

## **Executive Summary**

The City of Milwaukee's Office of Budget and Management presented us with a challenge—to help Milwaukee strategically assess the benefits and feasibility of collaborating with other governments within the Milwaukee metropolitan area and identify specific programs where collaborative efforts might be fruitful. In this paper, the definition of collaboration is arranging with one or more public sector partners for the provision of local services or administrative functions. Based on Milwaukee's current fiscal environment, the primary goal of any collaboration effort should be a positive impact on the city's budget. The final product for the City of Milwaukee is a strategy for identifying future collaborations. Based on this strategy, we recommend that the city conduct an in-depth analysis of the Assessor's Office, competitively bidding to provide local municipalities' property assessment function.

The final product of our efforts consists first of reviewing the background environment, including state and city budgetary constraints, statutory authority, and other details specific to the City of Milwaukee. Next, the analysis addresses the general environment of collaboration utilizing a case study review to generate common themes from public sector collaborations. Generally, the goals of many collaborations included saving money, increasing the quality of the service or function, increasing the number of people served, or raising additional revenue. Our research suggests that the benefits of collaboration can include economies of scale, increased service equity across a metropolitan area, and less duplication of services and functions. Potential drawbacks are that local governments may lose direct control of collaborative services, collaborative services may be less responsive to the specific needs of an individual community, and services can be more complex to administer. Third, the analysis synthesizes numerous factors that can influence the feasibility of collaborations and presents a framework that Milwaukee can use to select possible targets for collaboration. The framework we create identifies positive budgetary impact as the primary goal of any collaboration and then addresses the feasibility of several targets based on the qualities of the specific service, the political environment, and the complexity of implementation. Specifically, we looked at the feasibility of consolidating economic development offices, expanding existent collaborative purchasing functions, collaborating library services, and contracting to provide property assessments throughout the Milwaukee region. As stated above, this process led us to recommend the Assessor's Office as a target for a more in-depth analysis.

The City of Milwaukee Assessor's Office has a comparative advantage in performing property assessments. The Assessor's Office can conduct reassessments and respond to queries through technology that surrounding municipalities currently do not have. This technology creates significant economies of scale that reduce the average cost of providing assessments.

## **Intergovernmental Collaboration in the Milwaukee Metropolitan Area**

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This paper addresses the possibilities of increasing collaboration in the delivery of public services between the City of Milwaukee and other governments within the Milwaukee metropolitan area. This paper has two primary goals. The first is to develop a strategic planning framework that can be used by Milwaukee to identify future collaborations with other units of government. The second goal is to recommend a specific city program where collaborative efforts are likely to be fruitful. The City of Milwaukee is already involved in a number of collaborative arrangements with other governments in the metropolitan area. Appendix A provides a list of these collaborations.

The state's budget crisis and the possibility that state fiscal assistance to local governments will be sharply curtailed is increasing pressure on all governments within the metropolitan area to renew their search for innovative ways to reduce spending while maintaining existing levels of public services. In addition, recent efforts to restructure the Milwaukee County Board may have created an environment that will accept innovative ideas about ways in which intergovernmental collaboration can enhance the efficiency with which public services are delivered within the metropolitan area. Based on a review of intergovernmental collaboration in other cities, we present what Milwaukee needs to know about collaborating. We develop a procedure for identifying specific city programs that have the potential for collaboration. Our final product for the City of Milwaukee is a preliminary feasibility study for collaborating property assessment.

### **The Background Environment**

The Milwaukee metropolitan area has a population of 1.8 million and includes five counties—Milwaukee, Ozaukee, Racine, Washington, and Waukesha. These five counties contain 119 municipalities. The largest municipality is the City of Milwaukee located in Milwaukee County with 674,743 residents. The smallest is the village of Big Falls located in Waukesha County with 84 residents. (State of Wisconsin Department of Administration, 2000). Milwaukee is at the heart of this region but is different economically and racially from the majority of the communities (Orfield and Luce, 2002). For example, over 77 percent of the African Americans living in the region live within the City of Milwaukee (U.S. Census Bureau, 2000). In addition, in 2000, households in Milwaukee had a median income of \$23,627 and the median household income in the suburban metropolitan region was \$57,403. In 2000, the poverty rate in Milwaukee County was 19 percent and the average poverty rate for the four surrounding counties was 4.6 percent (U.S. Census Bureau, 2000). These economic and racial differences make intergovernmental collaboration with the metropolitan area more difficult. Experience in other metropolitan areas suggest that suburban communities are often unwilling to cooperate with their central city when dealing with fiscal problems attributable to the concentration of low income households in those central cities. (Rusk, 1999 and Orfield, 1997).

Although obstacles to collaboration exist because of the heterogeneity of the Milwaukee region, the current state fiscal environment may increase the pressure on all governments to collaborate. In 2002, Wisconsin faces a \$1.1 billion deficit. The state fiscal crisis prompted Governor Scott McCallum to propose the *Budget Repair Reform Act of 2002*. On January 22, 2002, McCallum addressed the legislature to propose "a bold plan that completely restructures the state and local financial partnership...a plan that forces a major examination of how local governments are funded, organized and provide services" (Governor McCallum, 2002).

Governor McCallum's plan would decrease shared revenue payments over the next two fiscal years, with the intention of totally eliminating funding in the 2004–05 fiscal year. The Joint Finance Committee passed a revised adjustment that would not make any cuts in 2002, but would reduce shared revenue payments by \$279.4 million in 2003 (Lang, 2002). If cutting shared revenue is included in the final budget repair legislation it is expected to have a significant impact on both service provision and property taxation in the City of Milwaukee in the next biennium. The final proposed budget repair legislation is now in the hands of the legislature, and it is likely that there will be some cuts to shared revenue in the future.

Solving the state fiscal crisis is made more complicated by the fact that generally people want a wide range of high quality services at the lowest cost possible. The demands of local government consumers in tandem with the need to reduce expenditures in response to the state's fiscal crisis creates an incentive for Milwaukee and its suburban neighbors to put aside parochial interests. In addition, the pending restructuring of the Milwaukee County Board provides an opportunity to start a dialogue between the city and the county about collaboration in general. To sum up, the time to collaborate is now.

