



Proposal

City of La Crosse—Regional Services Study



Submitted by Trilogy Consulting, LLC

December 29, 2015



Study Overview



As part of the implementation of the Coulee Vision 2050 plan, several municipalities in La Crosse County have formed a Boundary Agreement Committee. This Committee, with representatives from the cities of La Crosse and Onalaska, the towns of Medary and Shelby, La Crosse County and the La Crosse Area Planning Committee, is exploring the possibility of one or more cooperative boundary agreements between area municipalities.

The potential areas of cooperation under such an agreement include municipal boundaries, land use planning and zoning, joint infrastructure improvement and maintenance arrangements in shared corridors, options for extending sewer and water service without annexation, more equitable arrangements for providing regional amenities and services, and addressing fiscal capacity disparities between municipalities in the region.

The City of La Crosse also commissioned a study to identify areas of overlap between services provided by La Crosse County (and paid for in part by City of La Crosse taxpayers) and services provided and paid for by the City of La Crosse {"Assessing City-County Overlap: An Analysis of Municipal-Type Service Provision in La Crosse", John Kovari, Assistant Professor, Department of Political Science & Public Administration and Nicholas Bezier, Researcher, University of Wisconsin-La Crosse, September 2015}. This study (City-County Overlap Study) identified a number of areas where there is service overlap or the City of La Crosse is subsidizing services or amenities used by non-City residents to a significant degree. In addition, the study noted that tax base per capita (fiscal capacity) in the City is much less than that of many of the other municipalities in the County. A lower fiscal capacity means that the City must charge a higher tax rate per \$1,000 of equalized value in order to provide similar services per capita, putting the City at a disadvantage for economic development relative to other area municipalities that have access to similar amenities and services but significantly lower tax rates. The study outlined some options for revenue sharing to decrease fiscal capacity disparities and estimated the fiscal impacts on City of La Crosse taxpayers of more equitable arrangements and proposed several alternatives for each of the following services:

- Law Enforcement
- Library
- Parks
- Planning and Zoning
- Municipal Transit Utility
- La Crosse Regional Airport
- La Crosse Center
- Parking Utility

Study Overview



The Committee began meeting in April 2015 and has held several meetings so far in 2015. While all of the issues listed above have been raised, the focus to date has been on boundaries, land use planning, utility service, and shared corridors. The purpose of this letter is to outline an approach and scope of services for Trilog Consulting to assist the City and the Boundary Agreement Committee in analyzing and evaluating the potential for revenue sharing to address some of the costs of regional services funded by the City of La Crosse. While the City-County Overlap Study identified some areas where there could be a better alignment between use and funding of services and facilities, it primarily focused on the potential cost savings to City of La Crosse taxpayers and did not analyze the impacts on other municipalities or the details of implementing the proposed solutions. The goal of this current study process will be to provide the City of La Crosse with detailed analysis of how revenue sharing could be accomplished and how it would impact all of the affected municipalities.

General Approach & Scope of Services



It is our understanding that the La Crosse Area Planning Committee has been facilitating Committee meetings, with MSA Professional Services, Inc. providing staff support. Trilogy Consulting would be engaged by the City of La Crosse to provide analysis and evaluation of options for property tax revenue sharing for review by MSA, the LAPC and the Boundary Agreement Committee.

With the goal of reaching consensus on revenue sharing concepts by mid-2016 and finalizing agreements by year end 2016, we would propose to prepare preliminary analysis quantifying the costs of providing regional services for the LAPC Board meeting in March, and a draft feasibility analysis of formulas and mechanisms for revenue sharing for the LAPC Board meeting in May. This will allow us to modify and refine the alternatives and the analysis based on feedback and questions received from the Boundary Agreement Committee and LAPC before preparing a final report and proposal in mid-2016.

