Special Committee of the Whole Meeting Agenda

July 29, 2025 - 6:00 PM
Council Chambers
3805 S. Casper Drive

Published: 7/25/2025

AGENDA

1. **CALL MEETING TO ORDER**
2. **ROLL CALL; DECLARATION OF QUORUM; PUBLIC NOTICE**
3. **MISCELLEANOUS**

   A. A financial presentation by the Finance Director outlining funding options available to Wisconsin municipalities, specifically a municipal vehicle registration fee ("wheel tax") and a potential levy limit referendum, and how these options may apply in New Berlin. This presentation is intended to support an informational discussion among Common Council members as part of a transparent financial planning process. Supporting materials will be displayed during the meeting to provide context and facilitate discussion.

   Presentation Only. No action will be taken.

   B. Discussion of a Funding Option Available Under Wisconsin State Law: Municipal Vehicle Registration Fee (commonly referred to as a 'Wheel Tax')

   No action will be taken at this meeting.

   C. Discussion of a Funding Option Available Under Wisconsin State Law: Levy Limit Referendum

   No action will be taken at this meeting.

4. **ADJOURN**

Additional Information

- The agenda packet, including supplemental information related to agenda items, is available online at www.NewBerlinWI.gov. Once finalized by the governing body, approved meeting minutes will also be posted online.
- Agenda items may be taken out of order at the governing body's discretion.
- Members, and possibly a quorum, of other municipal governmental bodies may attend this meeting to gather information. However, no action will be taken by any governmental body other than the one referenced in this notice.
- Accommodations will be provided under the Americans with Disabilities Act (ADA) to meet the needs of individuals with disabilities. If you require assistance or appropriate aids and services, please contact the Office of the City Clerk at (262) 786-8610 with reasonable notice.

Frequently Asked Questions

Is the projected 2026 budget shortfall a surprise?
No, at the May 27, 2025, committee of the whole meeting the Finance Director gave a preliminary estimate of 2026 budget shortfall. The estimate assumed the status quo, nothing has been finalized and many things could change before the final budget is presented to the council. That fact the New Berlin, as well as other cities, would eventually come to a budget shortall has been discussed numerous times over the last few years.

Is this the first time?
No, the original 2025 budget projection had an almost identical shortfall, the subsequent department proposed was significantly higher. The city worked through it, we fully expect to manage this also.

Has the City done anything to prepare for this?
The fire department received a SAFER grant of $2.7 million to add 9 firefighters 3 years ago. The grant covered the first 3 years, afterward it would be the city's full responsibility. We knew this was coming and planned accordingly. Instead of using the $4.15 million of COVID money the city received 4 years ago, we spread it over 4 years. Additionally, we have increased the fund balance by over $4.5 million over the last 3 years to provide a cushion if necessary.

Where are we in the budget timeline?
Department budgets are due to the mayor's office on August 1st. The mayor will have a month to review the documents. The mayor's proposed budget will be presented to the council on September 7. The council will have 2 months and multiple public budget work sessions to analyze and review the budget. The public hearing for the budget is tentatively scheduled for November 11th with final approval scheduled for November 18th.

What is causing these budget issues?
One of the main issues is the disconnect between the cost of providing services and the allowed levy increase. The state levy limit statute limits the increase is based on net new construction. Last year New Berlin's net new construction rate was .62%, this year it looks even lower at .5%. In 2025 the city had a budget of $54.5 million. If the levy was allowed to increase at the current CPI of 2.6% that would bring in an additional $1.425 million. With the levy limit at .5% the allowable increase would be $181 thousand ($36,320,579*.005=$181,603), a gap of $1.244 million. The limits have been in effect since 2013, the cumulative effect of these gaps has had a negative impact on the city.

Why is the net new construction rate so low?
Two reasons, a) there is not much developable land available in the city and b) city has a large equalized value base, over $8 billion, it takes a large amount of added value to increase the base.

