



City of Madison

Agenda

Council Legislative Agenda Work Group:  
Alternative Sources of Revenue

City of Madison  
Madison, WI 53703  
[www.cityofmadison.com](http://www.cityofmadison.com)

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Tuesday, May 21, 2013

5:00 p.m.

Room 417  
City-County Building  
210 Martin Luther King, Jr. Boulevard

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**NOTE: POSSIBLE QUORUMS OF THE COMMON COUNCIL  
AND COMMON COUNCIL ORGANIZATIONAL COMMITTEE MAY EXIST AT THIS MEETING**

If you need an interpreter, translator, materials in alternate formats or other accommodations to access this service, activity or program, please call the phone number below at least three business days prior to the meeting.

Si necesita un intérprete, un traductor, materiales en formatos alternativos u otros arreglos para acceder a este servicio, actividad o programa, comuníquese al número de teléfono que figura a continuación tres días hábiles como mínimo antes de la reunión.

Yog hais tias koj xav tau ib tug neeg txhais lus, ib tug neeg txhais ntawv, cov ntawv ua lwm hom ntawv los sis lwm cov kev pab kom siv tau cov kev pab, cov kev ua ub no (activity) los sis qhov kev pab cuam, thov hu rau tus xov tooj hauv qab yam tsawg peb hnub ua hauj lwm ua ntej yuav tuaj sib tham.

Contact: Heather Allen, Common Council Legislative Analyst, 266-4511 or [hallen@cityofmadison.com](mailto:hallen@cityofmadison.com)

Work Group Members: Ald. Mark Clear, Chair, D. 19, Ald. Steve King, D. 7, Ald. Larry Palm, D. 12

1. Call to order
  2. Public Comment

*The work group shall not take action on a matter raised in the public comment portion of the meeting unless that matter is otherwise on the agenda. Members of the public who comply with applicable rules shall be permitted at least three (3) minutes to speak. If the speaker requires an interpreter, either because of his/her limited English proficiency or because of a disability, he/she shall be allowed no less than six (6) minutes.*
  3. Disclosures & Recusals

*Members of the work group should make any required disclosures or recusals under the City's Ethics Code.*
  4. Approval of minutes from the April 15, 2013 meeting
  5. Discussion: Wisconsin Legislature County and Municipal Levy Limit: Adjustment for Certain Fee Revenue (Nicholas Zavos invited)
    - a. Other relevant legislation for municipal revenue planning
  6. Presentation: Regionalism - Twin Cities approach to tax base sharing – Heather Allen, Council Legislative Analyst
  7. Next Meeting: June 20, 2013 – Topic: fees for garbage, recycling and organics compost collection
  8. Set July Meeting Date and Topic
  9. Adjournment
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City of Madison  
DRAFT Minutes

City of Madison  
Madison, WI 53703  
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**Council Legislative Agenda Work Group:  
Alternative Sources of Revenue**

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Monday, April 15, 2013

4:30 p.m.

Room 417  
City-County Building  
210 Martin Luther King, Jr. Boulevard

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**Call to order**

Members Present: Ald. Mark Clear (chair), Ald. Steve King and Ald. Larry Palm  
Others Present: David Schmiedicke, Director of Finance

Ald. Mark Clear, chair, called the meeting to order at 4:30 p.m. p.m.

**Public Comment**

There was no public comment.

**Disclosures & Recusals**

There were no disclosures or recusals.

**Revenue Trends – Why is the City of Madison investigating alternative sources of revenue**

David Schmiedicke, Director of Finance (presentation attached)

U.S. Census Bureau Survey of Local Government Finances by Level of Government & State (2009 – 2010) shows that the largest sources of local revenues nationwide are from special assessments (33%) and property taxes (30%).

In WI property taxes account for approximately 40% of revenue for municipalities and State Shared Revenue accounts for the next largest source of funds approximately 16%.

*NOTE: School Districts are a separate governmental entity throughout Wisconsin – over time State has increased funding directly to Districts. State has been relieving property taxes by directing funds toward school districts.*

**Shared Revenue** – the majority of this State Aid goes to Milwaukee (which doesn't have a transit system and charges for services). Serves as an "offset" to absence of local revenue options. Shared Revenue account has been shrinking and stagnant. Milwaukee is an outlier on shared revenue – receiving more than other cities. Shared Revenue started in 1973 as a package of tax reforms machinery / equipment property tax exemption. The formula remained the same from 1973 – 2002.

- Milwaukee's largest sources of funds are State Shared Revenue (25%) and property taxes (25%).
- Madison's largest sources of funds are property taxes (61%) and State Shared Revenue (9%).
- Madison receives transit aid.

We have much less reliance than other States on licenses, fines, and fees. Tax rate per \$1000/ assessed value is similar for Madison and MKE.

The State of WI cut income tax in 2000, in 2001 by 13%

If Expenditure Restraint Payments (ERP) and shared revenue had kept pace with inflation Madison would take in \$54 million and our mill rates would be lower. As a result of these decreasing State Aids Madison has increasingly relied on property taxes.

#### Operating Revenue Outlook – Limited Growth

- 2000-2002 avg. real growth 3.3%
- 0.1% growth is projected for 2014 – 2017
- 30X less than most recent years

#### Wisconsin Local Government Finance: Comparative View

- Limited “home rule” revenue authority
- WI local governments rely heavily on prop taxes and state aids – WI uniformity clause does not allow for differential tax rates for different types of property.
- Total per capita revenue is 38% less than US average

#### Broad-based Revenue options for Wisconsin cities

- Motor vehicle registration fee (wheel tax)
- Room Tax (Madison receives approx \$10 million)
- Exposition District – room, food and beverage, and car rental taxes
- Stadium-related sales taxes – MKE and Green Bay
- Premier Resort Area Tax (applicable if 40% or more of property value is related to tourism)
- Sales Tax – Counties only.

#### User Fees and Special Charges

- Municipalities have broad authority to levy special charges for current services.
- Fees must bear a reasonable relationship to the cost of the service
- A service must actually be provided
- Services include, but are not limited to:
  - Snow and ice removal
  - Weed elimination
  - Street sprinkling, oiling and tarring
  - Repair of sidewalks, curb and gutter
  - Garbage and refuse disposal
  - Recycling
  - Storm water management
  - Tree care
  - Snow removal on private roads and driveways

#### Madison Revenue Sources

- Room tax – 9%
- Ambulance fee – rates increased 50% in 2013 budget
- Utility PIOLTs – Water and Parking Utilities
- Municipal Services Fee (revenues collected in 2011)
  - Water - \$29 million
  - Sewer - \$29 million
  - Stormwater - \$13 million

### Milwaukee's Four Municipal Service Charges

- 1) Sewer Enterprise Fund: local sewerage and local storm water charge)
- 2) General Fund: solid waste charge and snow and ice removal charge)

Milwaukee initiated user fees between 1996 and 2003 as State Shared Revenue froze. By 2004-2012 Milwaukee approached full cost recovery for 4 key municipal services. In 2012 solid waste and snow and ice charges accounted for \$40 million revenue.

### Benefits and Challenges of Fees

- Improves understanding of service delivery cost
- Facilitates comparisons with other service providers
- Increases transparency to those paying the bill
- Clarifies understanding of what property tax levies pay for (i.e. public safety)
- There may be illegal dumping to avoid collection fees
- There may be a moderate increase in customer inquiries regarding billing/price changes

### Conclusions

- ✓ There are relatively few broad-based non-property tax general revenue options available.
- ✓ User fees are an option, which respond to program demands in times of limited revenue growth.

### **Potential areas of inquiry – Heather Allen, Council Legislative Analyst**

(See January 13, 2013 memo attached)

The group decided to focus future meetings on two areas for exploration: fees (of different varieties) and regional approaches.

### **Discussion: Schedule/frequency of meetings**

The next meeting scheduled for May 21, 2013 immediately before the Common Council meeting. The group will focus on the Twin Cities experience with regional tax base sharing. The subsequent meeting (which will be held in June, date TBD) will explore a potential fee system for recycling/garbage/organics collection.

### **Discussion: Information and other presentations which should be provided to the work group**

There was no discussion on this topic.

### **Adjournment**

The meeting adjourned at 6:53 p.m.

