

City of Bayfield

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What is the state of the City of Bayfield as of November 10, 2020?

Well I am proud to say that at least we've got "a pot to micturate in". We have seven public toilets in three locations around the city (not counting the two the Chamber maintains). And the story of our public restrooms reflects the state of the City in 2020.

At the East Dock Park (across from the Coast Guard Station), we have three state of the art unisex restrooms that were dedicated in 2019 to replace a cinder block structure that sat atop a raised mound, that many in the city affectionately called the "high rise outhouse". The East Dock facility was modeled after the facility at the boat ramp, which has two unisex restrooms built in 2011. The two remaining restrooms are male and female designated in a cinder block building on Washington Avenue near the Ferry Dock. That facility was built around 1965, and currently needs a couple thousand dollars in repairs.

Like many of the City's assets, the public restrooms were built with a combination of funding from State and Federal grants, donations from businesses or citizens, allocations from the City's general fund, and some long-term debt. However, the water, electric, supplies, and labor required to clean and maintain the restrooms, and all the City assets for that matter, is paid out the City's General Fund.

Then along came COVID-19.

Like everyone around the world, we did not know what to expect. How would the virus affect our citizens, our visitors, our first responders, our essential workers, and our staff?

Would tourist come to town during a pandemic and if not, how would we survive without the annual revenue we get through room tax and fees for service? Could we keep the restrooms clean enough to prevent the spread of the virus, especially since our budget was already stretched thin (more on that in a little bit)?

We decided not to hire back any of the seasonal labor this year, and put all non-essential services, projects, and maintenance on hold. This included keeping all the public restrooms closed for the summer.

Mary Rice, upon learning that the beautiful fountain she donated to the City would not be flowing, offered to fund the operation of the fountain and the East Dock restrooms this summer. We are incredibly grateful for her generosity. Thank you Mary!

We also notice early on that our boat ramp was busier this spring than it ever has been. We decided that it would be possible to open one of the restrooms at the boat ramp and pay for the cleaning and maintenance with the additional ramp fees we were accumulating.

However, we never did open the restrooms on Washington Avenue. We could not justify the cost of the repairs and cleaning of those restrooms against the other essential services that took higher priority. So instead Kate Kitchell and Mike Eldred volunteered to pay for directional signs to help visitors find the public restrooms that were open. They also donated the "Masks Required" signs on Highway 13. Thank you Kate & Mike!

Now despite Covid-19, the tourists still came to Bayfield this summer. I was always surprised to see how many people were walking around town, every day.

David Eades at the Bayfield Chamber & Visitor Bureau told me that, *"Some of our businesses had their best summer every; and some had their worst."* Most were surprised by the volume of sales between July and October, especially after such a dismal spring. Everyone is wondering how they will get through the winter.

All summer we lived in fear, thinking that some tourist was going to bring the virus up north and infect us, but Covid-19 seemed to spare us. Maybe masks do work. But Bayfield County is now in the middle of a surge with 107 new cases last week. All total, there have been 432 confirmed cases in the county with 3 deaths this year. So, it appears that even after tourists have left, we are more than able to infect each other without their help.

City hall is just now opening after being closed for over a week due to Covid-19. Almost every staff member tested positive, some with serious symptoms. Our City Hall is an old building with poor ventilation, no HVAC filtering, and needs a lot of other work. Although our staff took all the recommended precautions, the virus was able to quickly spread in the building. Some of the staff came back to work today, and the others are on the mend, but I know none of them would want to go through it again.

So, postpone your holiday gatherings, wash your hand frequently, wear a mask in public and stay home when you or someone in your household is sick! We need to be more vigilant to prevent the spread of Covid-19.

What Will Next Year Bring?

It does not sound like Covid-19 will mysteriously go away, however the optimists are predicting that we may be closer to normal by next July or August. So, does this mean we will be able to open all the restrooms next summer? Probably, but I'm not sure about 2022.

We do have a balanced budget for 2021, but it is a very lean budget. And I wish I could tell you that the City's budgets will be lavish once there is a cure for Covid-19, but Covid-19 is not the primary reason why people were not allowed to micturate in all our pots this summer.

For every budget that has been passed since I was first elected Mayor, we agonized to prioritize the needs of the City and reduce spending. Each year we cut more, but still our revenues have not been able to keep pace with inflation. We are nearing a tipping point where, if nothing changes, we will need to lay off staff and reduce services.

So, How Did We Get Here?