Is the city looking at other options to balance the budget?
Yes, the city is exploring all available options. We have already reorganized one department to save $65 thousand and are looking into another one. The Human resources department is actively exploring switching our health insurance plan to self-insured, this would be more work internally but would result in significant

savings for the city. We are switching our insurance to the state plan for & are changing banks to remain in WISC, the state plan for banking services. Being part of a large group gets us the best rate possible.

If there are other options why pursue wheel tax?

With a tight budget, rising costs & limited state aid, the city needs to explore other options to maintain its' long-term financial sustainability.

Are we the first and only municipality in the county considering this?

No. Elm Grove outlined the idea in a July 8th memo to their city clerk. Brookfield has been discussing this since their failed referendum. Many other municipalities statewide are currently exploring this option. According to the Wisconsin Policy Forum revenue from wheel taxes has tripled since 2017.

Are raising taxes/fees the only option to balance the budget?

No, revenues are only half of the equation, cutting expenses, or a combination of both would accomplish the same thing. A summary of where the city spends its money is attached.

What is the current state of the city finances?

The city is in a solid financial position. The city is one of only 5 cities and one village in the state of Wisconsin to achieve the highest rating. Moody's, an independent credit rating agency, had this to say about the city's position:

Summary

New Berlin (Aaa) benefits from a strong financial position and unused levy capacity that provides operational flexibility. Economic indicators are solid, though they lag the median for Aaa rated peers. Long-term leverage is moderate and expected to rise with future debt plans, though debt amortization is fast.

Credit strengths

» Strong reserve position and material unused levy capacity
» Improving full value per capita because of the city's growing tax base

Credit challenges

» While healthy, economic indicators lag medians for Aaa rated peers
» Moderate long-term leverage driven by debt

Factors that could lead to a downgrade

» Narrowing of reserves to levels below 40% of revenues
» Significant increase in long-term leverage to levels approaching 350% of revenue

The city tax rate is ranked 377 out of 604 cities and villages in the state. Our audited financial statements have consistently received an unqualified opinion, the highest level of assurance possible.

City of New Berlin ▪ 3805 S. Casper Drive ▪ New Berlin, Wisconsin 53151-0921 ▪ (262)786-8610 ▪ www.newberlin.org

REFERENDUM MEMO

DATE: July 29, 2025

TO: Mayor Ament
Common Council

FROM: Ralph Chipman, Finance Department

ISSUE: Referendum Question for 2026 Election impacting 2027 budget

At the July 22, 2025, Committee of the Whole meeting, the board approved exploring the possibility of a referendum to exceed the levy limit restriction. The referendum was directed to be strictly for Public Safety needs, specifically Police & Fire personnel. The initial Police request is for 3 officers, 1 crisis worker. The fire department is looking to add 12 firefighters/EMS positions. Once the positions are agreed upon finance will calculate the projected cost and tax impact.

PROPOSED TIMELINE

July 22, 2025	Initial Approval by City Council to begin the process
August 26, 2025	Preliminary numbers reviewed and accepted by council
August 27, 2025	Public Information campaign – website, social media, public information meetings
November 11, 2025	Approve Ordinance authorizing ballot question
December 2, 2025	Submit request for ballot inclusion to the State of Wisconsin
April 7, 2026	Ballot question voted on by electorate
December 2026	Approved levy included on tax bill

Levy Limit Referendum Discussion from the League of Municipalities – July 2025

After 20 years of levy limits, most communities have exhausted their options on how to maintain essential services, grow services to meet demand, and remain competitive as an employer all while remaining compliant with levy limits. Communities, both large and small, have very few options available to them outside of a referendum.

You may be asking yourself, "How did we get here?" Levy limits were enacted in 2006 to limit and reduce the property tax burden on Wisconsin residents. Since then, there have been very few changes to the law to provide flexibility to municipalities to increase the property tax levy to meet the needs of the community. The inherent disparity of the statute is that it ties annual increases to net new construction, and not inflation. From 2019–2024, average statewide net new construction was 1.65%, while the consumer price index, per the Bureau of Labor Statistics, during that same time averaged 3.75%. The rise in inflation has caused budgetary pressures on communities of all sizes.