# Non-Property Tax Revenue Options

- National and state figures
- Options for Wisconsin Cities
- Madison – revenues, state aid and user fees
- Milwaukee experience

Presentation to Common Council Work Group on  
Alternative Sources of Revenue

April 15, 2013

# Revenue Sources for Cities – National Data

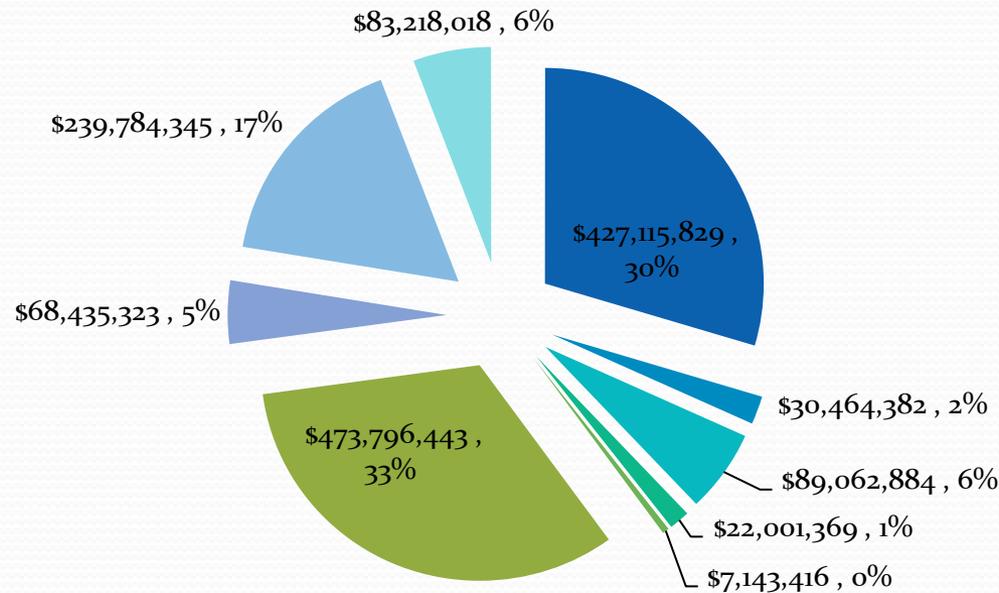
US Local Governments Revenue Sources -- 2009-10

\$ in thousands

US Census Bureau,  
Survey of Local  
Government Finances  
by Level of Government  
and State -- 2009-10

excludes utility, liquor  
store and insurance  
trust revenue

Local governments  
include school districts



■ Property Taxes

■ Other Taxes

■ Federal Aid

■ Income (Individual and Corporate)

■ Special Assessments

■ Charges for Services

■ Sales

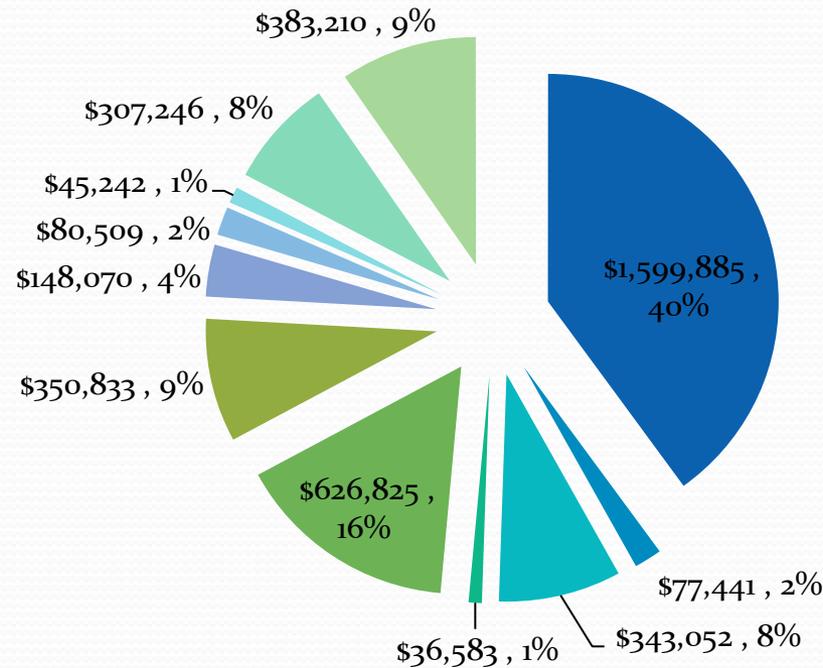
■ State Aid

■ All Other

# Revenue Sources – Wisconsin Cities

\$ in thousands

Governmental Fund Revenue Sources for Wisconsin Cities -- 2010

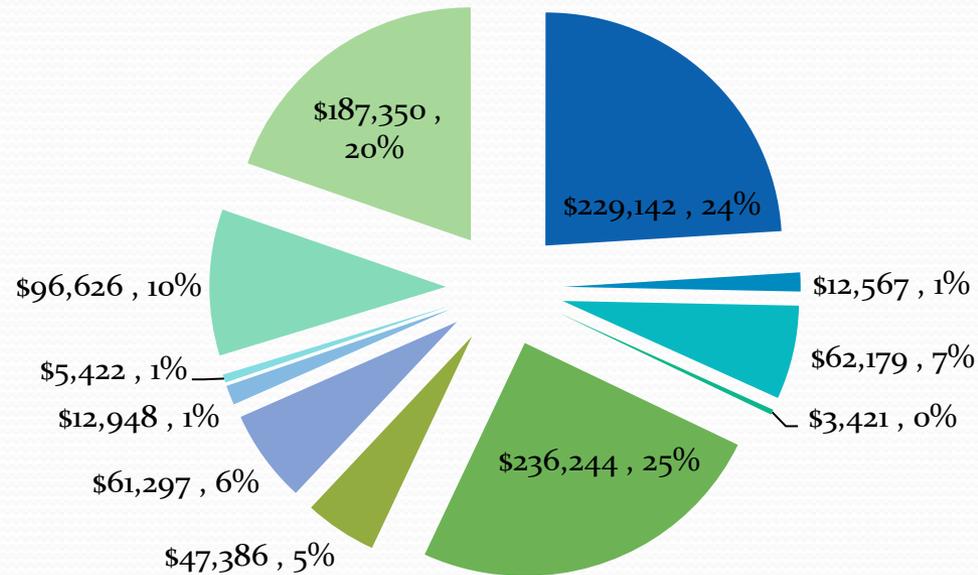


- Property Taxes
- Special Assessments
- Federal Aid
- Charges for Services
- In Lieu of Taxes
- State Shared Revenue
- Licenses and Permits
- All Other
- Tax Increments and Other Taxes
- Other State and Local Aid
- Fines and Forfeitures

# Milwaukee Revenue Sources

\$ in thousands

## Milwaukee Governmental Fund Revenue Sources -- 2010

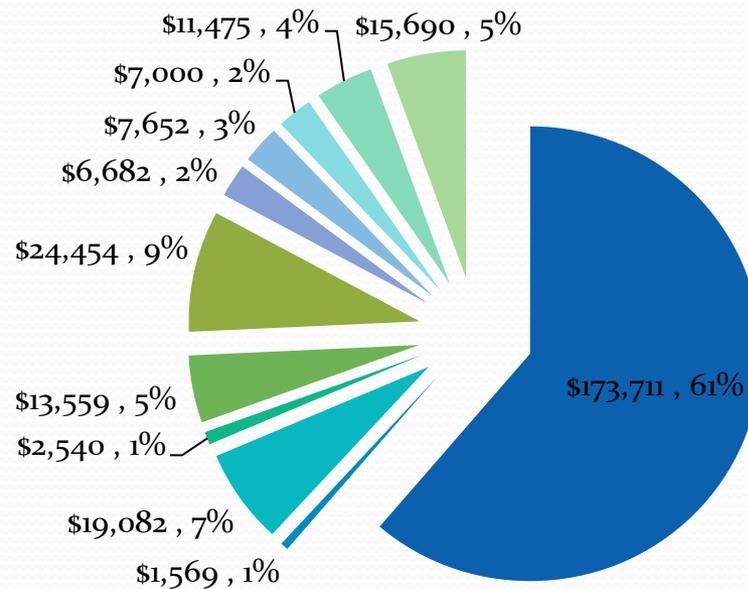


- Property Taxes
- In Lieu of Taxes
- Tax Increments and Other Taxes
- Special Assessments
- State Shared Revenue
- Other State and Local Aid
- Federal Aid
- Licenses and Permits
- Fines and Forfeitures
- Charges for Services
- All Other