In the [April 2019 issue of *The Municipality*](#), a publication from the Wisconsin League of Municipalities, Jason Stein explains;

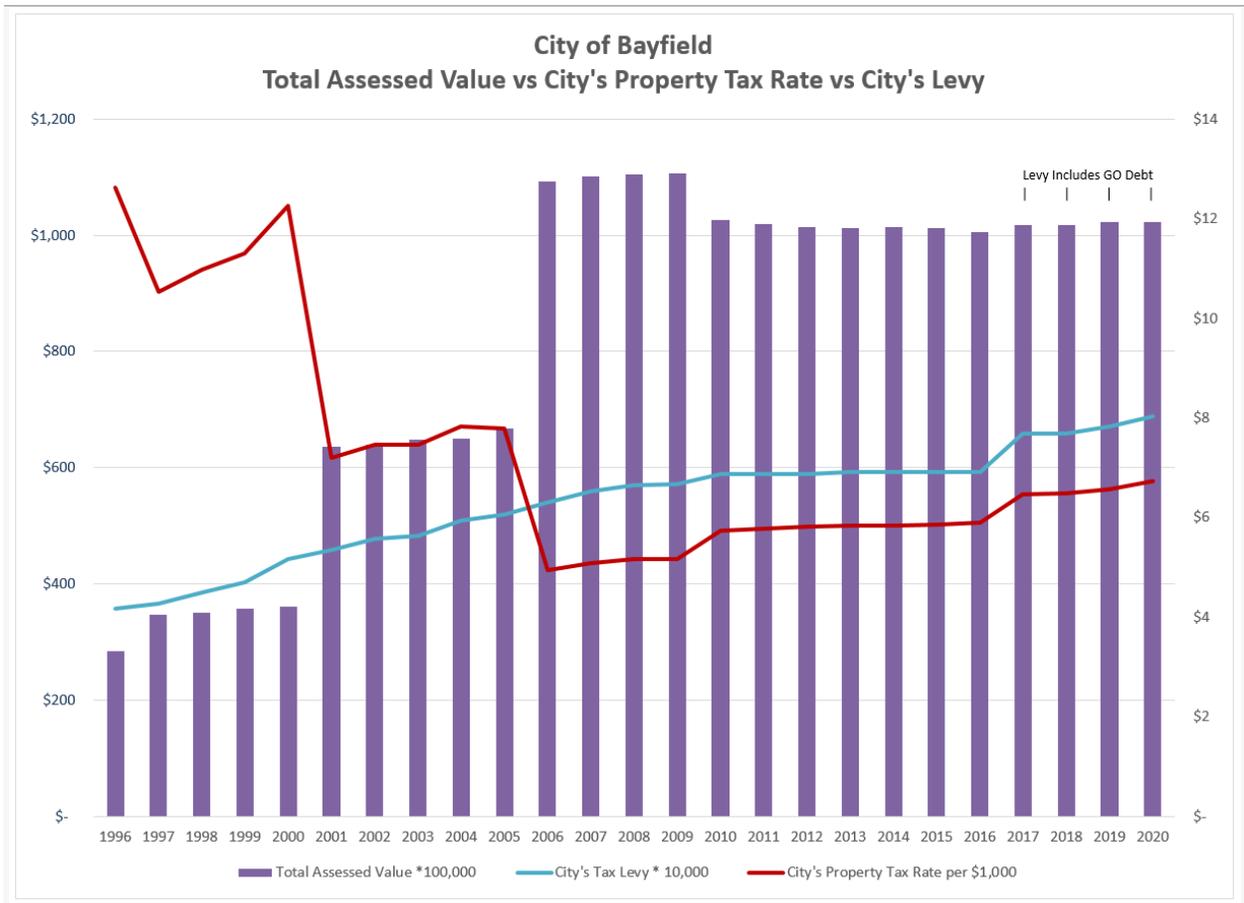
"More than a century ago, Wisconsin made the choice to use state income and later sales taxes to provide aid to local governments while generally not allowing municipalities to levy those same taxes. Today, cities and villages in Wisconsin rely on the property tax to a greater degree than most states nationally and any other state in the Midwest."

"In past generations, large state aid payments helped hold down property taxes in Wisconsin while also providing funding for local services. Yet, with state aid payments stagnant for years and municipalities now under tight state-imposed caps on property taxes, questions are mounting about whether local officials can sustain appropriate service levels in areas such as public safety, streets, libraries, and parks."