Other Options Available

While Act 12 provided temporary relief to many communities, the increase in funding most likely does not present a permanent solution to offset the increase in costs of delivering services. If you are debating on whether to pursue a levy limit referendum, there may be some options available to you, so stave off the immediate need for a referendum.

According to the Wisconsin Public Service Commission (PSC), 34% of Wisconsin communities still fund Public Fire Protection (PFP) charges (hydrant use fees) through the property tax levy, and an additional 19% of communities partially fund PFP charges through the levy. The PSC allows water utilities to place charges related to providing public fire protection as a special charge on the utility bill. This is not considered a covered service therefore there is no corresponding levy reduction when implementing the change. It is important to note that this change must be authorized by the PSC, and if done within five years of the last conventional rate case (CRC), it can be done outside a CRC. If it has been longer than five years since the community's last CRC, the PFP change can only be authorized as part of a CRC.

The referendum planning process would also be a good time to evaluate your operational budgets to determine if there are any capital-type projects or purchases that are still being funded through the levy. Debt financing these projects and purchases can free levy capacity that could supplement operations. New legislation authorizing 20-year General Obligation Promissory Notes provides all communities with greater flexibility to fund capital items. Working with your Municipal Advisor, projects can be strategically amortized to match the useful life of the project and provide the ability to stabilize the debt service tax levy.

Exhausted your options and need a referendum? Here is what you need to know.

Municipal levy limit referendums have been growing both in frequency and dollar amount over the last few years. Though many communities are exploring referendums, the logistics, timing, deadlines, and statutory requirements remain unclear and confusing to municipal leaders.

The process to initiate a levy limit referendum should not be made with haste. The short- and long-term financial policy decisions that play into the referendum dollar amount should be thoughtfully planned, forecasted, and discussed well in advance of governing body action to initiate a referendum. Municipal Staff and Governing Bodies should be asking and discussing the following questions to identify priorities and the appropriate level of funding.

1. What services/departments need increased funding?
2. What positions will be maintained or added with funding?
3. What programs or services will be funded?
4. What is the temperature of the community regarding these programs, services, and positions?
5. What is the right dollar amount?
6. What is the tax impact?
7. How long will we need increased funding?
8. What will we do if our referendum fails?

If seeking a referendum to fund operations or add staff, consideration should be given to what the immediate costs would be and what could be expected costs in the next 3-5 years. Applying conservative inflationary figures to the "what we need today" expenses can ensure the programs and services funded by the referendum can be supported after the first year.

Once these questions have been discussed and a final dollar amount has been determined, it is time to complete the legal requirements to move forward with a referendum. To initiate a levy limit referendum, under Wis. Stats 66.0602(4), the governing body must adopt a resolution containing the amount of the levy increase, the percentage increase over the allowable levy, and whether the increase is for the next fiscal year only, for a set number of years, or ongoing.

The language of the actual question that will appear on the ballot also must be contained within the resolution and the verbiage is dictated by statute. Municipalities are able to craft the language which describes to the voters what the referendum funding will be used for. Consideration should be given to the length and complexity of the description as to not overwhelm voters and create a lengthy question but should still be a transparent and informative statement as to how the funding will be used.

There are two factors that commonly cause confusion for municipal leaders: the timeline, and the calculation.

In terms of the timeline, municipal referendums can be held in odd-numbered years as a special election on the same dates used by a school board. Otherwise, it must be held during the spring primary, spring election, partisan primary, or general election. The question must be submitted to the local filing officer at least 70 days prior to the election. Unfortunately, the deadlines to hold a referendum in 2025 have passed. If you believe you might need a referendum in 2026, the time to start planning is now. The chart below outlines the filing requirements for referendums to be held in 2026.

