



# Municipal Consolidation Tax Rate Feasibility Analysis

Presented to:

The City and Village of Pewaukee  
Merger Advisory Committee

March 18, 2009





# Previous Work

- 2002 Consolidation Study
- 2006 Memorandum of Understanding
- 2008 Interim Report
- Formation of a Merger Advisory Committee
- Tax Rate Feasibility Analysis



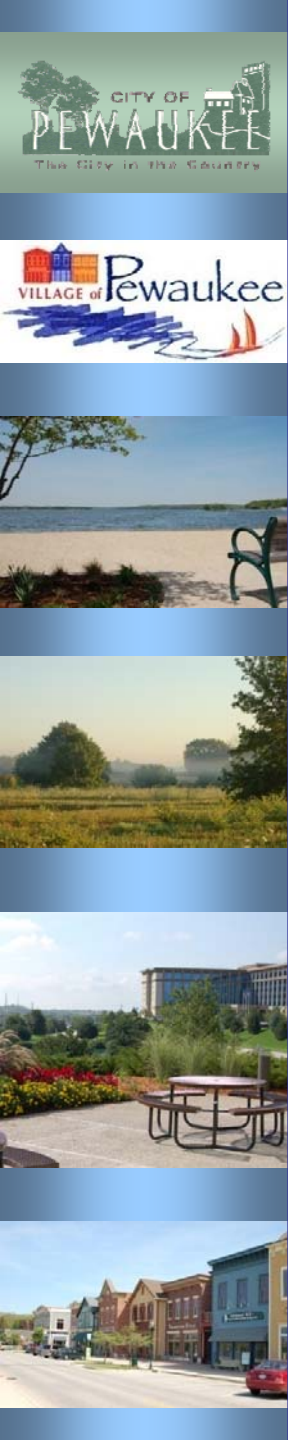
# 2002 Consolidation Study

- Detailed study of the potential cost savings of consolidation
- Findings:
  - Consolidation would result in significant cost savings and improved levels of service
  - Property tax rates would increase for City property owners and decrease for Village property owners



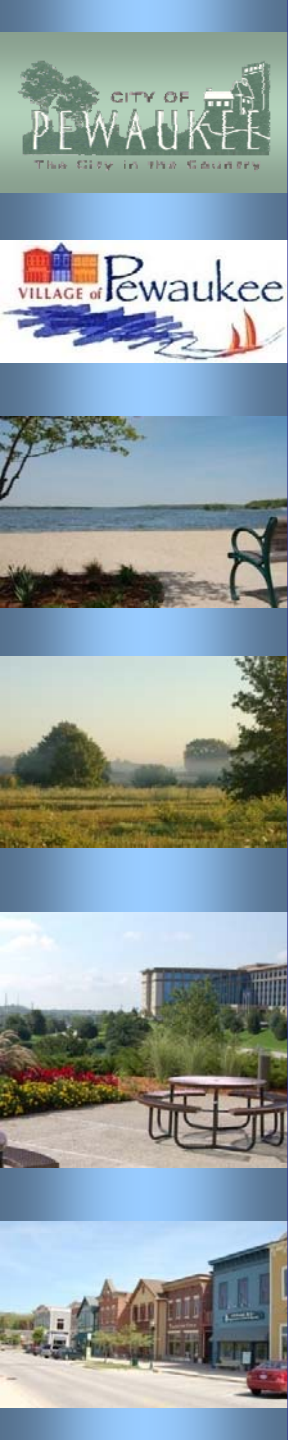
# 2006 Memorandum of Understanding

- ▶ City and Village authorized further discussion of the possible merger
- ▶ Purpose was to find ways to better share the savings of consolidation so that both Village and City property owners would realize property tax savings



# 2008 Interim Report

- Southeastern Wisconsin Regional Planning Commission (SEWRPC) facilitated working sessions with the Mayor, Village President, City and Village Administrators
- Developed a proposed Merged Budget based on the 2008 City and Village budgets
- Findings:
  - Overall cost savings would result from consolidation
  - Village property owners would financially benefit more than City property owners unless a means could be found to lower the tax rate for City area property owners within a consolidated municipality



# Formation of the Merger Advisory Committee

- ▶ Executive Director of SEWRPC –  
Nonvoting Chair
- ▶ City Members—Mayor, Alderperson, 2  
Citizen Members, City Administrator  
(nonvoting)
- ▶ Village Members—Village President,  
Village Trustee, 2 Citizen Members,  
Village Administrator (nonvoting)