The state aid to municipalities was first reduced in 1996, when the state committed to funding two-thirds of the overall state and local cost for K-12 schools. The state also enlarged the prison system, made a series of tax cuts, and expanded Medicaid health programs. So now, the state revenue that once was earmarked for municipalities is spoken for before it can reach our general fund.

Then the state voted in a cap on property tax increases, effective in 2006. These caps reduce the overall burden of property taxes on the citizens of Wisconsin by restricting tax growth in municipalities to the rate of new construction, with some exceptions for debt payments and voter referenda.

The redirection of state aid and the property tax caps are a problem for every other mayor I talk with, and we are all trying to figure out how to keep our cities solvent.



The graph above shows the relationship between the Total Assessed Value of all properties that are taxed in the city (purple bars), the City's Property Tax rate (red line), and the City's Tax levy or total amount of revenue collected by the city from property tax (blue line), from 1996 to 2020.

You can see how the changes in state aid in 1996 reduced the city's share of the tax rate in 1997, but I'm not sure what drove the increase in the tax rate through 2000.

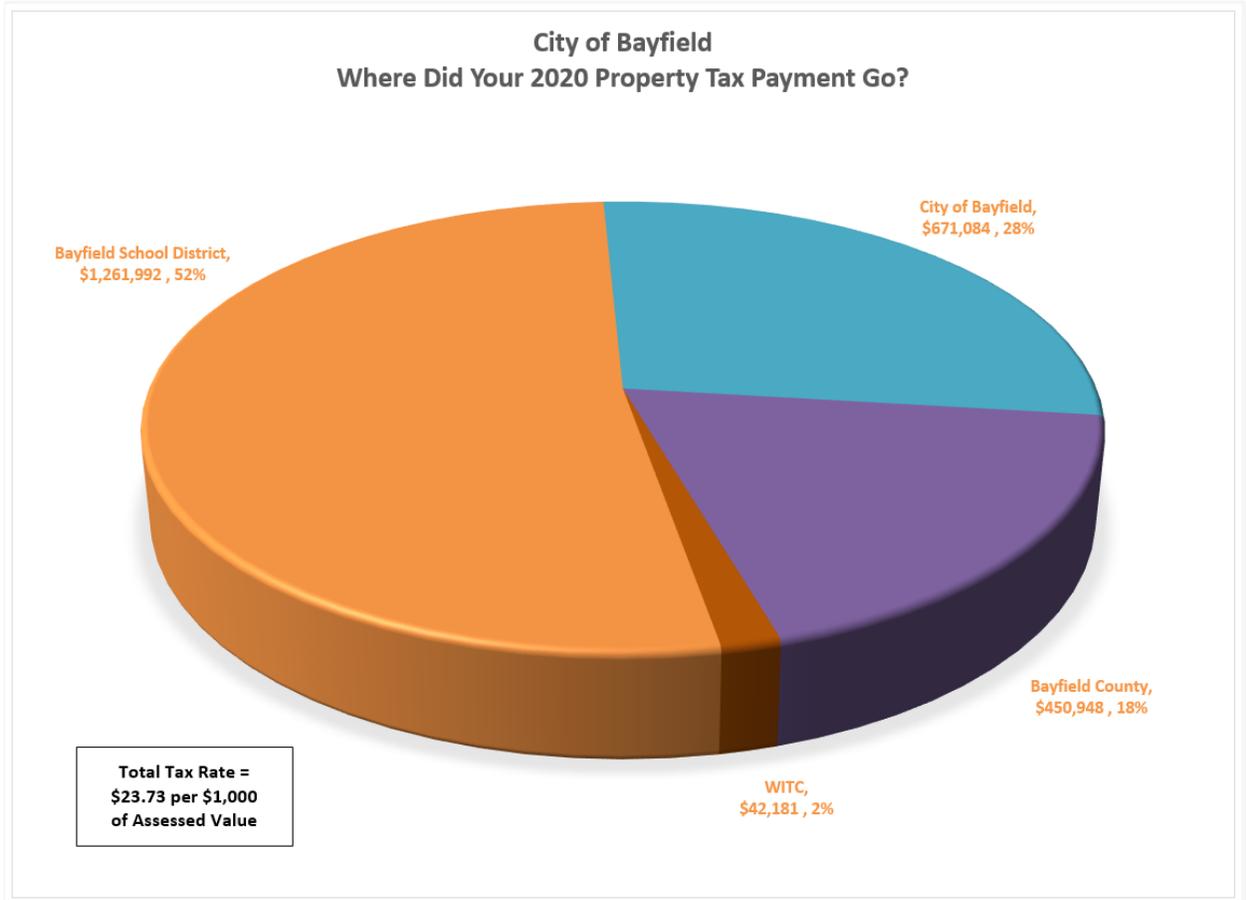
It is interesting that our past leaders did not take advantage of the city wide re-assessments in 2001 and 2006 to increase the levy, but instead lowered the tax rate to maintain modest growth in the levy without over burdening the citizens of Bayfield. I know they were worried that increases in taxes could make it difficult for long term residents to stay in their homes.