Governor McCallum's predecessor, Tommy Thompson, created the Governor's Blue-Ribbon Commission on State and Local Partnerships for the 21<sup>st</sup> Century to examine the relationships between different levels of government and to identify ways to make the public sector more efficient and effective. Commonly referred to as the Kettl Commission, the group's recommendations included the creation of incentives for intergovernmental collaboration and the pursuit of more regional efforts statewide.

Intergovernmental collaboration potentially conflicts with "home rule," or local control. Home rule occurs when each unit of government makes most of its own decisions and is accountable only to its residents. Collaboration focuses on interdependence among municipalities and defines service area boundaries according to shared problems and needs that often cross jurisdictional boundaries (University of Wisconsin Extension Local Government Center, 2000a). Collaboration involves local governments sharing resources and working together to deliver services to the whole region. Collaborative efforts can be in the form of agreements or contracts, mergers, consolidations, or consortia. Milwaukee can initiate regional collaboration by signing formal contracts, pursuing legislative action, through budget policy, or through informal agreements (Faust and Dunning, 1998).

The City of Milwaukee has long recognized the benefits of regional collaboration for providing local services. Examples of ongoing collaborations include Milwaukee and the surrounding suburban governments participating in the state's Vendor Net program. This program allows governments to jointly purchase needed materials, such as office

supplies and computer equipment. Each municipality benefits from quantity discounts. In addition, Milwaukee has agreements with the communities of Cudahy, South Milwaukee, Whitefish Bay, and Milwaukee County, Milwaukee Community Service Corporation, and Milwaukee Public Schools (MPS) for the use of its recycling facility. Another effort to collaborate relates to the Milwaukee Public Library, which is part of the Milwaukee County Federated Library Service. The Milwaukee County Federated Library Service results from an intergovernmental agreement among municipalities in Milwaukee County to provide countywide borrowing and computer services.

Another way to increase the efficiency of service delivery is to share administrative functions, such as payroll and property assessment. Municipalities can provide services with high fixed costs, such as sewers or transportation systems, at a lower average cost if governments share their specialized equipment, facilities, and staff resources, thereby spreading these costs across a larger base of service recipients.

Collaboration is one way to address the problem of “free riders.” When users benefit from a government service but do not pay for the service through taxes, they are labeled as free riders. This is a particular problem for Milwaukee since it is the cultural, recreational, and employment hub of the region. Residents of surrounding municipalities enjoy the city parks and travel on Milwaukee city streets. Neighboring municipalities do not have an incentive to duplicate cultural attractions that Milwaukee already provides. They can benefit from the services without paying taxes to fund them. If a service is provided collaboratively and therefore paid for by a broader tax base, it is more likely that everyone who uses the service pays for it. Also, the city does not directly benefit from purchases made by the people who come into Milwaukee to enjoy cultural events, to work, and to go shopping. The sales tax they pay for these goods and services is not retained by the city, but goes to the state.

### ***Statutory Authority***

Milwaukee must consider the legal framework for collaborations under Wisconsin law. According to Chapter 66 of the Wisconsin statutes, “any municipality may contract with other municipalities and with federally recognized Indian tribes and bands in this state, for the receipt or furnishing of services or the joint exercise of any power or duty required or authorized by law.... This section shall be interpreted liberally in favor of cooperative action between municipalities and between municipalities and Indian tribes and bands in this state”(Wisconsin Statutes, Chapter 66, section 0301(2)).

In addition, the statutes broadly define “municipality” to mean “the state or any department or agency thereof, or any city, village, town, county, school district, public library system, public inland lake protection and rehabilitation district, sanitary district, farm drainage district, metropolitan sewerage, sewer utility district, solid waste management system, local exposition district, local professional football stadium, local cultural arts district, family care district, water utility district, mosquito control district, municipal electric company, county or city transit commission, commission created by contract under this section, taxation district, regional planning commission, or city-county health department (Wisconsin Statutes, Chapter 66, section 0301(1)).

To promote collaborative efforts, the 1999–2001 Wisconsin Budget Act included the Comprehensive Planning and Smart Growth law. This legislation establishes fourteen comprehensive planning goals for local governments, including “encouragement of coor-

dination and cooperation among nearby units of government.” One of the required elements of these plans is “for joint planning and decision making with other jurisdictions, including school districts and adjacent local governmental units, for siting and building public facilities and sharing public services.” The state law does not require the municipalities to adopt a comprehensive plan. By January 1, 2010, however, all land use programs and actions must be consistent with a comprehensive plan, which effectively requires any unit of government that engages in zoning, annexation, incorporation, or other activity related to land use to adopt a plan (University of Wisconsin Extension Local Government Center, 2000b). Therefore, Milwaukee is required to complete a state plan since it does engage in the above activities.

## **The Collaboration Environment**

As local economies become increasingly connected and interdependent, the concept of collaboration has gained more legitimacy. Collaboration highlights relationships that exist among units of government within large geographic areas; theoretically the historical framework of separate units of government acting independent of each other is eschewed for the broader concept of a region working collaboratively to address common concerns, service needs, and opportunities. In reality, these goals are often difficult to achieve.

### ***Goals of Collaboration***

Governmental units engaging in a collaborative effort to deliver a service or perform some administrative function typically have one or more of the following goals:

- \* Saving money,
- \* Increasing the quality of the service or function,
- \* Serving more people, or
- \* Raising additional revenue.

Collaboration can also address service discrepancies or inequities within metropolitan areas caused by different service packages being provided by municipalities in the region. Many of the goals listed above conflict. If Milwaukee’s goal is to reduce the expenditures on some service or function, the quality of that service or function may suffer. Similarly, if the city’s goal is to increase quality or quantity, then expenditures may need to increase, which in turn would require either greater cost-effectiveness or new revenue. Generating revenue can be a goal in itself, especially as Milwaukee attempts to make up for reductions in state aid.

### ***Potential Benefits of Intergovernmental Collaboration***

Intergovernmental collaboration has both advantages and disadvantages. We identified the most important advantages and disadvantages for these collaborations based on a review of case studies on intergovernmental collaborations. For a list of these resources see Appendix B.