# Madison Revenue Sources

Madison Governmental Fund Revenue Sources -- 2010

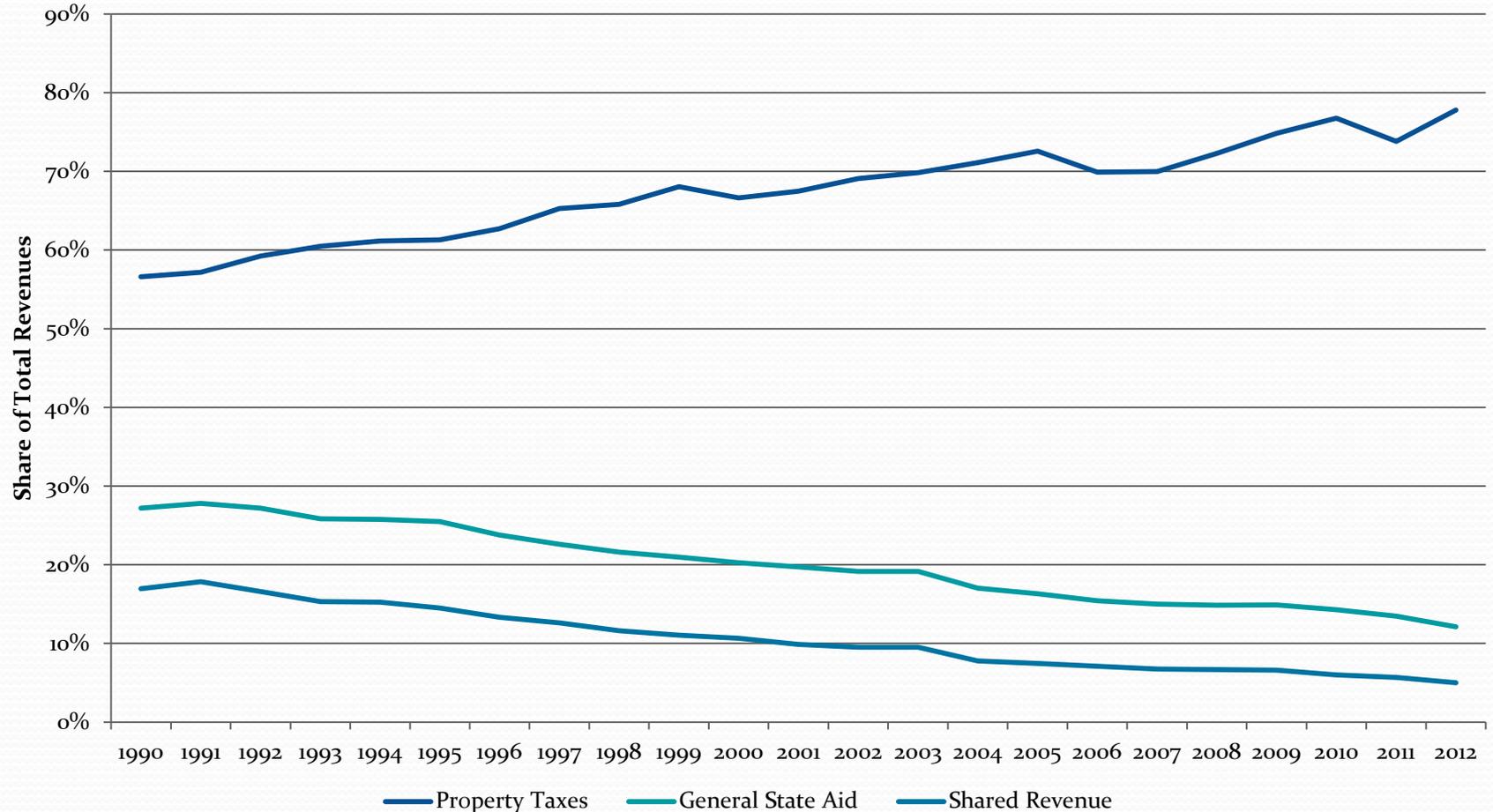
\$ in thousands



- Property Taxes
- In Lieu of Taxes
- Tax Increments and Other Taxes
- Special Assessments
- State Shared Revenue
- Other State and Local Aid
- Federal Aid
- Licenses and Permits
- Fines and Forfeitures
- Charges for Services
- All Other