The calculation used to complete the ballot question will differ based on which election you choose. For February, April, and August elections, you will use an estimated net new construction value (NNC) to determine your base levy as contained in the question. The Department of Revenue advises that your estimated NNC be equal to the prior year's certified NNC.

*For November elections, you must use the certified net new construction value, which is certified on August 15 annually. This requirement creates a very tight turnaround, as the soonest a governing body could act on the resolution is August 16 and the filing deadline is the last week of August.

The calculation contained in the question varies slightly from how the levy limit worksheet reads, therefore it is important to consult the DOR before finalizing the resolution.

Though the frequency of municipal levy limit referendums is on the rise, the results are varied. The spring 2025 election results were mixed, with only 6 of the 13 measures passing. Public safety was the most commonly cited purpose, accounting for 8 of the referendums – 5 of which were approved (63%). The only other successful referendum was related to capital projects. Notably, all 13 proposals sought ongoing funding rather than one-time increases. Overall, the average approval rate across all referendums was 45%, with the lowest support seen for proposals aimed at establishing new municipal services.

The decision to seek a levy limit referendum is an important consideration and should include important stakeholders – staff, attorney, elected officials, consultants and the public. Resources are available from the Department of Revenue, the League of Wisconsin Municipalities, and the Wisconsin Elections Commission to aid municipal leaders in preparing for a referendum.

Municipal Referendum Resources

- **DOR Referendum Fact Sheet:** https://www.revenue.wi.gov/DOR%20Publications/exceeding-levy-limits-fact-sheet.pdf
- **WI Elections Commission Calendar:** https://elections.wi.gov/news-events/events?audience=All&event_type[]=249&event_type[]=251
- **League of Wisconsin Municipalities:** https://www.lwm-info.org/823/Levy-Limits-Explanation-and-Strategies

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EHLERS
PUBLIC FINANCE ADVISORS

Levy Limit Milestones	Spring Primary	Spring Election	Partisan Primary	General Election*
Deadline to file question w/Local Clerk	Dec. 9, 2025	Jan. 27, 2026	June 2, 2026	Aug. 24, 2026
Deadline to file question w/County Clerk	Dec. 10, 2025	Jan. 28, 2026	June 3, 2026	Aug 25, 2026
Election Day	Feb. 17, 2026	April 7, 2026	Aug. 11, 2026	Nov. 2, 2026

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WHEEL TAX - MEMO

DATE: July 29, 2025

TO: Mayor Ament
Common Council

FROM: Ralph Chipman, Finance Department

ISSUE Wheel Tax/2026 City of New Berlin Budget

A wheel tax was listed as one of the possible options to fund city operations in 2026 & beyond. Wheel tax revenue would help the city fund roadwork while easing pressure on the general fund budget. A wheel tax is a flat annual fee added to your vehicle registration if your car is registered in the city. The money can only be used for transportation-related expenses, in our case road & pedestrian paths maintenance. These two assets are the cities largest investment. Roadway network are capitalized at a cost of $119 million, pedestrian pathways are $3.3 million. This is cost basis, replacement cost would be far higher.

Explanation of Program

Wisconsin law allows a town, village, city or county to collect an annual municipal or county vehicle registration fee (wheel tax) in addition to the regular annual registration fee paid for a vehicle. The fee applies to vehicles kept in the municipality or county with:

- Autocycle registration
- Automobile registration
- Truck registration at 8,000 lbs. or less (except dual purpose farm)

This includes most special license plates with autocycle, automobile or truck registration. * State law does not specify the amount of the wheel tax. However, the municipality or county must use all revenue from the wheel tax for transportation related purposes.

*These special plates are exempt from wheel tax: Antique, Collector ("Collector Special" plates are not exempt), Ex-Prisoner of War (if issued without registration fee), Historic Military, Hobbyist and Medal of Honor. All special plates issued to a farm truck; dual purpose farm truck or motor home are also exempt from wheel tax.