## Economies of scale

According to Ronald C. Fisher, author of *State and Local Public Finance*, “economies of scale...refers to a decrease in average cost as the quantity of output rises. In reference to the optimal size for governments, the term usually refers to a decrease in cost *per person* [emphasis in original] for a given amount of service as population served increases” (1996). In the case of collaboration among local governments, cost savings can also accrue through less duplication of specialized personnel and equipment, bulk discounts afforded by joint purchasing agreements, and significant savings in capital costs. The following are examples of how economies of scale may occur:

- \* **Economies of Scale in Administration**  
Services that are needed in several jurisdictions can be coordinated and uniformly administered providing higher quality services. Coordinated services potentially minimize administration costs; cost savings on administrative functions, like payroll, can then be directed into enhancing service delivery.
- \* **Economies of Scale for High Fixed Costs**  
*Facilities and equipment that are seldom used can be shared, increasing efficiency and decreasing costs.* Municipalities potentially reduce capital expenditures when they share the cost of purchasing and maintaining large expensive equipment. This may mean the equipment needs more frequent maintenance so increased maintenance costs should be factored into any cost savings analysis.
- \* **Economies of Scale in Specialization**  
*Larger organizations can better afford well-trained administrators and technicians and improved equipment.* It may not be cost effective or necessary for a small municipality to hire full-time management, service, or equipment specialists. Well-trained candidates may not be willing to work on a part-time or as-needed basis. Municipalities can share professional staff, decreasing personnel costs and providing full-time employment with a varied work week for employees.

## More equitable service levels and costs.

As services are provided collaboratively, it is difficult to maintain former differences in service levels. With collaboration, taxpayers may be more likely to contribute equally and may expect equal services. In this way, collaboration provides for more uniform service across political boundaries. Collaboration can enhance the equity of service delivery also but this may entail larger expenditures. This is only a benefit of collaboration if the goal of that collaboration is to enhance equity.<sup>1</sup>

## Decrease in misunderstanding or confusion regarding the delivery of services in border areas.

Many issues that local governments face do not stop at jurisdictional boundaries. The need for police, fire, public health, snow plowing, and myriad other services extend beyond a municipality’s boundaries. This may cause confusion or animosity between jurisdictions and lead to decreased or sporadic service levels in border areas where service responsibilities are unclear. There is ample evidence that residents in the Milwaukee area are confused about which government provides services like property assessment. Col-

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<sup>1</sup> It is important to note that increased equity in the provision of local government services may not always be a benefit. Sometimes differences in service provision are the product of rational decisions made by residents in a community based on their desired tax and service package.

laborative service provided by a higher unit of government can minimize this confusion since service provision extends beyond jurisdictional boundaries.

### ***Potential Drawbacks of Intergovernmental Collaboration***

A review of collaboration case studies highlighted the following drawbacks:

- \* Local government boards and councils may have less control of services. The power of many local government officials and the most visible way they connect with their constituents is through the delivery of services, like garbage removal, police, fire, and libraries. Collaborative provision of these “bread and butter” services can threaten this power balance and elicit resistance from local government officials. It is important to consider the political impacts of collaborative service provision.
- \* Accountability of and access to local government decision makers may decrease. Depending on how collaborative services are administered, government units can lose the direct oversight of services or functions. Community residents who are familiar with the “old system” of local government may not know how to address concerns they have with collaborative services providers. Additionally, if the collaborative agreement does not clearly specify expectations, objectives, and requirements, citizens may perceive the delivery of the service as not optimal.
- \* Services may be less personalized for residents if the services are provided by a larger organization serving several jurisdictions. Within regions, significant differences can exist regarding service preferences, expectations, and norms. The larger the service area, the more difficult it becomes to provide a service package that accommodates all residents’ needs.
- \* Collaborative efforts may encounter additional financial and legal barriers. Collaborative efforts tend to be more complicated to administer than single government units’ efforts. Collaborations must address issues of administrative oversight, liability, joint financing, legal authority, and other issues.

### ***A Cautionary Note***

Milwaukee must decide what the goals and objectives of each collaboration are if it is to evaluate the success of such efforts effectively. It is also important to remember that collaborative efforts that have succeeded in one jurisdiction may not prove as effective or effective at all when transferred to a different setting or context. The specific context that Milwaukee must consider when pursuing collaborations is the extreme economic and racial differences between the city and its suburbs. One possible reason for these disparities is that suburban residents and government officials wish to escape the problems of poverty and crime that they associate with Milwaukee. If this is true, this factor is an example of a limit to collaborative efforts that is outside the city’s control. Collaborations are difficult, especially if the city must overcome the biases of its potential partners.

Collaboration is but *one* strategy Milwaukee can use to achieve its goals, but it is not the answer to all questions or the solution to all problems. Milwaukee officials need to approach collaboration with both skepticism and objectivity if they are to determine its

merits accurately. This analysis is a strategy Milwaukee can use to analyze the feasibility of a potential collaboration.

## **A Collaboration Strategy**

The City of Milwaukee Office of Budget and Management asked us to help Milwaukee assess the benefits and the feasibility of intergovernmental collaboration and to identify specific programs where collaborative efforts may be beneficial. We decided to pursue two parallel tracks. First, based on the experience of other cities and states, we attempt to determine under what circumstances intergovernmental collaboration is most feasible. We looked at the current literature and at case studies of public sector collaborations. Then we asked what specific areas Milwaukee should consider for collaboration. We looked at the wide array of services that the city currently provides and the current political environment in and around Milwaukee (City of Milwaukee, 2002b).

In assessing the potential for intergovernmental collaborations the first question we asked was whether collaborative efforts would result in reduced costs or additional revenues. We considered the potential cost savings relative to the political and other costs associated with pursuing collaboration. Of those services that had a positive impact on the budget, we then made judgments regarding which services we felt would be feasible to provide collaboratively. Factors that influence feasibility include, but are not limited to, service-specific qualities, the political environment, and complexity of implementation. While individual feasibility factors may be of more or less importance regarding a specific service, when we discuss these factors we weight them equally. A more complete list of things to consider when pursuing intergovernmental collaboration is provided in Appendix C. Figure 1 illustrates the general framework we used for considering collaboration.

We applied the framework in Figure 1 to a large list of services where collaboration might be possible. As a result of this analysis, we identified the Assessor's Office as a specific target for a more in-depth analysis. In the following sections, we outline the process we followed in identifying the Assessor's Office as a city department where collaboration may be both beneficial to the city and feasible.