Increases in property values from 2007 through 2009 added to the levy, but then the revenue from taxes stayed pretty flat through the Great Recession until 2017 when, as allowed under state law, the city added general obligation debt to the levy.

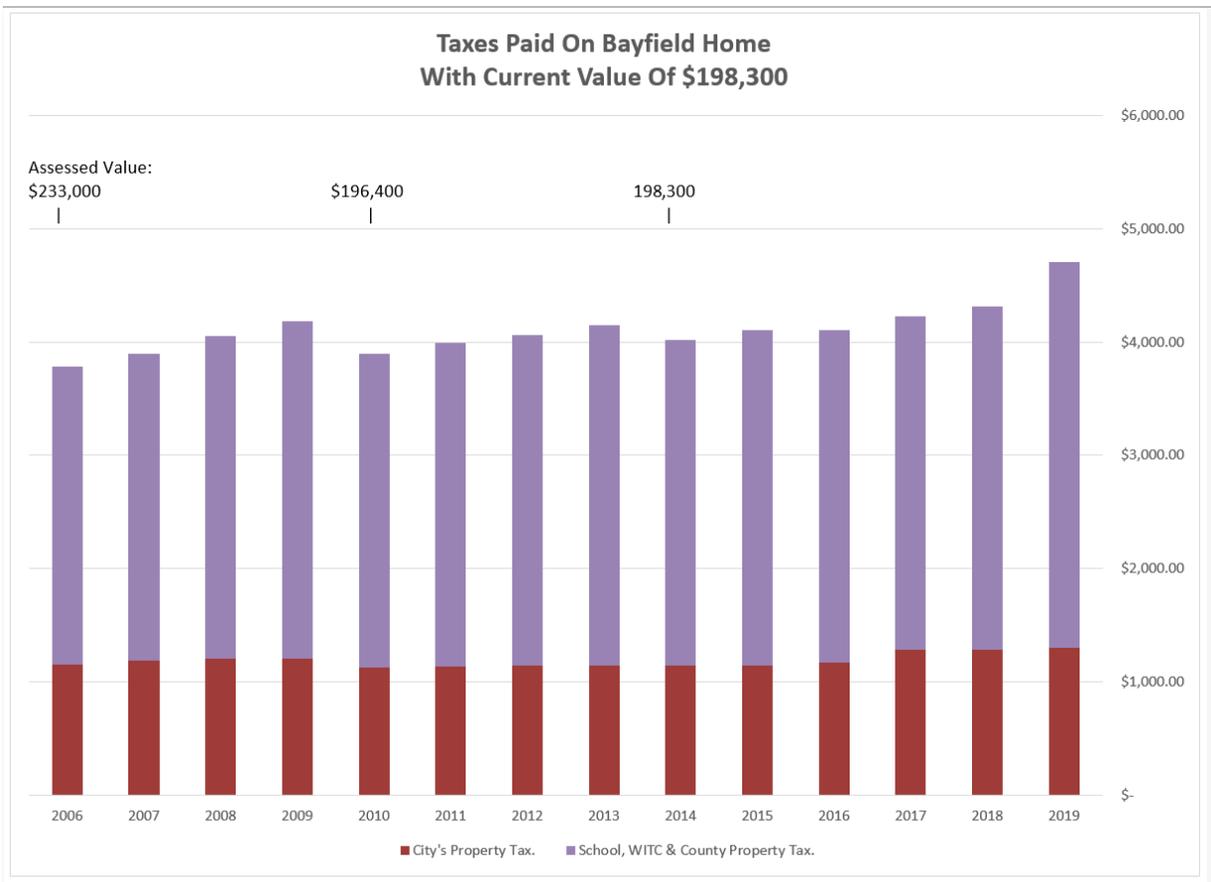
We have had some new construction in the city recently which will provided a small increase to our levy based on additional net new construction in 2021/2022 depending on date of completion, but the dilemma we face in a city that is one square mile in size is that our potential for new construction is very limited.