Our proposed process for this study is as follows:

1. Information gathering—Information gathering will be conducted for each of the issues prior to conducting the analysis of alternatives. Information gathering will include the following:
 - a. Data request—prepare and submit a list of requested data to each of the affected municipalities
 - b. Preliminary review—Compile and review the data submitted in response to the data request and develop questions for staff interviews
 - c. Staff interviews—Conduct interviews with key municipal staff as needed
2. Analysis of existing conditions – For the preliminary analysis of the Library, MTU and La Crosse Center, the following steps will be performed:
 - a. Analysis of the cost of providing regional services used by outside of City residents
 - b. Summary memo – A memo will be prepared that summarizes the analysis of the issues, with supporting tables and charts. This memo will be provided to City staff for review, and then to MSA, Boundary Agreement Committee members, and LAPC in advance of the meeting where it is scheduled for discussion.
 - c. Review with Committee and LAPC – Our scope of services anticipates that MSA and LAPC staff will facilitate discussion of the issues and communicate feedback and questions to Trilogy for incorporation into the analysis.
 - d. Additional analysis and refinement – After the first review by the Committee and LAPC, Trilogy will perform any additional analysis needed to incorporate feedback or to answer questions.
 - e. Second review—a revised memo and tables will be provided to the City, Committee and LAPC for review.
3. Evaluation of revenue sharing alternatives—The following process will be used to evaluate revenue sharing formulas and mechanisms that may be incorporated into sewer service or boundary agreements to recover the cost of providing regional services:

General Approach & Scope of Services



- a. Identification and feasibility analysis of potential alternatives for developing a revenue sharing formula and mechanisms for recovering the cost of providing regional services.
 - b. Summary memo — A memo will be prepared that summarizes the feasibility analysis, with supporting tables and charts. This memo will be provided to City staff for review, and then to MSA, Boundary Agreement Committee members, and LAPC in advance of the meeting where it is scheduled for discussion.
 - c. Review with Committee and LAPC — Our scope of services anticipates that MSA and LAPC staff will facilitate discussion of the issues and communicate feedback and questions to Trilogy for incorporation into the analysis.
 - d. Additional analysis and refinement — After the first review by the Committee and LAPC, Trilogy will perform any additional analysis needed to incorporate feedback or to answer questions.
4. Final Report—after the Committee has reviewed the draft feasibility analysis, we will prepare a final report that incorporates both the analysis of the cost of regional services, the alternative revenue sharing mechanisms and the recommended implementation plan. The report will include an executive summary, analysis of the total estimated fiscal impacts and an overall recommended implementation plan.

Further Description of Work

Based on a review of the Committee meeting minutes to date, the City-County Overlap Study and discussions with representatives from the City, LAPC and MSA, we propose to include the following issues in the study:

1. Library—Our analysis will focus on answering the following questions:
 - i. Determine Regional Share of Costs
 - a) How many library loans in recent years have been to residents of each of the municipalities participating in the Committee?
 - b) What have the City's total net costs per transaction been in recent years, including operation costs and amortization of capital costs over the life of the facilities, less other state and federal funding sources?
 - c) How much would each participating municipality have to contribute to cover the share of its residents' transaction costs that are not covered by county funding?
 - ii. What percentage of operating costs per transaction has the County been funding in recent years? The County is required to pay to the City, at a minimum, an amount equal to 70 percent of the average operating cost per library loan multiplied by the number of loans made to residents of the County that are not residents of the municipality that contains the library.
 - iii. Is it feasible for the other municipalities to contribute directly to the City for the share of non-resident transaction costs not supported by County funding and what would be the source of funds

General Approach & Scope of Services



for paying it (i.e. direct payment from the general fund of each municipality, transfer from ‘excess’ revenues of the City sewer utility from user charges to outlying municipalities)?