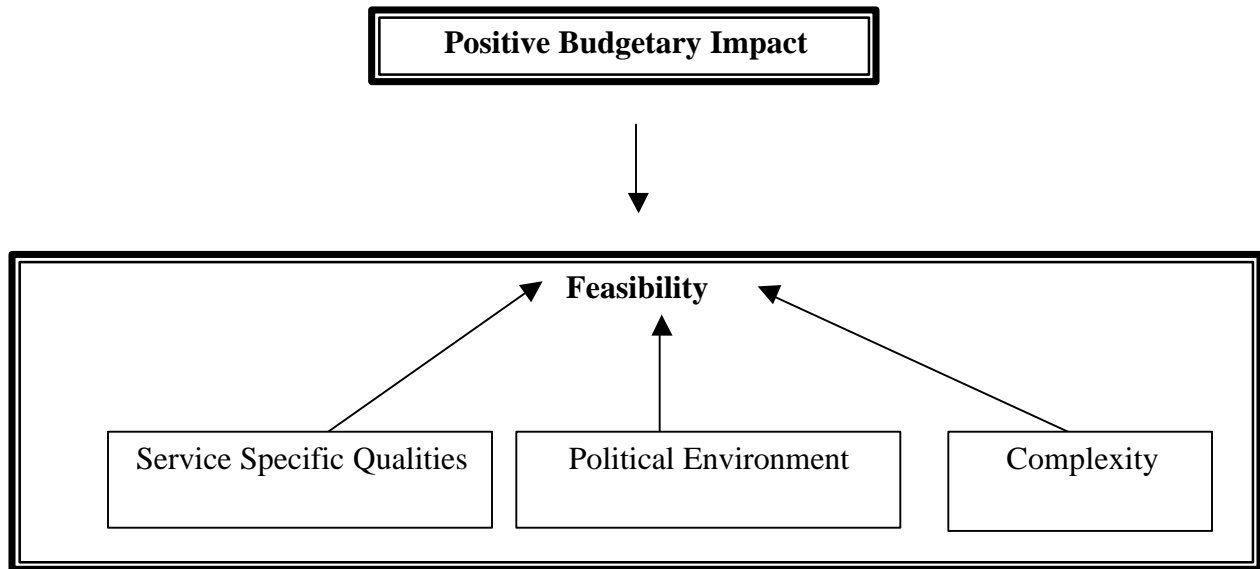
### ***Targeting a Collaboration***

Discussions with city staff and review of city services allowed us to identify the following list of services where collaboration could have positive budgetary impacts:

- \* Health services
- \* Economic development
- \* Property assessment
- \* Management and/or operations and maintenance of parks, boulevards, and other green spaces
- \* Library services
- \* Sanitation services (garbage collection, recycling, and related services)

- \* Election committee functions
- \* Information systems management
- \* Public records systems and functions (e.g., vital statistics)
- \* Purchasing functions
- \* Property inspection and/or code compliance function

FIGURE 1



From the above list, based on our current knowledge, and in an effort to provide a useful recommendation within a short timeframe, we quickly chose four services that had characteristics that our research suggested made them prime candidates for intergovernmental collaboration (economies of scale, duplication of services, and regional scope). These four services were economic development, purchasing, libraries, and property assessment.

As described earlier, one element of our research was to identify factors that contribute to the feasibility of a particular effort to collaborate. In order to give meaning to the categories, we organized these factors into the broad categories displayed in the framework above. We asked ourselves the questions listed in Table 1.

We considered the Department of City Development as a possible target for collaboration. The Department of City Development strategically plans for the growth of the City of Milwaukee. According to the department's Web site, its mission is "to improve the quality of life in Milwaukee by guiding and promoting development that creates jobs, builds wealth and strengthens the urban environment, and at the same time respects equity, economy and ecology." One way to promote development is to encourage private companies to move to Milwaukee. By doing this, Milwaukee competes with other municipalities, but its decisions, and the decisions of its counterparts in other municipalities, affect the entire Milwaukee metropolitan region. Therefore, if all economic development

offices collaborated, efforts could be coordinated for the greatest positive impact. The reason we chose not to recommend this collaborative effort is that we felt that it would be difficult to convince municipalities that the benefits they would gain from a collaborative approach outweigh the individual benefits of siting a business within their specific municipal boundaries. Without consensus among municipalities to collaborate, there are strong incentives to act independently.

We considered purchasing services because of the potential to take advantage of group discounts, and because it is an administrative function and therefore not highly visible to residents. Fortunately, Milwaukee already does a great job of joint purchasing with other municipalities as evidenced by its participation in the state's VendorNet program and numerous other joint purchasing agreements including one with Milwaukee and Waukesha counties for the joint purchasing of fuel. While there might be additional opportunities to expand purchasing collaborations, we felt it would be more useful to analyze a service in-depth that was not already provided collaboratively.

Another service we assessed was libraries since the county already has a federated system, which is a collaborative agreement among municipalities in Milwaukee County to facilitate borrowing and provide computer services. All of the municipalities in Milwaukee County belong to the federated system. This means that there is a preexisting relationship among the municipalities, and consolidating the administrative functions would be an expansion of those relationships. Collaboration would eliminate a level of governance in each municipality, and therefore has the potential to reduce administrative costs. Countywide provision of library services might mean that decisions as to the number and placement of libraries would be linked to need rather than jurisdictional boundaries, therefore potentially eliminating some community libraries. Additionally, the Wisconsin State Assembly cut library funding in its budget repair bill, which if passed directs the libraries to levy fees for certain services.

Ultimately, we did not recommend collaboration of library services because we felt there would be strong public opposition since libraries are so highly visible and people have strong allegiances to their community library. Aside from the political obstacles, however, we feel there is a strong case for the collaborative provision of library services by Milwaukee County. Furthermore, the political barriers to this collaboration may be reduced given the state fiscal environment and possible cuts in local revenues. We chose for our final recommendation, however, a collaborative effort where political barriers were less evident.