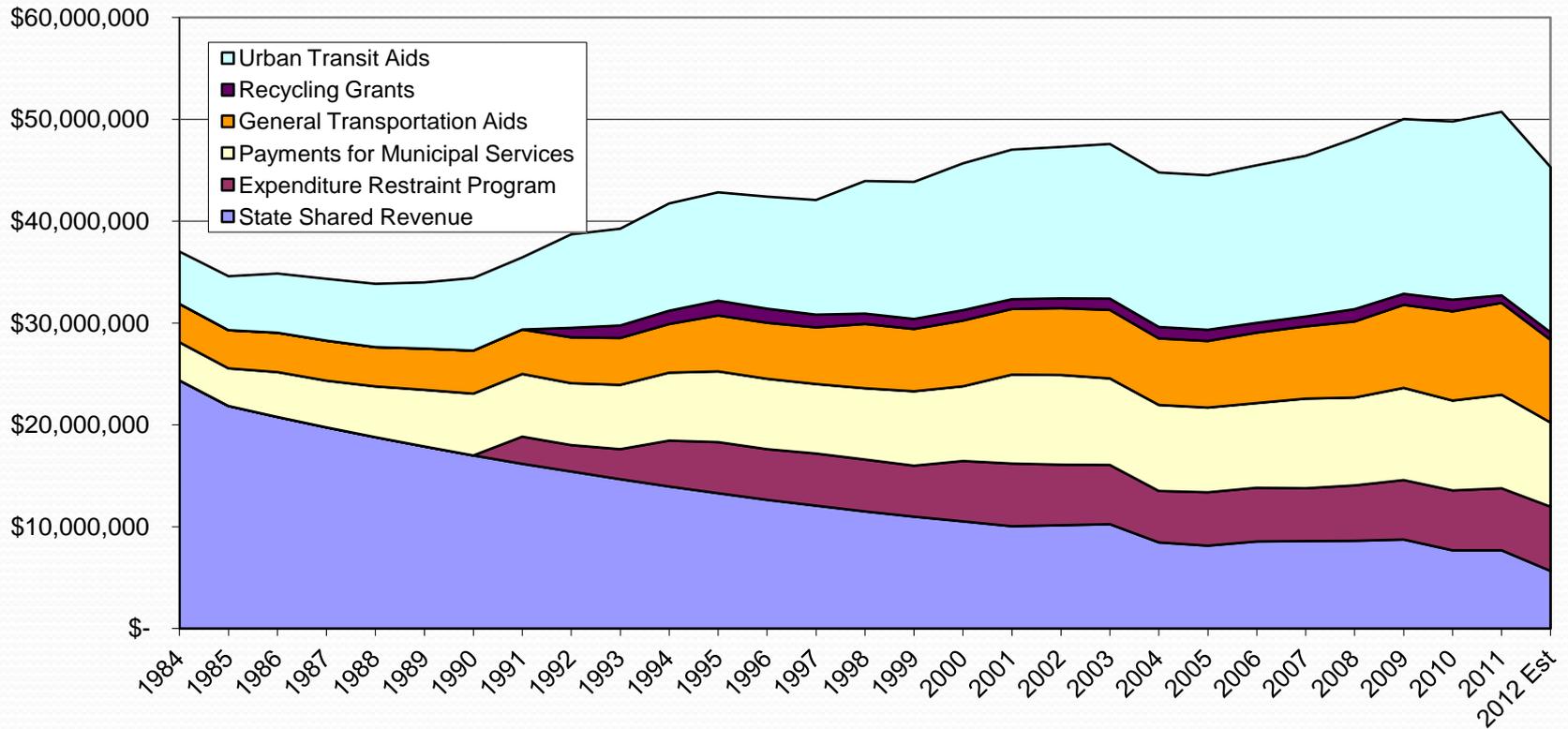
# Madison Relative Share of Revenue

Greater Reliance on Property Taxes as State Aid has Not Kept Pace with Costs



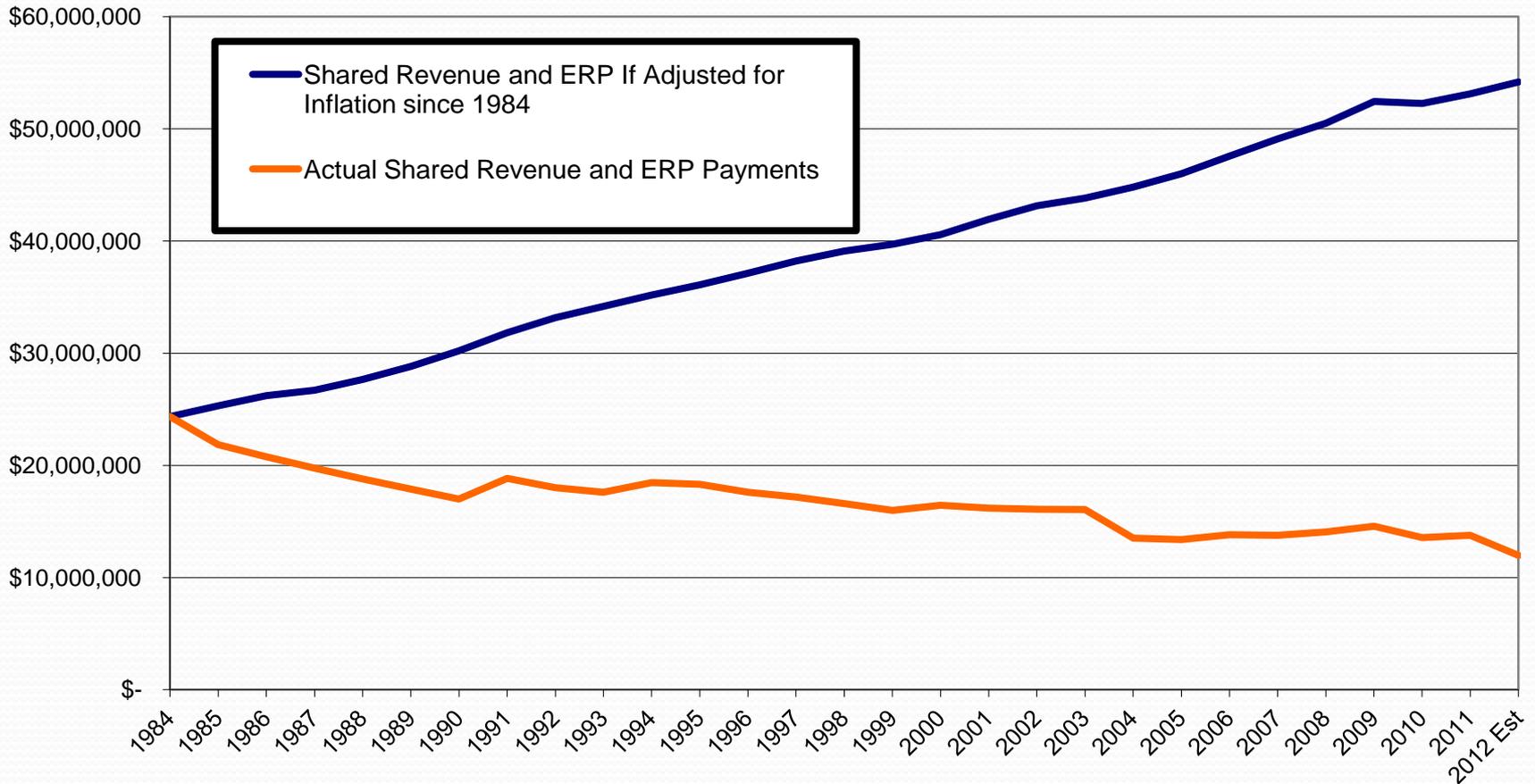
# Madison -- History of State Aid

**Total State Aid Payments  
All General and Transit Aids by Category  
1984 - 2012**



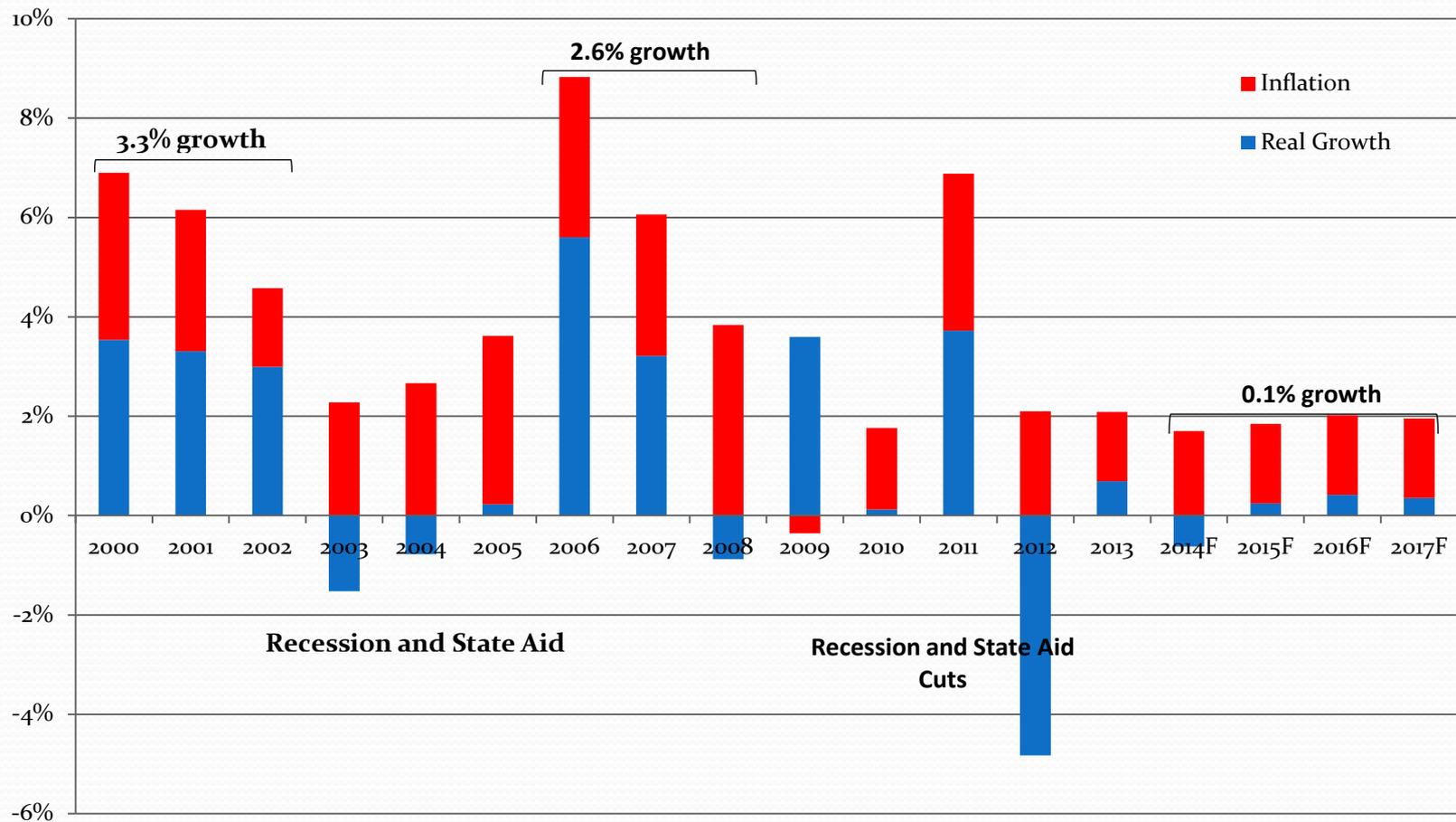
# Madison -- State Aid Has Not Kept Pace with Inflation

If State Shared Revenue and ERP Had Kept Pace With Inflation



# Operating Revenue Outlook – Limited Growth

(general and library funds revenue less debt service levy)



# Wisconsin Local Government Finance: Comparative View

1. Limited “home rule” revenue authority => local finance a matter of “statewide concern”
2. WI local governments: disproportionate reliance on property taxes and state aids
  - WI uniformity clause allows virtually no differential treatment based on property class
3. Total per capita revenue is ~ 38% less than US average (2007 US Census Bureau)
  - WI local per capita taxes & state aids combined total is ~ 31% less than US average
4. State Shared Revenue program
  - Established 1976: redistributes state revenues in equalizing fashion to municipal and county governments
  - Serves as “offset” to absence of local revenue options
  - Steady growth: 1976-1995
  - 1996-2003: frozen most years
  - 2004-2012: Municipal aid component has declined 14.5% in nominal terms

# Broad-based Revenue options for Wisconsin Cities

- Motor vehicle registration fee (“wheel tax”)
- Room Tax
- Exposition District – room, food and beverage, and car rental taxes
- Stadium-related sales taxes – Milwaukee and Green Bay
- Premier Resort Area Tax – 40% or more of property value related to tourism
- Sales Tax – Counties only – prior to 1985, must be shared with underlying municipalities; county discretion led to much broader adoption.