# Merger Committee Retained Ruekert/Mielke and Boardman for a Feasibility Study

## ➤ Goals:

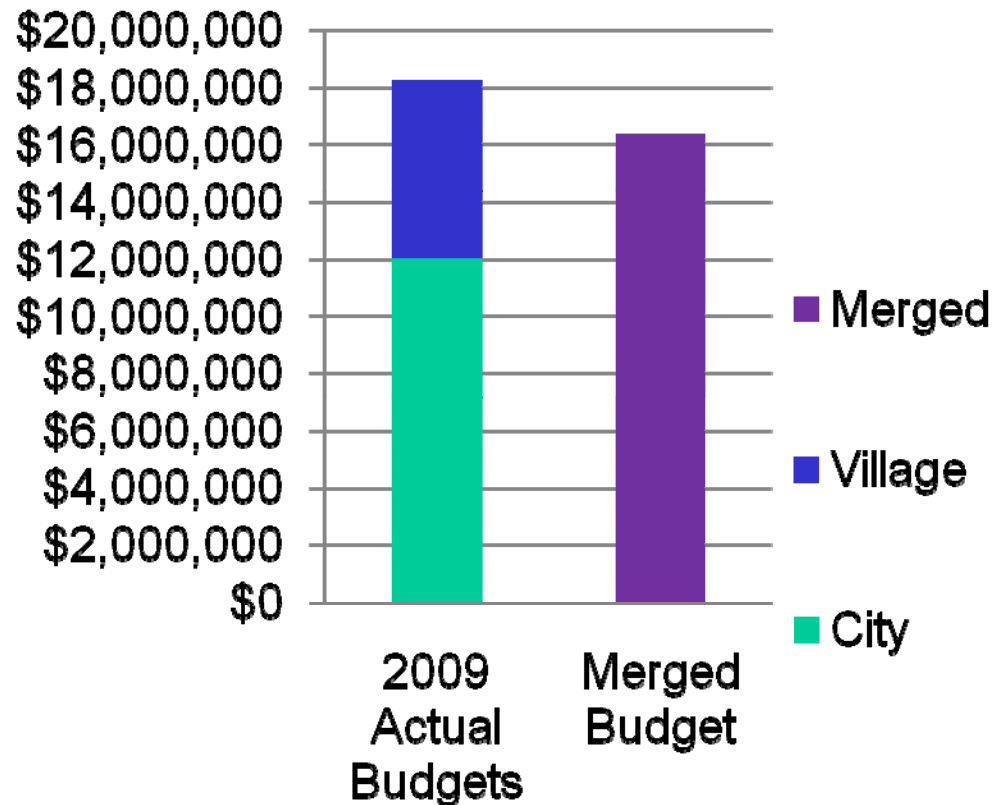
- Develop an approach to keep the property tax rate for City-area property owners at or slightly lower than it's current level, rather than increasing due to consolidation
- Improve the distribution of the benefits of consolidation

## ➤ Based on Merged Budget prepared by Administrators



# Proposed Merged Budget

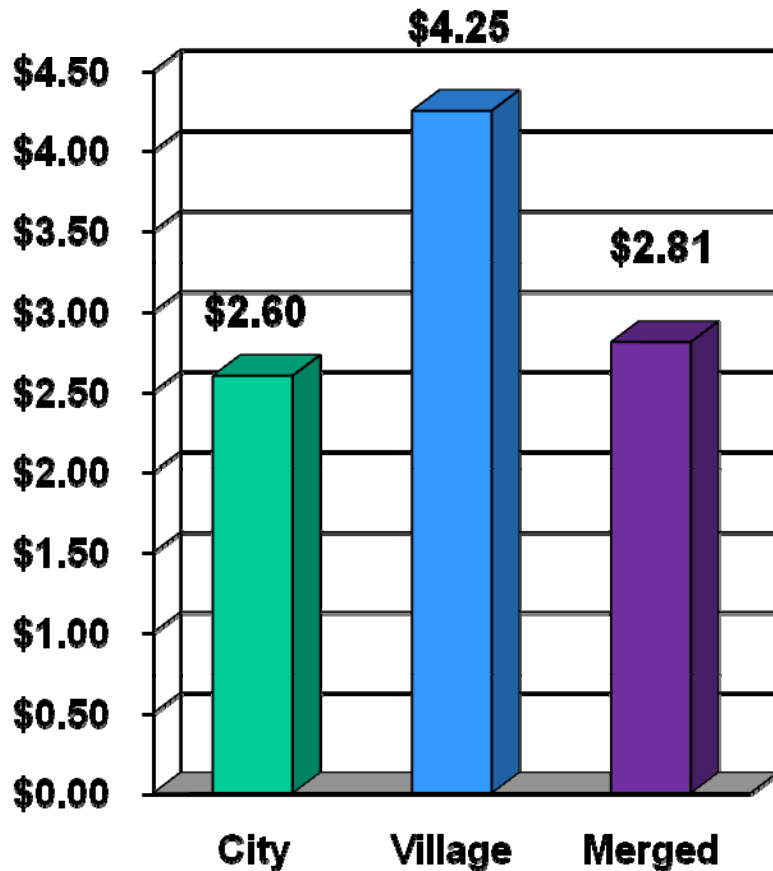
- Budget showed overall savings of \$1.9 million in general fund expenses







# Tax Rates with Adjustments for Apples-to-Apples Comparison

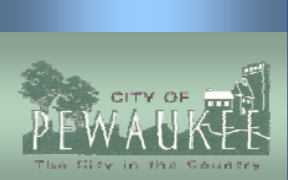


- Goal: a merged tax rate of \$2.60 or less for the consolidated municipality
- Need to reduce the merged general tax levy by \$787,000 per year