Property assessment is the final target we analyzed for the City of Milwaukee. There are substantial scale economies inherent in many functions of the Assessor's office. The potential exists to spread the fixed costs of technology and staff over a larger population, thereby reducing the average cost of providing property assessments. In addition, the service is not as visible as something like fire or police protection and there is likely to be less public resistance to changing who provides property assessments. Moreover, there is precedence for performing this function differently. Some municipalities around Milwaukee already arrange for private firms to perform all or part of the property assessment function, and thus are familiar with contracting for this service and are not mired by union or employee complications. Finally, this collaboration builds upon a series of individual relationships rather than an overarching authority. Therefore,

TABLE 1

**Questions the City of Milwaukee Can Ask  
to Identify Targets for Collaboration**

These questions are designed to help the City of Milwaukee narrow a list of potential collaboration targets to those that are most feasible.

- 1. Where would collaborations have a positive impact on the budget by reducing costs or generating revenue? Some of the ways to have a positive impact on the budget are:**
  - \* Consolidating a duplicated service;
  - \* Sharing equipment, infrastructure, or personnel, especially when there are high fixed costs;
  - \* Providing a service for other municipalities in which Milwaukee has a comparative advantage.
- 2. Of the collaborations that have a positive budgetary impact, which collaborations are most feasible?**
  - a) What targets have service-specific qualities that are favorable to the collaboration?
    - \* The service is not very visible or is indirect.
    - \* There is a political or budgetary crisis that threatens the service.
    - \* Each partner benefits.
    - \* Each partner has some degree of oversight.
    - \* There is precedence for providing the service another way.
  - b) Where is the political environment favorable to collaboration?
    - \* Influential decision makers support the collaboration.
    - \* Community support exists.
    - \* Third-party incentives are likely.
  - c) What collaborations would be least complex?
    - \* The implementation is incremental.
    - \* A preexisting relationship exists between partners.

this collaboration would work well with an incremental approach. We recommend the City of Milwaukee further explore collaboration on property assessment because we did not identify any significant impediments in our initial scan of the feasibility of this function.

### *The Milwaukee City Assessor's Office*

After our initial review, we recommended property assessment as a target for collaboration. We began by looking at how the Assessor's Office conducts its work now. Once we had this as a starting point, we conducted a more in-depth preliminary analysis. This involved examining the benefits to the City of Milwaukee and to participating municipalities of collaboration on property assessment. In addition, we considered the implications for the City Assessor's Office of taking on more work. Specifically, we examined the effects of contracting with municipalities for staffing, technology, and financial resources. Finally, we considered the possibility of a countywide uniform assessment function.

The City of Milwaukee is the only municipality in the county that does its property assessments in-house. The Assessor's Office currently has 63 full-time equivalent positions (FTEs) and a budget of about \$4.7 million (City of Milwaukee, 2002). The office recently designed new assessment software. Software user agreements and the accompanying fees that private firms often impose on users each time an additional person needs the software on his or her computer, therefore, do not constrain the office.

According to the City of Milwaukee's 2002 Plan and Budget Summary, the strategic goal of the City Assessor's Office is as follows: "to ensure that costs for municipal services are distributed equally among all those who receive such services by uniformly valuing all taxable property in the city, closely scrutinizing proposed property tax exemptions and efficiently processing assessment appeals and add value to the city by providing services and information to the public, other city departments, and public agencies" (City of Milwaukee 2002). The types of property assessed include: residential, commercial, manufacturing, and personal. "Uniformly valuing" means assessing all classes of property according to the fair market value, which is "the amount...a typical, well-informed purchaser would be willing to pay for a property in its present condition" (City of Milwaukee, 2002a).

The City of Milwaukee accomplishes this goal by reevaluating property at least every two years. For all classes of property, much of this analysis and reevaluation is done using statistical models, especially for residential property. Assessors estimate value by developing formulas that take into account market prices and property characteristics. Staff members enter this information into computer databases, apply the model or formula using the specialized software, and generate a property value.

Assessors familiar with the property and neighborhood then check these assessment values to make sure that they are fair and accurate. The advantage to using a Computer Assisted Mass Assessing (CAMA) system is that once assessors enter the information into the system, adjustments can be made automatically. This contributes to the efficiency of the Assessor's Office. The Assessor's Office also provides information about property, such as property value histories and assessment histories, to citizens as well as to other city departments and offices. This is now largely an automatic process because all property information is available online. This dramatically increases the accessibility of property information and the numbers of customers served.

Based on our preliminary analysis, we recommend that the City of Milwaukee competitively bid to provide surrounding municipalities property assessments for a fee. This kind of arrangement requires: (1) the city to establish a process for submitting com-

petitive bids to municipalities that outsource to private firms, and (2) the city Assessor's Office to plan for and implement this model. We assessed the implications of submitting and winning bids after determining the benefits to Milwaukee and to the municipalities involved in this collaborative effort. We also assessed where economies of scale exist because that is where there is potential to generate revenue.

The Assessor's Office collects property data by visiting homes. Assessment staff are responsible for entering property data into CAMA. Hedonic regression models are developed using recent sales data. Assessed values are generated based on these hedonic models. Economies of scale exist because the City of Milwaukee can use its CAMA technology to automatically generate the values, thus performing the service with little additional drain on the resources of the Assessor's Office. The other function that may generate revenue is providing on-line access to property assessment information for a fee.

### ***Benefits to the City of Milwaukee***

The primary benefit of this model to the City of Milwaukee is that it generates net revenue. It also establishes the City of Milwaukee as a leader in property assessments and efforts to collaborate, and sets precedence for future collaboration.

### ***Benefits to Communities that Contract With Milwaukee***

Introducing Milwaukee into the marketplace should increase competition. Increased competition should force private firms and the city of Milwaukee to submit higher quality or lower cost bids in order to win the contract. Municipalities that contract with Milwaukee can benefit from having their property assessment information in Milwaukee's online database, allowing for increased public access and improved customer service. Moreover, municipalities will retain oversight over property assessments through the service contract and hold the City of Milwaukee accountable for its performance.

### ***Implications for the Assessor's Office***

If the structure of the collaboration is such that it can be implemented incrementally, the Assessor's Office can strategically plan how many contracts to bid on each year in order to avoid a drain on its financial and employee resources. Mary Reavey, Milwaukee Assessment Commissioner, is confident in her department's capacity to cover the costs of taking on extra responsibilities and supports the effort to collaborate on property assessment. The one aspect of the collaboration that Ms. Reavey identifies as creating extra work initially is to incorporate the data from the municipalities' systems and records databases into those of Milwaukee and to catch up on overdue reevaluations.