# User Fees and Special Charges

- Municipalities have broad authority to levy special charges for current services.
- Services include, but are not limited to:
  - Snow and ice removal
  - Weed elimination
  - Street sprinkling, oiling and tarring
  - Repair of sidewalks, curb and gutter
  - Garbage and refuse disposal
  - Recycling
  - Storm water management
  - Tree care
  - Snow removal on private roads and driveways

# User Fees (con't)

- Fees must bear a reasonable relationship to the cost of the service.
- A service must actually be provided.

# Madison Revenue Sources

- Room tax – rate of 9% (highest in state due to state law provisions regarding convention centers)
- Ambulance fee – rates increased 50% in 2013 budget; much of the cost paid by private insurers and Medicaid/Medicare.
- Utility PILOTs -- Water and Parking Utilities
- Municipal Services Fee (based on fixed cost allocation and usage) – revenues collected in 2011:
  - Water -- \$29 million
  - Sewer -- \$29 million
  - Stormwater -- \$13 million

# Milwaukee's Four Municipal Service Charges

## 1. Sewer Maintenance Enterprise fund

- Local sewerage charge (water consumption-based)
  - Based on winter quarter usage
- Local storm water charge (impervious surface based)

## 2. General Fund

- Solid Waste Charge (based on units receiving weekly garbage collection service)
- Snow & Ice Removal Charge (street frontage based)

# User Charge History in Milwaukee

1. Pre 1995: consistent State Share Revenue growth: minimal user charge finance
2. 1996-2003: State Shared Revenue freeze: City initiates user charge finance for core municipal services
  - 1998: Sewer Maintenance Fund initiated (operating costs only)
  - 2001: SMF adds capital program cost recovery
  - 2002: Partial cost-recovery initiated for solid waste services and snow and ice control operations
3. 2004-2012: State Shared Revenue decline: City approaches full cost recovery for 4 key municipal services
  - 2006: SMF diversifies its revenue base via storm water charge

# Allocation of Municipal Charges

## Sewer Maintenance Fund (SMF)

1. Operations and capital funding
2. Fund transfers finance wide range of storm water management services & related debt payments
  - Street sweeping (required by State permit)
  - Leaf and brush collection (required by State permit)
  - Urban Forestry (tree planting, pruning, preventive maintenance)
  - Payment of sewer-related GO debt service

# Allocation of Charges (cont'd)

## Solid Waste Charge

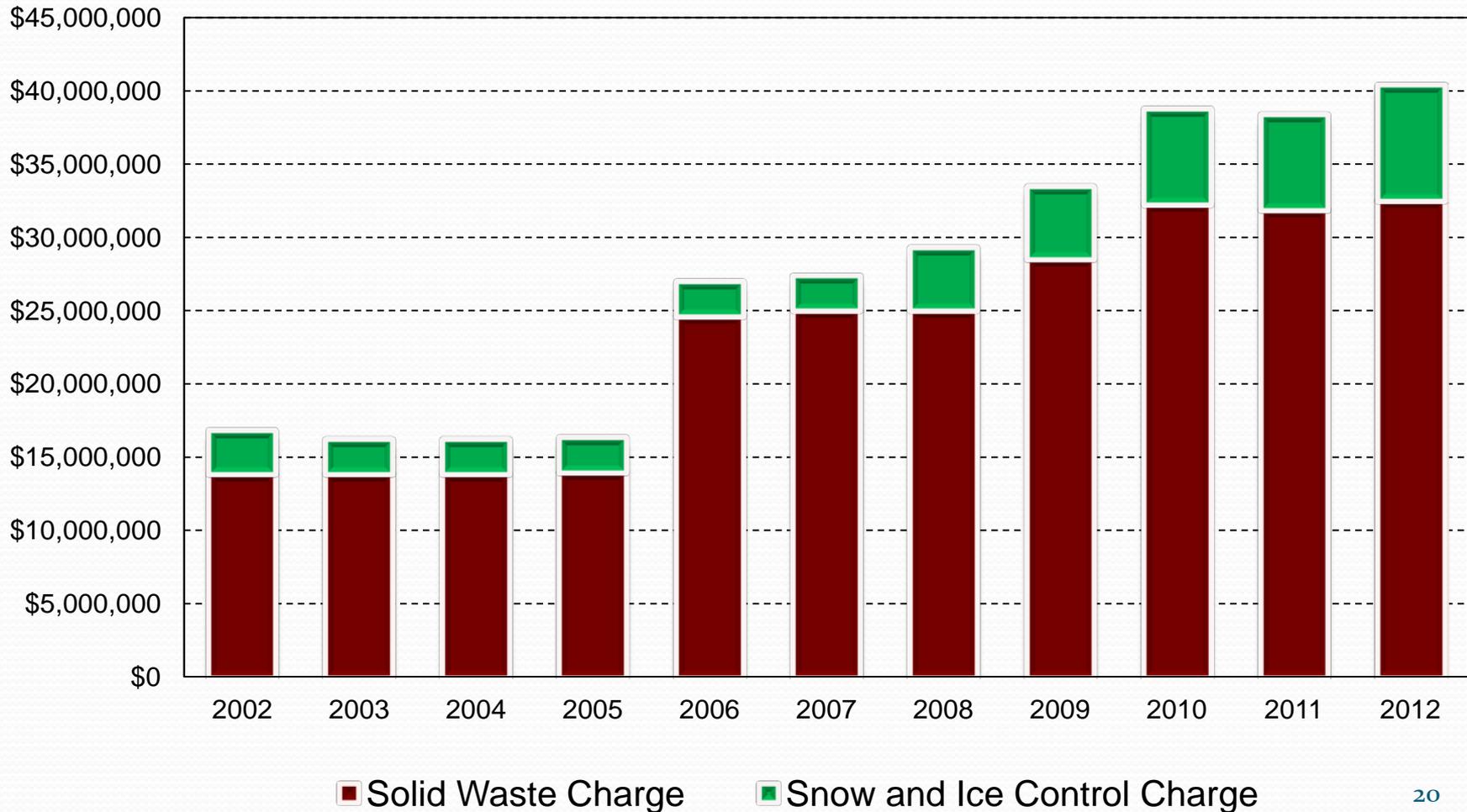
1. Operations funding for weekly solid waste collection; recycling collection; self-help centers; miscellaneous solid waste programs
2. Billed to 1-4 unit residential buildings on a “household served” basis
  - 190,000 households served in 2012
  - In 2007 a special collection charge of \$50 was initiated for bulky household items.
  - In 2010 a \$15/load charge was initiated for disposal of construction debris at self-help centers.

# Allocation of Charges (cont'd)

## Snow & Ice Removal Charge

1. Operations funding for ice control, snow removal, and miscellaneous shoveling operations
2. Billed to all property (including tax exempt) on a street frontage basis
3. Budget amount typically based on 5-year average experience

# General Fund Municipal Service Charge Revenue: 2002 - 2012



# Other Benefits...& Challenges

1. Improves understanding of service delivery cost
2. Facilitates comparisons with other service providers
3. Increases transparency to those paying the bill
4. Clarifies understanding of what property tax levies are really paying for (i.e., public safety services)

## Challenges

1. “Maverick” dumping to avoid collection limits, special fees
2. Moderate increase in customer inquiries regarding billing, price changes

# Conclusions

- Service delivery vs. limited general revenue options.
  - Declining shared revenue
  - Limits on property tax levies
  - Relatively few broad-based non-property tax general revenue options available.
- User fees as an option.
  - Equitable allocation of costs.
  - Responds to program demands in time of limited revenue growth.