- iv. What would be the financial impacts of the payments for the City of La Crosse and the participating municipalities and their residents? Our analysis of direct reimbursement from municipalities will have to factor in the lag between when library services are used and when reimbursement for those services can occur. For example, transactions and expenses occurring during 2015 are reported in 2016 and used to determine payments made during 2017.
2. Municipal Transit Utility—Potential options for regional funding would be to change the formulas for payments from Onalaska, La Crescent and Campbell and perhaps seek payments from other municipalities benefitting from the service. Our analysis will focus on answering the following questions:
 - i. Determine Regional Share of Costs
 - a) What is the basis for the current payments from benefitting municipalities and do those adequately reflect the benefits received?
 - b) Do the current payments adequately reflect the cost structure for providing service to areas of low-density versus high-density development?
 - c) What are alternative methods and basis for determining payments from other municipalities (ridership, area served, etc.)?
 - iii. How would future capital investments be paid for?
 - iv. How would the formula be updated from year to year to reflect changes in the City’s costs of providing services?
 - v. What would be the financial impacts of the payments for the City of La Crosse and the participating municipalities and their residents?
 3. La Crosse Center—From the City-County Overlap Study it appears that the City does not subsidize the annual operating and maintenance expenses with the tax levy. However, the larger issue is the capital costs that the City has invested and will need to invest in the future for this regional facility. Our analysis will focus on answering the following questions:
 - i. What are the cost and funding structures for the La Crosse Center? How much of and which of the operations (conventions vs. concerts vs. private events, etc.) are self-sufficient?
 - ii. How much is the facility utilized by the City of La Crosse residents and businesses, La Crosse County residents and businesses outside the City and visitors from outside of the County?
 - iii. Determine Regional Share of Costs
 - a) How much has the City invested in capital assets in the existing Center?
 - b) What are the costs of the anticipated future capital investments in the Center?
 - c) What would be an appropriate formula for determining the share of the use of the facility to

General Approach & Scope of Services



attribute to residents of each municipality in the region—i.e. population, share of attendance at events on an annual basis (as measured by ZIP codes of ticket sales, surveys or other data that could be obtained), property tax base, etc.?

- iv. Is it feasible for other municipalities to make a contribution towards the funding of the La Crosse Center and what would be the source of funds for paying it (i.e. direct payment from the general fund of each municipality, transfer of 'excess' revenues from the City sewer utility from user charges to outlying municipalities)?
 - v. What would be the financial impacts of the payments for the City of La Crosse and the participating municipalities and their residents?
5. Property Tax Revenue Sharing—The City-County Overlap Study includes a brief overview of the concept of property tax revenue sharing as a means of compensating the City for use of its facilities and services by outside residents. Revenue sharing could also be established as a means of reducing competition between municipalities for new development and reducing the disparities in tax base per capita and tax rates between area municipalities that exist as a result of the concentration of tax exempt facilities in certain areas and historical patterns of disinvestment in cities. The study notes two examples of large revenue sharing programs in the U.S. The formulas used in these two examples either do not have the effect of reducing fiscal capacity disparities in all cases or are not particularly relevant for the situation in La Crosse County. The model that was adopted by the eastern Racine County area municipalities in 2001 addresses the deficiencies in Minnesota's Fiscal Disparities program. However, the formula and funding source finally agreed to for that model was the result of negotiations between the participating municipalities and as such would need to be adjusted for La Crosse. As part of this study, one or more alternative formulas for property tax revenue sharing will be evaluated. The types of questions to be explored as part of this analysis will include the following:
- a. What are the historical trends in costs to provide services, tax base and tax rates per capita for La Crosse County municipalities?
 - b. To what extent do shared revenue payments from the State of Wisconsin equalize disparities in tax base and tax rates per capita? Part of the purpose of this program is property tax rate equalization, however the per capita and maximum reduction components of the formula, as well as the utility aid payments, result in all municipalities receiving some level of payment, even those with very high tax base per capita. Therefore, in some cases shared revenue payments can increase fiscal capacity disparities.
 - c. What are the goals of a revenue sharing program and how could a formula be structured to meet these goals?
 - d. Is it feasible for the County or other municipalities to make such a contribution and what would be

General Approach & Scope of Services



the source of funds for paying it (i.e. direct payment from the general fund, transfer from 'excess' revenues of the City sewer utility from user charges to outlying municipalities)?

- e. What would be the financial impacts of the payments for the City of La Crosse and the participating municipalities and their residents?
6. Implementation-The final step in this study will be to explore and recommend implementation methods for the selected alternative(s). In general, we will explore the following issues:
- a. How can such payments be included in a boundary agreement or an agreement for sewer service?
 - b. What is the most feasible and appropriate mechanism for making such payment(s)? Potential options may include (but are not limited to):
 - i. Direct payment from the general fund or general tax levy
 - ii. License fees
 - iii. Surcharges on sewer rates
 - iv. Excess revenues from the sewer utility
 - c. What would be the formula(s) for calculating any payments on an annual basis? What data and information would be needed?
 - d. What are the projected financial impacts on the participating municipalities and their sewer customers or taxpayers?