We recommend that the Assessor's Office work with the Budget and Management Division to develop a gain-sharing process so that the assessor retains some of the profits from taking on property assessments for other municipalities. Gain-sharing is important. According to the National Academy of Public Administration, gain-sharing is "an economic incentive where part of the savings from implementing privatization is shared with employees. Employees are encouraged to develop more productive and efficient ways of accomplishing their work and share in the benefits of higher output or reduced costs" (2002). Ms. Reavey mentioned that staff is well equipped to learn any new processes that the office's current operations do not include. Ms. Reavey said the department would need to establish a means of learning about requests for proposals (RFPs)

and about building competencies for responding to bids. This would involve working to establish a bidding process and reviewing Wisconsin statutes for the legality of such a bidding process. She did not perceive these issues as significant obstacles. Most collaboration projects begin when one governmental unit asks another one to work together. Our property assessment proposal adds the element of competition for which there may be legal issues.

It is important for the Assessor's Office to know that the economies of scale that exist for the statistical reevaluation for property are not realized for other services which are staff intensive, for example, appraisals. Therefore, the Assessor's Office needs to consider carefully which services it should bid on depending on what resources are required to provide those services. How complicated this is for Milwaukee depends on the structure of other municipalities' assessments.

### ***Implications for the Communities Contracting with Milwaukee***

We interviewed eight municipalities in order gauge the impact the collaboration we proposed might have on them. For the results of these interviews, see Appendix D. Each municipality varied in the level of resources and commitment made to property assessments, but several themes emerged. All communities outsourced some or all of its property assessment. The communities surveyed contracted with one or several private vendors to do commercial and residential reevaluations. No community contracted for annual reevaluations, and the degree to which each used technology varied. That these municipalities already contract parts of this function means that contracting with the City of Milwaukee would impose few changes on municipal employees. Union conflicts, common in consolidation efforts, are not a major concern since most municipalities already outsource some part of the assessment function to private providers. We saw no problems financially for these communities because costing would be built into the RFPs.

The most variable and problematic component to collaborating on property assessments would be to coordinate the software and database systems of each partner with Milwaukee's new client-server, network-based system. These systems include the software the municipality uses to perform city functions that relate to property assessments. Whether or not this is an expensive and therefore prohibitive barrier will need to be assessed on a municipality-by-municipality basis and addressed through the bidding and contract process.

### ***Precedence in Wisconsin***

Contracting with another local government does have strong precedent in Wisconsin. In the contract, one government agrees to provide another government with a service for a fixed price. Local Government Center of UW-Extension researchers surveyed 452 cities and villages about public services in the state. They wrote, "In Wisconsin, 66 percent of the municipalities say they seek bids from other local governments. Twenty-eight percent provide services to other governments by contract" (Deller et al., 2002). Milwaukee has many of these agreements already. For a list of Milwaukee's current intergovernmental agreements, see Appendix A.

### ***Alternative Structure to the Proposed Collaboration***

Instead of a case-by-case basis, another alternative is for city, county, and other municipalities to develop a county-level assessment function. One option is to have the Assessor's Office perform property assessment for all municipalities in the county through a countywide intergovernmental agreement. This could mean either that the county takes over the Assessor's Office or that it establishes a contractual agreement wherein the function stays within the city but the county has significant oversight. This is similar to the arrangement for the fire department's advanced life support and paramedic services. Milwaukee provides the service, but the county manages it.

The Wisconsin Department of Revenue, Bureau of Property Tax, in its discussion of the possibility of a Brown County special assessment, included a sample resolution for counties to use to establish a countywide assessor system (City of Milwaukee, 1992). Within this resolution, the bureau included language that says "equitable assessments are in the best interests of all of the residents of [the] county and the county assessor system has a greater capability of achieving countywide equity in assessments at an optimum cost" (City of Milwaukee, 1992).

It is easier for residents to compare the assessments and values of their property with property in other communities if assessments are done on a countywide basis than by individual municipalities using different systems. The agency also asserts that "a properly prepared and maintained assessment records system is one of the most important items in the assessment process. Good records systems make it possible to compare property assessments, promotes uniformity, and gives the assessor confidence when defending assessments before the Board of Review" (City of Milwaukee, 1992).

Unfortunately, the demand for the assessment function varies greatly throughout the county, and it is unlikely in the current environment that a common vision could dictate how often assessments are done. Although a countywide assessment function may provide the greatest benefits to residents of Milwaukee County by increasing equity, establishing such a system is a complex undertaking. Ms. Reavey, Milwaukee Assessment Commissioner, said that the city has examined the concept of countywide assessments several times but consistently judged it infeasible. One reason for this is the difficulty in establishing universal assessment practices that fit the needs of all communities within Milwaukee County, for example how often assessments are to be done. It is for this reason that we recommend an incremental approach.

### ***Next Steps***

The following are issues for further study:

- \* How would the City of Milwaukee receive the RFPs and write competitive bids?
- \* How much does a private firm recuperate in profits as a percent of cost?
- \* What will the City of Milwaukee do with the revenue generated from the contracts? For example, will the Assessor's Office retain a portion of the revenue from each contract?

- \* How will the city build buy-in and support for the collaboration? What organizations can assist with this process?
- \* Can the county provide incentives for this collaboration as well as for other collaborations?

## Recommendations

We recommend that the City of Milwaukee:

- \* Continue current collaborative efforts and look for ways to expand them.
- \* Use “*Questions the City of Milwaukee Can Ask to Identify Targets for Collaboration*” as part of its strategic planning in order to identify additional targets for collaboration.
- \* Establish a process for submitting competitive bids to municipalities that outsource to private firms.
- \* Provide surrounding municipalities property assessments for a fee, through a competitive bidding process.
- \* If it can negotiate a collaborative contract, allow the city Assessor’s Office to retain some of the revenue from taking on property assessment for other municipalities to ensure they have the capacity to meet the increased demand.
- \* Build buy-in and promote property assessment collaboration by seeking support from the following entities: County of Milwaukee, Greater Milwaukee Committee’s Regional Cooperation Task Force, Southeastern Municipal Executives, and the Wisconsin Assessor’s Association.
- \* Work with Milwaukee County to establish incentives for property assessment collaboration.
- \* Foster relationships with groups that are already working on ideas for collaborations.
- \* Build upon current relationships with surrounding municipalities and seek opportunities to collaborate.
- \* Advocate for county financial incentives for intergovernmental collaborations.
- \* Advocate for state financial incentives for intergovernmental collaborations.