## UPDATED MEMORANDUM

TO: Alder Shiva Bidar-Sielaff, Council President  
Alder Chris Schmidt, Council President Pro-Tem  
Michael P. May, City Attorney

FROM: Heather Allen, Common Council Legislative Analyst

DATE: January 30, 2013

RE: **Addressing Long-Term Challenges through the Common Council Legislative Agenda:  
Alternative Revenue and Shifting Demographics**

In June of 2012, the Common Council initiated discussions on a legislative agenda, an effort to establish a vision for Madison as a changing and growing City. The Council sought to identify a small group of issues as priority areas with the goal of working together to develop solutions for the whole City as a unified body. The Council conducted a survey, developed proposals and participated in facilitated discussions ultimately choosing two priority areas; alternative sources of revenue and demographic changes.

The Council chose to focus on the long-term challenges of revenue and demographics because both topics will have a profound effect on the ability of the City to deliver high-quality services to its citizens. Moreover, these two issues are not easily addressed in the day-to-day operations of the City; rather the work requires cross-cutting analysis, and a coherent and consistent strategy to serve the City well into the future.

This memo provides information relating to municipal revenue and alternatives to existing income sources. This memo also highlights ongoing and anticipated demographic shifts relating to age and ethnicity, and lays out the need to explore what attracts young families to Madison.

As funding for City services shifts and the nature of those services change to address a larger proportion of seniors and a more diverse group of young people and families, it is worthwhile for the City of Madison to reflect on the future now.

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### **Alternative Revenues: New Sources of Income for the City of Madison**

#### **Our Goal**

The Common Council is seeking to build financial stability by exploring alternatives to traditional sources of income for the City of Madison.

## Why focus on alternative revenues?

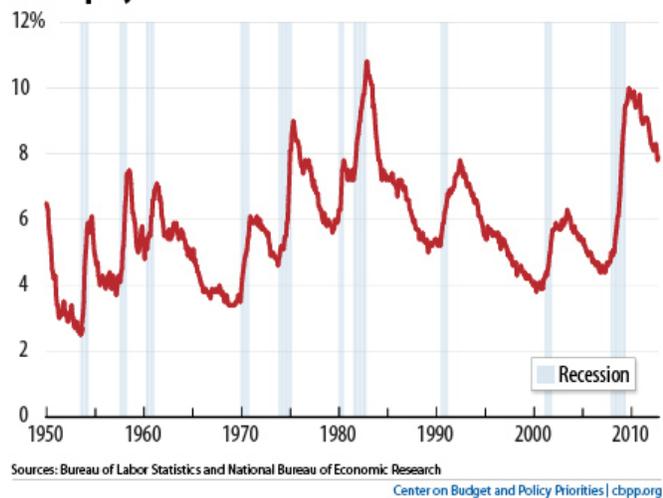
The primary sources of revenue for the City of Madison are property taxes, and State and Federal Aid. As those income streams shrink or become less predictable, Madison, like many other municipalities, is exploring opportunities to diversify its income with new alternatives.

Alternative sources of revenue can include Payments in Lieu of Taxes (PILOTS), fees for services, public-private partnerships, efforts to increase or leverage other State or Federal Aids, regional cooperation, development financing tools and more. New revenue streams offer potential financial relief to cities, yet all the options pose particular challenges and must be explored carefully.

## Background

Since 2008, the Great Recession and the concomitant housing crisis shrunk property values and property tax income for cities around the country. At the same time, more people came to rely on government and community services as a result of job losses in the public and private sector. The graph to the right produced by the Center on Budget and Policy Priorities shows that unemployment resulting from the 2008 recession nearly reached the highest levels since World War II.<sup>1</sup> State and federal aids have also been reduced in certain sectors, pinching cities further. Since 2010, twenty-eight municipalities have filed for bankruptcy.<sup>2</sup>

### Unemployment Rate



Now, as the real estate sector is beginning to show signs of improvement, analysts predict it will still be several more years before municipalities can achieve the level of services provided in 2006.<sup>3</sup> Michael Pagano, Dean of Urban Planning and Public Affairs at the University of Illinois, sums it up eloquently:

*To complicate matters, estimates of infrastructure needs total in the trillions of dollars and pension obligations for local governments, as well as health benefits for retired municipal employees, reach unfathomable heights. In other words, cities labor under a weak tax collection regimen today and for the foreseeable future just at the same time as pension obligations, health costs for city retirees, and the "life" of infrastructure*

<sup>1</sup> Graph from Center on Budget and Policy Priorities

Retrieved from <http://www.cbpp.org/cms/index.cfm?fa=view&id=3252>

<sup>2</sup> Data retrieved from Governing: The States and Localities show that 28 municipalities have filed for Chapter 9 bankruptcy protection since 2010.

<http://www.governing.com/gov-data/municipal-cities-counties-bankruptcies-and-defaults.html>

<sup>3</sup> Pagano, Michael E. *Don't Forget, Local Governments Are Facing a Fiscal Crisis of Their Own*. The Atlantic Cities. Retrieved from <http://www.theatlanticcities.com/jobs-and-economy/2012/11/dont-forget-local-governments-are-facing-fiscal-crisis-their-own/3831/>

*assets are reaching critical needs. Metropolitan regions and cities, the engines of the national and global economies, are straining under the confluence of these critical factors.*

The City of Madison has wrestled with unpopular budget cuts in 2011 and 2012 as it sought to maintain services under increasingly challenging conditions faced by municipalities throughout the United States. The City's primary source of income is property taxes which accounts for over 70% of funds available to the City. Local revenue and intergovernmental payments are the next largest categories at 14% and 13% respectively.<sup>4</sup> The City of Madison seeks to identify income streams that would reduce the portion of the budget supported by property taxes. New revenue streams may help the City reduce vulnerability to housing market fluctuations and potentially slow the increases in property taxes in the coming decades.

## **Areas of Inquiry**

### State and Federal Aid

Critical federal aid programs for municipalities have been scaled back significantly and may face some of the deepest cuts ever if the anticipated *Fiscal Cliff* (Budget Sequestration) process comes to pass in January of 2013. Federal aid supports municipalities with funds for transportation, housing, energy, social programs, health care and other critical services but the continuity of those programs is at risk. The Community Development Block Grants (CDBG) program is one such shrinking program administered by the Housing and Urban Development agency. Madison utilizes CDBG grants to provide affordable housing and economic opportunities to low and moderate income persons. The program was cut by over one billion dollars between 2009 and 2011, reducing its disbursements to less than it provided cities in the Carter administration.<sup>5</sup> Federal aid to cities is a complex picture and the CDBG grants are one funding stream, but continuing budget cuts could worsen the municipal revenue situation for cities like Madison over the next several years.

The research on this topic should investigate the major trends related to federal aid and how they might impact Madison's revenue. In addition, opportunities to deepen partnerships directly with the Federal government should be explored as suggested by Michael Pagano in the article mentioned earlier. Pagano proposes that these partnerships could help focus federal spending on infrastructure maintenance and rehabilitation (to reduce sprawl and increase efficiencies), and advance regional solutions to transportation, housing and environmental needs.<sup>6</sup>

The State of Wisconsin provides aid to municipalities, including Madison, primarily through Shared Revenue, transportation aid and school aid. Andrew Reschovsky, together with Howard Chernick, reviewed the role of State policies on the fiscal health of cities in New York, California and Wisconsin. The authors found that despite the growth of the 1990s, cities economic growth was slower than that of suburbs. Yet, rather than offsetting this imbalance, state aid and state tax policies in the three states

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<sup>4</sup> Data retrieved from City of Madison 2013 Executive Operating Budget.