For reference, the cost of living has increase 29% since the property tax caps were put in place in 2006, while the city's levy (before the G.O. debt is added) has only increased 13%.

One question we often hear is, "How can the city be having financial problems when we pay so much in taxes?" The short answer is that not every dollar of your taxes goes to the city.



The graph above shows where your 2020 property tax payment (for the year 2019) went. Of the \$23.73 per \$1,000 of assessed value, only \$6.56 (28%) came to the city. Bayfield County received \$4.41 (18%), WITC received \$0.41 (2%), and the Bayfield School received \$12.34 (52%)



This graph shows the difference between the taxes paid from 2006 through 2019 to the city and the taxes paid to the county, WITC and Bayfield School for a home that is currently assessed at \$198,300.

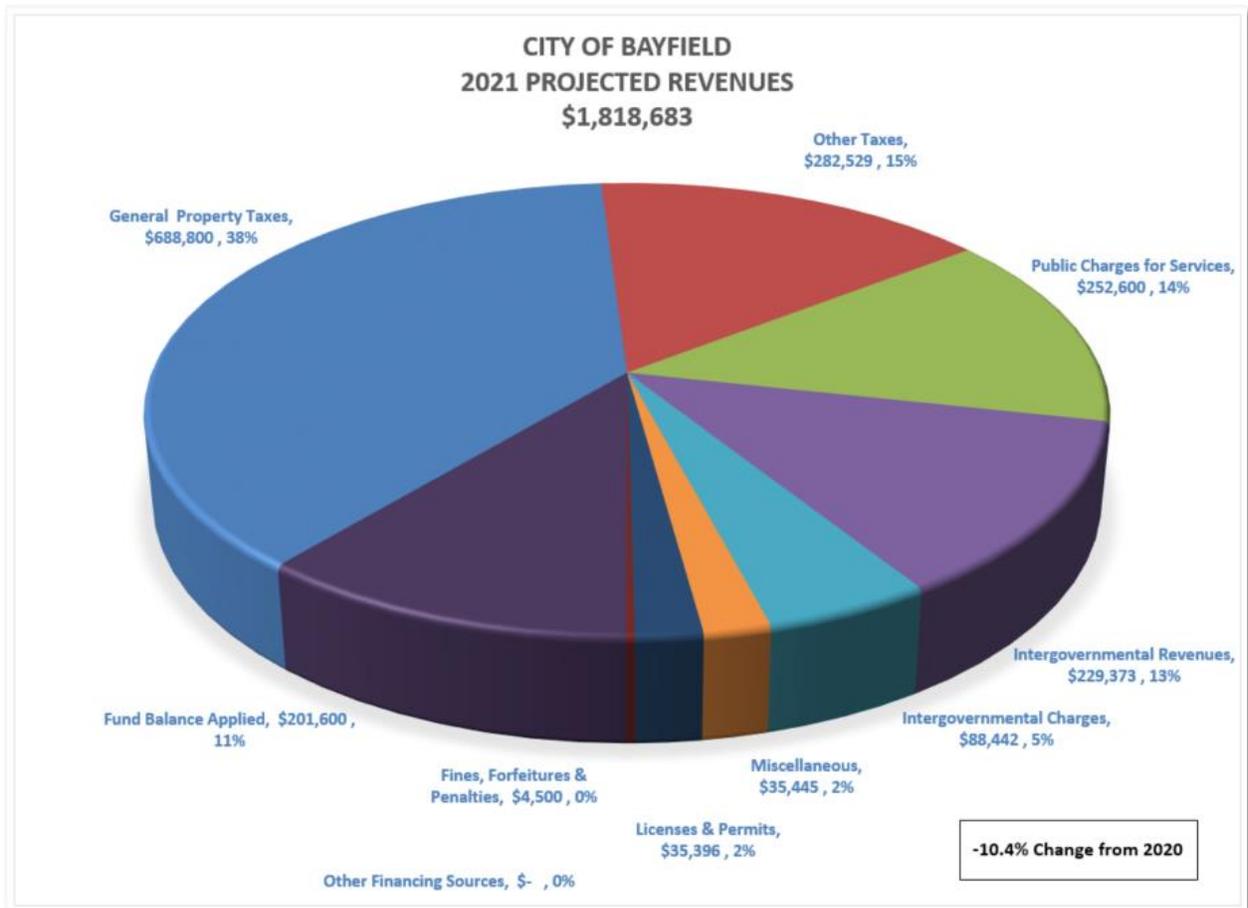
Note that despite changes to the assessed value during the period, the city's share for this property has been relatively flat, from \$1,151 in 2006 to \$1,335 in 2019, a 13% increase.

