsin Budget Project.

CONCLUSION

For over 90 years the shared revenue program has been a key component of Wisconsin's system of state and local finance. It is an important part of the state's effort to provide property tax relief. Moreover, it is an equitable, efficient way to help fund police, fire, street maintenance, and other critical local services. It is crucial that shared revenue be maintained and program funding be restored to its previous levels.

RESOLUTION R-42-12

Resolution for Preservation of Municipal Utility PILOTs

INTRODUCED BY MAYOR MERKES

Whereas, state law allows municipalities to receive payment in lieu of taxes (PILOTs) from municipal water and electric utilities, and PILOTs to municipalities have been authorized since at least 1918; and

Whereas, Public Service Commission (PSC) regulations establish a formula for determining the maximum allowable PILOT for any municipal utility, which is the municipal and school tax rates applied to the gross book value of the plant plus materials and supplies; and

Whereas, under current law the governing body of a municipality owning a public utility has the discretion to determine the appropriate level of PILOTs; and

Whereas, 511 municipal water utilities made PILOT payments totaling \$92.9 million in 2011 and 82 municipal electric utilities made PILOT payments totaling \$19.3 million in 2011; and

Whereas, on January 25, 2012, the PSC opened an investigation into PILOTs paid by municipal electric and water utilities, and on September 28, 2012 the PSC staff released a draft report concluding that:

- PILOT payments can be a significant component of municipal water utilities' revenue requirements, averaging 14.9 percent.
- The current method for calculating water utility PILOTs may be a disincentive to replacing aging utility infrastructure and making improvements necessary to ensure adequate service.
- PILOTs for most municipal water systems exceed the amount that they would otherwise pay as a gross receipts tax if they were private for profit utilities.

Whereas, there are several compelling reasons municipal utilities should make PILOTs to their municipalities that were not acknowledged in the PSC staff report, including:

- PILOTs are a way for tax exempt entities to financially contribute towards the cost of municipal services and reduce somewhat the burden on property tax payers.
- Financial risk is deserving of financial reward. Municipalities, as the owners of utilities, should receive a dividend in return for the considerable investment they make and risk they incur in establishing utilities.
- Municipal utility facilities directly benefit from public services provided by municipalities, such as police, fire, and snow plowing.
- Municipal utility facilities are located on land within the municipality that could otherwise be privately developed and the owners paying property taxes.

Whereas, PILOTs and gross receipts taxes are fundamentally different and there is no substantive benefit in trying to skew the outputs so they are reflective of each other.

Whereas, the League of Wisconsin Municipalities adopted a resolution at their 2012 Annual Conference opposes any efforts by the PSC, the state Legislature, and the Governor to eliminate or limit PILOTs from municipal water and electric utilities.

Now, Therefore, Be It Resolved, that the City of Menasha and Menasha Utilities opposes any efforts by the PSC, the state Legislature, and the Governor to change current statutes or rules regarding PILOTs from municipal water and electric utilities.

Passed and approved this day of , 2012.

Donald Merkes, Mayor

Mark Allwardt, President of W&L Commission