<sup>5</sup> Cooper, Michael. *Cities Face Tough Choices as U.S. Slashes Block Grants Program*. The New York Times. December 12, 2011. Retrieved from [www.nytimes.com/2011/12/22/us/cities-struggle-as-us-slashes-block-grants-program.html?\\_r=0](http://www.nytimes.com/2011/12/22/us/cities-struggle-as-us-slashes-block-grants-program.html?_r=0)

<sup>6</sup> Pagano, Michael E. *Don't Forget, Local Governments Are Facing a Fiscal Crisis of Their Own*. The Atlantic Cities. Retrieved from <http://www.theatlanticcities.com/jobs-and-economy/2012/11/dont-forget-local-governments-are-facing-fiscal-crisis-their-own/3831/>

avored the suburbs making the provision of services more difficult. All of these trends were in place well before the 2008 recession and the State Budget cuts enacted in 2010 in Wisconsin.<sup>7</sup>

Revenues from the shared revenue program to the City of Madison have declined since 1984. Meanwhile Dave Schmiedicke, Madison's Finance Director, notes that these reductions are somewhat offset by increasing school aid and transportation aid: "The state has followed a policy of delivering property tax relief through the school aid formula and direct property tax credits rather than shared revenue. As a result, shared revenue as a share of the state budget has declined considerably over the past 20 years, while school aid has increased." Nevertheless these trends require a re-evaluation of the role of state aids in the coming years. The 2011 – 2013 state budget cut approximately \$800 million from schools as well as \$250 million from the University of Wisconsin systems and more cuts from technical colleges.<sup>8</sup> These cuts have a large impact on the City of Madison given its coupled relationship with the University of Wisconsin – Madison. Finally, Payments for Municipal Services (PMS) is a source of state funding for the City of Madison, given its proportion of State-owned properties, including the Capitol and the University. This program is currently only funded at 50% which translates to approximately a \$8 million dollar loss to Madison.

### Regional Solutions

By some counts, Dane County is home to 61 units of government. These same units are sometimes offering the same service or competing for the same funds. Regional approaches to transit, taxing or other activities may hold potential for the City of Madison. In 1970, St. Paul and Minneapolis, Minnesota, implemented a regional tax-base sharing program which seeks to reduce fiscal disparities between the municipalities and school districts in the region. "As a result of the sharing program, local tax-base disparities narrowed significantly."<sup>9</sup> The program is the most prominently successful model for regional tax-base sharing and while other communities have considered a similar approach, political, legal and administrative issues have limited its use. Dane County's efforts to establish a regional transit authority were setback when the Wisconsin Legislature voted in March of 2011 to eliminate all regional transit authorities. Efforts to initiate a regional approach will require fresh thinking and careful navigation of the political hurdles both at the state and local levels.

### Payments in Lieu of Taxes

Cities with large numbers of non-profit organizations or other governmental agencies operate with a reduced tax base than other comparable cities. Non-profit organizations and governments do not pay property taxes which can significantly decrease income for state capitols and university towns. Payments in Lieu of Taxes (PILOTs) are a voluntary payment to the municipality in an effort to account for the police, fire, garbage and other municipal services provided. The City of Madison is already receiving PILOTs on the order of \$8.5 million per year.

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<sup>7</sup> Chernick, Howard & Reschovsky, Andrew. *Lost in the Balance: How State Policies Affect the Fiscal Health of Cities*. The Brookings Institution Center on Urban and Metropolitan Policy. March 2001. Retrieved from <http://www.brookings.edu/research/reports/2001/03/cities-chernick>

<sup>8</sup> Luhby, TamiGov. *Scott Walker unveils Wisconsin budget*. CNN Money March 1, 2011. Retrieved from [http://money.cnn.com/2011/03/01/news/economy/wisconsin\\_budget\\_walker/](http://money.cnn.com/2011/03/01/news/economy/wisconsin_budget_walker/)

<sup>9</sup> Orfield, Myron and Wallace, Nicholas. *The Minnesota Fiscal Disparities Act of 197: The Twin Cities' Struggle and Blueprint for Regional Cooperation*. William Mitchell College of Law 3/7/2007. Retrieved from <http://www.wmitchell.edu/lawreview/Volume33/documents/4.Orfield.pdf>

Nevertheless, studies indicate the PILOTS may not be sufficient to offset the revenue reduction caused by tax-exempt organizations. In 2010, researchers from the Lincoln Institute of Land Policy “found that PILOTS, as currently structured and administered in most cities, simply do not deliver anything resembling the amount of revenue lost to nonprofits’ property tax exemptions.”<sup>10</sup> The City of Madison is currently reviewing PILOTS to determine the best course of action, for long-term revenue.

### Fees for Services

As noted above, Madison is home to many tax-exempt organizations. One way to address the value of services they receive is to assess fees. Many communities charge for services ranging from trash and recycling collection to snow removal, stormwater charges and transportation utility fees. The City of Milwaukee charges for snow removal as a method of assessing tax exempt properties. While other areas (like the Cleveland suburb University Heights) charge for trash removal but collect recycling for free. Fees have been considered on occasion for the City of Madison related to trash and recycling and snow removal, though they have not yet been enacted. These charges may not be the most appropriate tool to assess the University of Wisconsin – given the fact that the University provides its own trash removal and recycling services as well as snow removal. In fact, the Streets Division has assessed the number of properties which could be charged for trash and recycling services. On the west side of Madison, approximately 100 properties might be eligible for the fee.

Fees may also be utilized to address policy questions while raising revenue. Water conservation pricing is a strategy to improve water conservation and save energy. This may well be an appropriate tool for Madison as it has high water use rates for commercial and industrial users. A new conservation program based on a tiered price structures would charge higher rates for higher rates of water use. Stormwater usage fees (already in place in Madison) could be expanded to improve the incentive to help keep rain and runoff on a property. Fees relating to transportation such as tolling or Vehicle Mileage Traveled (VMT) fees can help a community to reduce congestion and air pollution while raising revenue.

Other options could include development fee structures that promote healthy walkable communities. Development impact fees (DIFs) are charges to developers to provide the municipal services needed to accommodate a new development. These one-time fees can help a city offset the costs of delivering services. These fees help promote infill development, but can be highly vulnerable to the market much like property taxes.

### Value Capture Strategies

A variety of strategies to allow a city to capture the value of development could hold potential revenue raising opportunities for the City of Madison. Split-rate taxation or land value taxation is an approach to property tax that separates the value of the land and the buildings or other improvements to the land. By separating the two, a municipality can reduce the incentive to allow buildings to fall into disrepair or to leave prime land undeveloped. The split-rate approach can help cities to direct development to priority areas where infrastructure exists and avoid unwanted sprawl.

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<sup>10</sup> Pagano, Michael. *How Non-profits Can End Up Becoming a Drain on City Budgets*. Atlantic Cities. November 12, 2012. Retrieved from <http://www.theatlanticcities.com/jobs-and-economy/2012/11/how-nonprofits-can-end-becoming-drain-city-budgets/3798/>

## Moving Forward

As Madison continues to adapt to “the new normal” economic conditions, it is prudent to investigate new opportunities to supplement revenues and shore up reserves. There are a wide variety of potential revenue sources which should be considered in this endeavor. The preceding list is a sample rather than an exhaustive list of the possibilities.

As the Common Council begins its inquiry into alternative revenues, it will be critical to work with municipal partners, especially those in South Central Wisconsin who may be willing to consider innovative partnerships. As Mitchell Silver, the President of the American Planning Association said in his address at the Healthy Communities Conference at the Monona Terrace this year, “we rise and fall as a region.” In his experience in North Carolina’s Research Triangle, it was “hitting bottom” which forced Raleigh, Durham and Chapel Hill to band together and build a world renown research destination which now leads the country in growth and innovation. Madison has the potential to be such a world leader, and with foresight and cooperative planning can become the envy of other regions.

### **Pertinent City Committees**

Board of Estimates  
City-County Liaison Committee  
Common Council Organizational Committee  
Downtown Coordinating Committee  
Economic Development Committee  
Education Committee  
Long Range Transportation Planning Committee  
Madison Arts Commission  
Madison Public Library  
Board of Park Commissioners  
Pedestrian/Bicycle/Motor Vehicle Commission  
Plan Commission  
Sister City Collaboration Committee  
Sustainable Madison Committee  
Committee on Sweatfree Purchases  
Transit & Parking Commission  
Urban Design Commission  
Zoning Board of Appeals

# Demographics and the City of Madison

## Our Goal

The Common Council is working to maximize the quality of life for all Madison residents by planning for demographic shifts. Madison will attract and retain residents by tailoring City services and operations to address the needs of its changing population.