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## Appendix A: Intergovernmental Contract List

This is a list provided by the Office of Budget and Management of the City of Milwaukee and represents current intergovernmental contracts that exist between the city or its departments and other entities.

- \* The fire department’s HURT (Heavy Urban Rescue Team) unit provides deep tunnel rescue services to Milwaukee Metropolitan Sewer District (MMSD).
- \* The fire department provides advanced life support and paramedic services on a countywide basis, which the county manages.
- \* The fire department contracts with the Village of West Milwaukee to provide fire suppression services.
- \* The fire department’s HAZMAT team provides hazardous material and biological threat abatement services to the southeastern Wisconsin region.

- \* The Operations Division of the Department of Public Works (DPW) has several cooperative agreements with municipalities to perform snow and ice removal services on streets that run into neighboring jurisdictions.
- \* The city has agreements with the communities of Cudahy, South Milwaukee, Whitefish Bay, and Milwaukee County, Milwaukee Community Service Corporation, and Milwaukee Public Schools (MPS) for the use of its recycling facility.
- \* The Operations Division, Forestry Section of DPW has a municipal agreement under which it sells trees and flowers to the communities of Brookfield, Franklin, Greenfield, Menomonee Falls, Shorewood, Wauwatosa, and Whitefish Bay.
- \* The Operations Division, Forestry Section of DPW maintains boulevards by planting flowers and cutting grass in some parts of Wauwatosa.
- \* The Operations Division, Buildings and Fleet Section of DPW has an agreement with MPS and the Housing Authority (HACM) to repair small tractors.
- \* The Operations Division, Building and Fleet Section of DPW is involved in multi-government purchasing of fuel with Milwaukee and Waukesha counties.
- \* The city provides MPS several services through cooperation agreements, including borrowing to finance MPS capital projects, providing crossing guards, and providing health services, to name a few.
- \* The Milwaukee Public Library is part of the Milwaukee County Federated Library Service, an intergovernmental agreement among municipalities in Milwaukee County to provide countywide borrowing and computer services.
- \* The Milwaukee Area Domestic Animal Control Commission is an intergovernmental entity that represents the mutual interests of all nineteen municipalities within Milwaukee County.
- \* The Milwaukee County Automated Land Information System includes all communities in the county, Milwaukee County, MMSD, the Southeastern Wisconsin Regional Planning Commission, and several private utility companies working together to develop an automated mapping system to share current public and private utility information.
- \* The DPW has an agreement in place with Brown Deer, Butler, Glendale, Greenfield, Menomonee Falls, St. Francis, Shorewood, Wauwatosa, and West Milwaukee regarding maintenance of pavement markings.
- \* Road marking paint and glass beads are purchased through the state in collaboration with other communities through a “value bidding” process.
- \* The city has street lighting agreements with numerous neighboring jurisdictions either to provide or to receive services.

## Appendix B: Resources in Developing Framework

“Achieving Intergovernmental Planning Coordination by Strengthening Wisconsin’s Smart Growth Law.” Southeastern Wisconsin Regional Planning Commission. 2001.

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## Appendix C: Additional Feasibility Questions

The following categories include additional questions the City of Milwaukee could ask to assess the feasibility of a specific collaboration. When taken as a whole, these questions are the basis for the simplified assessment process we present in the paper. No weight is placed on the individual categories except that determined by the City of Milwaukee. The importance of an individual category may change when applied to different collaborations.

### *Assessing the Target: Step One*

#### Goals

- ☞ Determine the objectives of the City of Milwaukee in collaborating.
- ☞ Identify and define desired outcomes of collaboration.
- ☞ Identify areas where reasons for collaboration and strategic goals for the City of Milwaukee are congruent.
- ☞ Identify other objectives in collaborating.

#### Incentives

- ☞ Determine if there are incentives to collaborate in specific areas or functions.
- ☞ Determine if there are incentives to collaborate with specific partners.
- ☞ Identify government mandates and/or incentive programs.
- ☞ Identify potential grants, technical assistance, and available awards.

#### Benefits to Nonresidents

- ☞ Identify the services that the City of Milwaukee provides for non-Milwaukee residents.
- ☞ Identify areas where non-Milwaukee residents are benefiting from functions or services paid for by Milwaukee residents (externalities).
- ☞ Determine if potential partner(s) is (are) benefiting from the service or function under review.

#### Economies of Scale

- ☞ Identify services or functions where Milwaukee can potentially gain from economies of scale.
- ☞ Identify areas where average cost of providing service or performing function will fall if regional cooperation occurs.

- ☞ Determine whether partner(s) has (have) a comparative advantage in the service or function under review (e.g., cost, facilities, equipment, and personnel).

#### **Precedents**

- ☞ Identify governmental units that currently collaborate or that have previously collaborated with the City of Milwaukee or with each other.
- ☞ Identify governmental units that have discussed or are currently discussing collaboration as a strategy.

#### **Momentum**

- ☞ Determine where there is momentum for collaboration efforts.
- ☞ Identify the position of the state and partnering municipalities on regional collaboration in general.
- ☞ Identify leaders (governmental or otherwise) who support collaboration and might be more open to collaboration.
- ☞ Identify creative leaders who have a history of creative solutions to problems.
- ☞ Identify communities where community groups and organizations are already looking at collaboration.

#### **Stakeholders**

- ☞ Identify who is going to be affected by the collaboration.
- ☞ For each group that is affected, identify how they will be affected.
- ☞ For each group that is affected, assess whether they are likely to support or oppose the collaboration.

#### **Complexity of Implementation**

- ☞ Identify whether the administrative costs of planning or implementing collaboration are burdensome.
- ☞ Identify who would provide and who would pay for the service or function.
- ☞ Determine how payments would be calculated.
- ☞ Describe what the service or function would look like.
- ☞ Define who would ideally perform what elements of the function or service.
- ☞ Determine where the required facilities would be located.
- ☞ Determine who would have oversight for what.