Similar Work Performed



Racine Intergovernmental Cooperation Study

During their time with Municipal Economics & Planning, a division of Ruekert/Mielke, Christy Cramer and Erik Granum consulted on a wide variety of issues for the City of Racine and the Racine Water and Wastewater Utility, which serves the City of Racine and its surrounding suburban communities.

From 1998 through 2002, Christy worked on behalf of the Utility and the City of Racine on an intergovernmental relations study examining the service provision and funding arrangements for regional services and amenities benefiting the 9 municipalities in Eastern Racine County, including the Racine Wastewater Treatment Facility, Belle Urban regional transit, the Racine Public Library, the Racine Zoo, the Racine Art Museum, the County Sheriff's Department, the fiscal impacts of potential jurisdictional transfers of state, county and local highways, the operational and fiscal impacts of consolidation of dispatch service. The study also analyzed the fiscal capacity disparities between the 9 municipalities (in terms of tax rates and property value per capita) and the extent to which state aids and shared revenues alleviate those disparities.

The study proposed a plan for sharing property tax revenues between the municipalities and reducing the subsidy of regional amenities by the City of Racine, and analyzed the impacts on tax rates for the area municipalities. The study resulted in a landmark sewer service agreement that included upfront capacity purchases in an \$80 million upgrade and expansion to the regional wastewater treatment facility, property tax revenue sharing payments from wholesale service communities totaling more than \$1 million per year and financial support to the City of Racine to reduce its subsidy of Library, Zoo and Museum amenities.

City and Village of Pewaukee Consolidation Studies

In 2001, Christy Cramer assisted with the preparation of a comprehensive consolidation study to identify the potential cost savings and impacts on tax rates and utility rates. Christy gathered and analyzed extensive data on the services and budgets of the two communities, interviewed department heads in both communities, reviewed existing service contracts, intergovernmental agreements and quantitative data regarding demands for services and prepared a comprehensive description of the two communities' service levels, demand for services and costs.

In 2009/2010, Christy Cramer and Erik Granum assisted the City and Village of Pewaukee in developing a plan for the two municipalities to consolidate into a single municipality without increasing the tax rate for the City of Pewaukee. The study included examining each municipality's budgets for potential cost savings in merging each of their departments, including police, fire, public works, water and sewer utilities, parks and recreation and administration. Christy and Erik developed several alternative mechanisms for mitigating the tax rate increase for the City of Pewaukee, and analyzed the impacts on future tax rates and utility rates for

Similar Work Performed



each municipality. As part of the study process, Christy assisted with the formation of and facilitation of many meetings with a Merger Advisory Committee, comprised of staff, elected officials and citizen representatives from both municipalities. She also worked with a Milwaukee public relations firm and the former Executive Director of the Southeastern Wisconsin Regional Planning Commission (SEWRPC) to create public informational materials, provide content for a Pewaukee Merger website hosted by SEWRPC and respond to a multitude a questions submitted by residents of the two communities. Christy also presented the findings of the Committee at joint public informational meetings of the respective communities.

Project Budget



Task	Cost Basis	Hours		Total
		Cramer	Granum	
Information Gathering				
a. Data Request	Per Issue	3	1	4
b. Preliminary Review	Per Issue	6	6	12
c. Staff Interviews	Per Issue	6	6	12
Analysis of Existing Conditions				
a. Preliminary Analysis	Per Issue	20	12	32
b. Summary Memos	Per Issue	12	4	16
c. Review with Committee	Per Issue	1	1	2
d. Additional Analysis	Per Issue	6	4	10
e. Second Review	Per Issue	2	2	4
Evaluation of Revenue Sharing Alternatives	Total Project	36	24	60
Evaluation of Implementation Alternatives	Total Project	36	24	60
Final Report	Total Project	20	10	30
<u>Summary</u>				
Library		56	36	92
Municipal Transit Utility		56	36	92
La Crosse Center		56	36	92
Property Tax Revenue Sharing		36	24	60
Implementation		36	24	60
Final Report		20	10	30
Total Project Labor Estimate		260	166	426
Hourly Rate				\$110
Total Project Cost Estimate				\$46,860