## Why focus on demographics?

The United States is growing older and more ethnically diverse, as is Madison. Projections estimate that Dane County will go from 12% of its population being 65 and over to 21% by 2035. According to the 2010 Census, 25% of Dane County households have a member over 60, and perhaps more importantly, 31% of those over 65 are living alone. At the same time, 17% of the Dane County's 2010 population was under 18. These populations are less likely to drive, more likely to want to live downtown and in safe, pedestrian-friendly environments, more likely to need job training (or re-training) and job search support, likely to access community services of some sort, and could cost the City significantly if not well-served. Looking at City operations through the lens of serving these populations will not only benefit them, but has the potential to benefit everyone.

## Background

Madison's population is already more diverse than Wisconsin as a whole, and Dane County's non-White population increased by 58% between 2000 and 2010. White students accounted for approximately 80% of the students enrolled in the Madison Metropolitan School District (MMSD) in 1991, while in 2012 White students account for less than 50% of the student body. In addition, non-White populations are younger on average than the White population, suggesting a greater increase in the future. People of color are more likely to be unemployed, as are young people, than the total population. African-Americans are more likely to be poor, and more likely to have a history with the criminal justice system, than the population as a whole. In addition, racism continues to impact our city and keep our community from reaching its full potential. Existing inequalities are only exacerbated by the demographic trends, making it even more important that the City address them.

In the article *Minority Report: America Will Be Defined by These Huge Demographic Shifts*, Kristen Lewis and Sarah Burd-Sharps make the case that future of cities will depend on how well they prepare themselves for aging and increasingly diverse populations.<sup>11</sup> They argue that finding ways to minimize economic disparities is critical to avoid detrimental income and opportunity gaps; gaps that are "damaging to competitiveness, bad for community stability, and expensive for society as a whole."

*The next two decades will see the number of older adults grow three times as fast as the population as a whole. How will different metropolitan areas organize themselves to meet the needs of this population as well as to take advantage of their tremendous, and often undervalued, talents?*

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<sup>11</sup> Lewis, Kristen and Burd-Sharps, Sarah. *Minority Report: America Will Be Defined by These Huge Demographic Shifts*. Business Insider. June 29, 2012. Retrieved from <http://www.businessinsider.com/america-will-be-defined-by-huge-demographic-shifts-2012-6>

*The rising generation of majority-minority Americans will seek an inclusive, diverse civic life, opting for social solidarity rather than divisiveness. The inexorable march of gentrification and sorting of neighborhoods by income apparent in too many major cities crowds out many of the things that make city living exciting and fun. The best cities to live in twenty years from now will be those that invest in and make room for all the people living there today—because the real wealth of cities is people.*

## **Areas of Inquiry**

### Connecting Youth (Especially Youth of Color) to Educational and Economic Opportunities

One in seven Americans ages 16 to 24 are neither working nor in school, a group termed *disconnected youth*. The rates of disconnection are significantly higher for African-American young adults (22.5%) and Latinos (18.5%). Lacking connections to school and professional opportunities, disconnected young people are socially isolated and face a future of diminished opportunities, both economically and socially. Between 2007 and 2010, the number of disconnected youth grew by 800,000.<sup>12</sup> The Common Council should determine which young people in Madison are at risk of disconnection and identify opportunities to build bridges training and employment. By connecting youth with apprenticeships, job placement and other supports Madison can help its young people become successful adults and contribute to the long-term economic and social well-being of the community.

### Improving Access: Building Pathways to Equality and Success

As Madison and Dane County become increasingly racially diverse, they risk mounting polarization with respect to access to opportunity and economic success. The concern over inequity has been most visible in recent years in disparate levels in quality of life within the City of Madison and varying graduation and academic success levels of students. The Madison Metropolitan School District has recently launched a multi-million dollar effort to resolve long-standing gaps in achievement of, “students of color and students from low income households.” The City of Madison likewise should address issues of access and equality by deploying a two-fold approach. Poverty, racism, language and cultural differences often form barriers that challenge the individual and family on a daily basis and contribute to systemic inequality and underrepresentation.

The first approach would include specific strategies to improve economic well-being for the most vulnerable individuals and families. There are numerous programs and policies to consider regarding access and economic opportunity. Examples of such strategies could include:

- building financial literacy and facilitating access to safe and affordable financial products,
- ensuring that City services reach underserved populations,
- increasing access to affordable housing and quality child care, and
- assessing public transit for affordability and functionality for the working poor.

The second approach requires a reevaluation of City processes with a focus on providing new opportunities for marginalized populations to participate substantively in public decision making. The

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<sup>12</sup> Burd-Sharps, Sarah and Lewis, Kristen. *One in Seven: Ranking Youth Disconnection in the 25 Largest Metro Areas*. Measure of America of the Social Science Research Council. September 2012. Retrieved from [www.measureofamerica.org](http://www.measureofamerica.org)

goal is to make sure everyone has a seat at the table. Madison could address public participation through a variety of methods which may include:

- increasing diversity on Boards, Committees, and Commissions, and other official bodies,
- surveying citizens on a regular basis and reporting on what steps are being taken to address citizen concerns,
- building on the work of the Neighborhood Resource Teams, and
- relocating City meetings to locations, forums, or times which may be more accessible for underrepresented groups,
- utilizing technology to obtain input from a broader group of citizens.

This approach will require the City to redouble efforts to demonstrate that all communities are welcome, and that public participation influences decisions. This process cannot rely on the data of demographic trends alone. The experience of a person of color or a person who feeds their family with SNAP benefits can provide unique insights for City officials. Improved engagement from racially diverse and economically challenged communities should help the City build solutions for segregation, social tensions, housing equality, and accessibility to opportunity. It is through analysis of the trends in various populations and in listening to their experiences that the City will be able to understand the influence of race, poverty, age and ethnicity on the well-being of those populations and the interplay between those characteristics. Most importantly improved engagement might help the City better answer the question, *are we meeting the needs of communities of color, immigrants, and low-income families and individuals?*

#### Attracting Young Families to Madison

The University of Madison, innovative businesses, local hospitals and the State and local government attract young professionals and academics to the area. Yet, as those same Madison residents become parents, some trends indicate that they are settling into homes outside of the City. The Council is committed to addressing the needs of young families and professionals in their late 20s and early 30s. The research will seek to identify the reasons people choose to live in the City and lay out policies to improve or promote those resources or services.

#### Improving the Quality of Life for Seniors

As noted earlier, projections indicate that over 21% of Dane County's population will be over the age of 65 in 2035. Seniors will constitute a significant portion of Dane County residents, more than they ever have before and the City must be ready. Some regions like Arlington, VA, have already begun widening sidewalks, lowering bus heights and improving traffic signals to accommodate the needs of senior citizens. Other changes include amending zoning codes to allow for more "granny flats" so that seniors may live closer to relatives. Madison will likewise face this growing challenge. If the needs of the aging population are thoughtfully addressed, Madison can help its residents live fulfilling lives, and give back to the community throughout their later years. A failure to meet these needs however "risks alienating and isolating a rapidly growing cohort of taxpayers."<sup>13</sup>

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<sup>13</sup> Holeywell, Ryan. *How will Boomers Reshape U.S. Cities?* Governing: The States and Localities. September 2012. Retrieved from <http://www.governing.com/generations/government-management/gov-how-will-boomers-reshape-cities.html>

## **Moving Forward**

The next steps to develop this Legislative Agenda item include more research on demographic trends, a review of current services for these populations, a review of city functions and services with the needs of these populations in mind, and research on best practices and innovations from other communities. The process could include public input, discussions with partners and stakeholders, and development of a policy agenda. Collaboration with Madison Metropolitan School District will be a priority throughout the demographic change analysis.

### **Pertinent City Committees**

Affirmative Action Commission  
City-County Liaison Committee  
Committee on Aging  
Commission on People with Disabilities  
Common Council Organizational Committee  
Early Childhood Care & Education Committee  
Education Committee  
Board of Health for Madison & Dane County  
Long Range Transportation Planning Committee  
Madison Arts Commission  
Madison Public Library  
Board of Park Commissioners  
Parking Council for People with Disabilities  
Pedestrian/Bicycle/Motor Vehicle Commission  
Plan Commission  
Public Safety Review Committee  
Transit & Parking Commission  
Zoning Board of Appeals