#### **Political Risks**

- ☞ Identify the impact on relationships between Milwaukee officials and officials in other governments (e.g., county or other municipality officials).
- ☞ Identify the impact on relationships between Milwaukee officials and Milwaukee residents.
- ☞ Identify the impact on relationships between Milwaukee officials and Milwaukee city department heads.
- ☞ Identify the impact on relationships between Milwaukee city department heads and Milwaukee city staff.
- ☞ Identify changes in local control and responsiveness.

#### **Economic Risks**

- ☞ Determine whether there are large planning or implementation (upfront) costs.
- ☞ Determine whether Milwaukee is likely to realize cost savings.
- ☞ Identify whether a shift is likely in the need (demand) for the service or function in the near future.
- ☞ Determine whether an increase or decrease in revenue is likely.

**Technology**

- ☞ Determine what, if any, technology changes will need to take place and the associated costs.

**Quality**

- ☞ Distinguish whether the quality of service or function is likely to improve, worsen, or stay the same.

**Quantity**

- ☞ Distinguish whether the quantity of service or function is likely to improve, worsen, or stay the same.

**Equity**

- ☞ Determine whether some factions of city residents are likely to receive different levels of services, and whether this is a negative change.
- ☞ Identify whether collaboration is likely to exacerbate current undesirable inequities in service provision.

**Building Consensus**

- ☞ Identify groups that would likely oppose the collaboration.
- ☞ Identify the reasons each group would not support collaboration.
- ☞ Determine what the supporters of the collaboration need to do in order to persuade those opposed.
- ☞ Identify shared interests or goals between Milwaukee and those who would oppose collaboration.
- ☞ Identify reasons the collaboration would be advantageous for partner (costs, efficiency, quality, economy of scale, political power, etc.).

**Assessing the Target: Step Two**

For each factor, a scale of 1–5 is used, with 1 being the most favorable condition and 5 being the least favorable condition for the given factor.

- \* Likelihood of cost savings  
1      2      3      4      5
- \* Goals of collaboration match the City of Milwaukee’s goals  
1      2      3      4      5
- \* Incentives are available  
1      2      3      4      5
- \* Nonresidents currently benefit from service or function  
1      2      3      4      5
- \* Economies of scale exist  
1      2      3      4      5
- \* Precedents for collaboration exist with this partner or service  
1      2      3      4      5
- \* Momentum to collaborate  
1      2      3      4      5

- \* Stakeholder reactions  
1      2      3      4      5
- \* Complexity of implementation  
1      2      3      4      5
- \* Level of political risks  
1      2      3      4      5
- \* Level of economic risks  
1      2      3      4      5
- \* Changes in Technology  
1      2      3      4      5
- \* Changes in Quality  
1      2      3      4      5
- \* Changes in Quantity  
1      2      3      4      5
- \* Changes in Equity  
1      2      3      4      5
- \* Ability to build consensus  
1      2      3      4      5

Using the scores above and reflecting on the importance you attach to each individual factor, give the potential collaboration effort an overall feasibility score (1= low feasibility, 5= high feasibility).

- \* Overall Feasibility  
1      2      3      4      5

## Appendix D: Survey of Municipalities in Milwaukee County

City	Bayside	Fox Point	Greenfield	Hales Corner	St. Francis	Wauwatosa	West Milwaukee	Whitefish Bay
<b>Contract Info</b>	(414) 351-8811	Financial Manager Mary Cathell  (414) 351- 8900	Assessor's Office Eric_m@ci.greenfield.wi.us  (414) 329-5340	Village Administrator, Mike Weber  (414) 529-6161	City Assessor Diane Cannistra, (part of contract with Nat' Appraisal)  (414) 383-2122	Treasurer/Controllers Office Ronald Braier, rbraier@ci.wauwatosa.wi.us  (414) 479-8962	Village Administrator Timothy Freitag  (414) 645-1530	Assessor's Office asses-sor@village.whitefish-bay.wi.us  (414) 962-6690
<b>Population</b>	4,337	7,166	35,568	7,763	8,662	47,200	4,201	14,000
<b>Office Staff/ Contractor</b>	Entirely Outsource	Entirely Out-source to Ad Valorem	3 FTE: Assessor, Dept. Assessor, Secretary  Private firm – Residential Reevaluations	Entirely Out-source to National Appraisal Keith Munson  (414) 383-2122	Entirely Outsource to National Appraisal but contract includes funds for 1FTE at St. Francis City Hall once a week (Ms. Cannistra)	6 FTE (Assessor, 3 Appraisers, 2 Municipal Clerks)	Entirely Out-source to National Appraisal Keith Munson  (414) 383-2122	½ FTE Clerk  CRT
<b>Budget</b>	\$85,000.00 (Assessor Function)	\$53,000.00 (Assessor Function)	\$299,014 (Assessor Function)	\$10,000.00	\$18,000.00	\$540,150.00 (Assessor Function)	\$6,000.00	\$64,000.00 (Assessor Function)
<b>Notes</b>	Reevaluations are done every five years. They use a private firm.	Last Re-eval done in 1995. Reevaluation this year.	Last re-eval done in 1995. Reevaluation this year. \$100,000. A national firm does their commercial re-evaluation.	Village Administrator oversees assessment contract	Last Re-eval done in 1997 a full re-evaluation will begin within the next year.	When they do a reassessment, they contract out for extra support/labor. This year they are doing a reassessment	City Administrator oversees property assessment contract	City Controller monitors the Contract.

## Appendix E: Resource Guide

Advisory Commission on Intergovernmental Relations (ACIR). Homepage:

<http://www.acir.gov>

Alliance for Regional Stewardship. Homepage: <http://www.regionalstewardship.org>

Council for Excellence in Government. Homepage: <http://www.excelgov.org>

GovTraining from University of Wisconsin–Extension. Homepage:

<http://www.govtraining.org/>

National Association of Counties. Homepage: <http://www.naco.org>

State of Wisconsin. Department of Administration, Bureau of Intergovernmental Relations. Homepage: <http://www.doa.state.wi.us/dhir/boir/index.asp>

Wisconsin Alliance of Cities. Homepage: <http://www.wiscities.org>

University of Wisconsin–Extension Local Government Center. Homepage:

<http://www.uwex.edu/lgc>