Wheel tax collection:

The Wisconsin Department of Transportation (WisDOT) collects wheel tax fees for the municipality or county, keeps an administrative fee of approximately 3 cents per vehicle application and sends the rest to the municipality or county. WisDOT collects the wheel tax at the time of first registration and at each registration renewal. Your certificate of registration will indicate that a municipal and/or county fee will be paid.

Potential Revenue:

	Number of Vehicles				
Fee		$ 10	$ 20	$ 30	$ 40
	34,172	341,720	683,440	1,025,160	1,366,880
Administrative fee to State		(1,025)	(1,025)	(1,025)	(1,025)
Net to City		$340,695	$682,415	$1,024,135	$1,365,855

Pros & Cons

<u>Pros</u>:

- Dedicated Transportation Funding: Revenue generated from wheel taxes is specifically earmarked for transportation-related expenses, such as road and bridge maintenance and improvements.

- Reduced Reliance on Property Taxes: Wheel tax revenue can help offset the portion of property taxes historically used for transportation costs, potentially freeing up those funds for other essential services like public safety, libraries, or parks.

- Local Control: Implementing a wheel tax gives municipalities more financial control to address specific infrastructure needs and adjust tax rates to local conditions.

- User Fee Concept: Some argue that a wheel tax aligns with a "user fee" principle, where those who use the roads, most contribute directly to their upkeep.

<u>Cons</u>:

- Regressive Impact: Flat-rate wheel taxes, common in Wisconsin, can disproportionately affect lower-income individuals who own older or less expensive vehicles.

- Fairness Concerns: Some argue that a wheel tax may be unfair or unnecessary, particularly if they believe the funds aren't being used effectively.

- Limited Impact (in some cases): While a wheel tax can help, it may not be enough to fully address significant transportation funding gaps or solve all road-related problems.

- Controversy and Political Opposition: Wheel taxes can generate debate and opposition during local budget discussions, and some communities have even eliminated their wheel taxes after implementing them.

Frequently Asked Questions

What is the Municipal Vehicle Registration Fee?
It is a fee that is added to the normal DMV vehicle registration fees. This fee is specifically designated to fund transportation related purposes.

When will the fee be implemented?
The new ordinance will take effect January 1, 2026 and collection for vehicles that are subject to the fee will begin on that date.

How is the fee collected?
The WisDOT collects the fee at the time of first registration and the at the time of each subsequent registration renewal. WisDOT sends vehicle registration renewal notices at least 30 days before their plates expire. The renewal notice will show the total fee due including the wheel tax for each vehicle that is subject to the fee.

What does it cost to implement the fee?
Currently, WisDOT charges a fee per vehicle application of 3%. This administrative fee is the same for all municipalities regardless of the amount of fee imposed by the municipality or the number of vehicles for which the fee is collected. City staff time to administer the transfer of revenue from the DMV to the City is minimal.

Does a $25 wheel tax actually mean I'll pay a fee of $100 (one fee for each wheel of my car)?
No. A wheel tax is not a "per wheel" tax. A $25 fee would be for the entire vehicle.

Can the revenues received from wheel tax payments be used for any purpose?
No, counties and municipalities must use the moneys from wheel tax payments for transportation related purposes only (ss. 341.35(6r), Wis. Stats.). "Highway is defined by state law to mean "all public ways and thoroughfares and bridges on the same." Courts have interpreted "highways" to include trails because they are "public ways and thoroughfares and bridges on the same. "Sidewalk" means that "portion of a highway between the curb lines, or the lateral lines of a roadway, and the adjacent property lines, constructed for use of pedestrians.

What is the policy for refunds & proration?
A wheel tax is never prorated. The full fee is required whenever it is collected. Refund requests of the wheel tax fee paid in error may be directed to the WisDOT Research & Information unit:

Email: VehicleQuestions@dot.wi.gov
Telephone: (608) 266-1466
Mail: PO Box 8070, Madison WI 53708-8070

Where can I get more information on the wheel tax and impact on my vehicle registration?
Additional information is available from the Wisconsin DMV