# Items Outside the Scope of this Feasibility Analysis

- ▶ Evaluation of potential water and sewer utility savings found in previous studies
- ▶ Projections of future development or major capital projects
- ▶ Recommendations as to whether the City and Village should consolidate



# Four Potential Alternatives

1. Use of Village utility reserves to offset the tax levy
2. Creation of a street utility district for the Village area
3. Issue debt to create a tax rate reduction fund; finance with a Village area sewer utility district
4. Seek legislation to allow the creation of a consolidation tax district



# Summary of Alternatives

Alternative	Implementation	Administration	Source of Funds
Use of Utility Reserves	Study of future utility capital; draw from reserves; establish tax rate reduction fund	Merged gov. body would determine amount to draw each year from tax rate reduction fund	Existing Village utility reserves; not income tax deductible
Street utility district	Prepare plan for the district boundaries and costs; public hearing; resolution	Merged gov. body would allocate annual costs to district; add'l accounting for district fund	Utility district property tax – Village properties only; tax deductible
Tax Rate Reduction Fund Financed by Village Sewer District	Create City and Village sewer utility districts; prepare plans for boundaries and costs; public hearings and resolutions; Village issues debt; establish a tax rate reduction fund	Merged gov. body allocate costs to each sewer utility district; allocate future capital costs between districts; add'l accounting for 2 utilities	Utility district property tax— Village properties only; tax deductible
Seek legislation to allow the creation of a Consolidation Tax District	Draft legislation; seek sponsors; prepare a plan for district boundaries, amount of funding; structure of payments; could require a referendum	Additional accounting for district fund	Consolidation tax district property tax levy – Village properties only; tax deductible



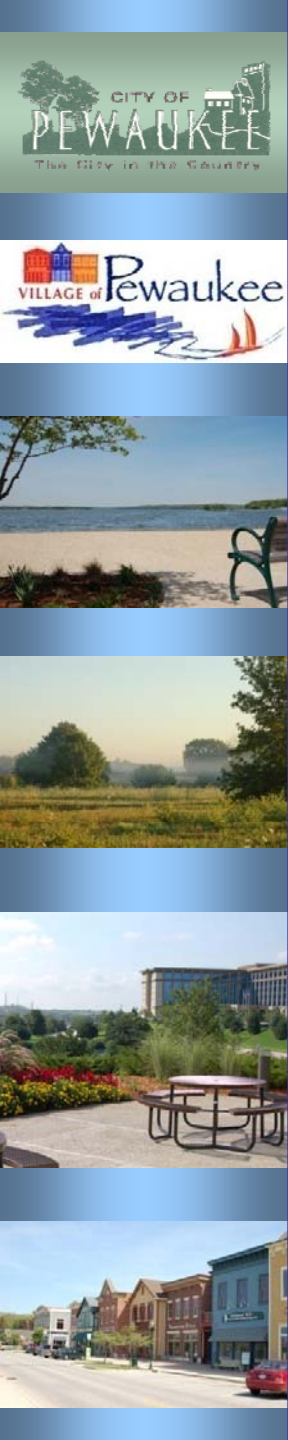
# Summary of Alternatives

Alternative	City Tax Rates	Village Tax Rates	Duration	Impact on Water & Sewer Utilities
Use of Utility Reserves	At or below current rates	Same as post-consol. City; much lower than current rates	10-15 year; depends on amount drawn and the desired level of tax rate reduction	Could merge utilities or keep financially separate
Street utility district	By itself, could achieve 50-100% of desired reduction, depends on costs incl.	Higher than City-area, but lower than current Village rates	Indefinite; continue until services levels are the same or merged gov. body dissolves the district	Could merge utilities
Tax Rate Reduction Fund Financed by Village Sewer District	At or below current rates	Higher than City-area rates, but lower than current Village tax rates	10-15 years; depends on the amount of debt issued and the desired level of tax rate reduction	Would have to keep sewer utilities financially separate until the debt was retired
Seek legislation to allow the creation of a Consolidation Tax District	At or below current City property tax rates	Higher than City-area rates, but lower than current Village rates	Flexible; time period could be set by agreement between City and Village	Could merge utilities



# Conclusions

- Any of the four alternatives may be feasible to achieve the goals
- Caveats
  - Legal challenges could potentially be raised
  - Street utility district option may need to be used in conjunction with another alternative
  - Each option has advantages and disadvantages



# Recommendations

1. Seek legislation to allow the creation of a special taxing district for consolidation
2. Conduct a study of future utility capital projects for City and Village utilities to determine: i) future cost avoidance; ii) the amount of Village utility reserves that could be used
3. Prepare a plan for a street utility district
4. If legislation is unsuccessful, use the street utility district and Village sewer/water utility reserves



“There are many issues for the City and Village to consider as they decide whether to pursue consolidation. This report demonstrates that should the City and Village decide to consolidate, the consolidation can be structured so that the property tax rates for City and Village residents will not increase. Concerns regarding tax rate increases for City property owners can be overcome and should not, therefore, stand as an impediment to consolidation of the City and Village.”