Are There Any Other Sources of Revenue?

You can see from the graph on the next page that property tax makes up 38% of our projected revenue for 2021. We do receive revenue through other taxes, charges for services provided, intergovernmental payments, intergovernmental charges, grants, license, permits, and fines.

Although a 5.50% sales tax is collected by our businesses in the city, 5.0% goes to the State, 0.5% is paid to the county, but the city does not receive any of the regular sales tax directly. However, we do generate revenue from the 0.5% Premier Resort Tax which is charged against certain tourism related goods and services sold in the city.

Another tax that generates revenue for the city is the Public Accommodation Tax or Room Tax. The room tax is levied on the cost of hotel and other overnight stays, but not on food or other lodging amenities. Historically, we split the bulk of the proceeds of the tax 50/50 with the Bayfield Chamber. They used their share to promote Bayfield to our visitors, and we were able to funnel our share to the general fund. However, changes in law in 2015 now require 70% of the room tax funds be used toward marketing and tourism development efforts. Working with the Chamber we have found a way to use the room tax to put "Heads in Beds", and support our tourism related industry, but our share of the revenue that can go to our general fund has been reduced to 30% meaning a lower contribution towards police, trash pickup, road repair, or other services that are stressed by our seasonal visitors.



One of the constant questions I hear in all our committees this time of year is "Are we charging enough for that?". Our Public Charges for Services, Fines and Penalties are reviewed at least once a year to make sure they are adequate and competitive.

We do receive some state aid in the form of "Shared Revenue" which was designed to compensate local governments for tax base lost through legislative action. Unfortunately, state support through the shared revenue program has steadily declined since 2006.

We have several Enterprise Operations owned by the city that contribute a share of their "profits" to the general fund each year, such as the Pavilion, the Courthouse, the Campground, the City Dock, the Boat Ramp and the City Marina.

We also receive Payments in Lieu of Taxes from our water and sewer Utilities.

One of the things we have gotten good at is competing for various Federal, State and Private grants. Projects like the Big Ravine trails have been paid for entirely through grants, donations, and volunteer labor. Likewise, the project to repair the pillars at the Bayfield Carnegie library. Some projects, like the repairs to the marina breakwater that will start next year, the restrooms/fountain at East Dock Park, the brick pavers on Broad Street, and past water/sewer projects were paid for partially with grants and donations, but also required the city to take out long term low interest loans. Unfortunately, there are no grants out there for snow removal, fixing potholes or replacing the carpet in City Hall.

A point of concern in the 2021 projected revenue is that 11% of the revenue needed to balance the budget comes out of Fund Balances, or Savings. In the past, we could put away cash so it would be available for capital improvements like major road or utility projects, building upgrades, and/or new equipment. For 2021, we are pulling \$201,600 out of those savings so we can provide the most basic of services. I'm not sure what we are going to do when those Fund Balances are depleted.

What Can We Do Now?

In Wisconsin, municipalities are limited by state laws in how they pay for services. Primary options historically have been property tax and state shared revenue. Caps imposed at the state level on property taxes and stagnant shared revenues are preventing us from effectively maintaining our assets and providing services to our citizens.

The cost for everything is increasing, especially labor costs. For example, Employee Health Care costs continue to climb. Our recent renewal came in with a 12% increase, with higher deductibles and reduced coverage.

This is a problem that will continue to get worse every year.

For as long as I've lived here, the leaders in the city have worked hard to control spending and keep our property taxes at a reasonable rate, but as I noted before, we are approaching a tipping point.

The first thing I noticed when putting this report together is that it has been ten years since our last city-wide re-assessment. The housing market this summer was hot, and I would hope we could increase the levy a little with more accurate property values.

We can continue to add debt to the levy, but that only kicks the can down the road. Although the Federal government is notorious for deficit spending, we need to be fiscally responsible for our citizens and limit our borrowing to what we can reasonably pay back in time.

We will continue to review and adjust all the fees for services that we currently have in place. Given the lack of other viable revenue options, we need to look for other opportunities to collect fees for services.

Linking the cost of services closely to usage should promote equity and can provide additional revenue to the General Fund. Although if done wrong, fees for services can be regressive if our residents pay more than our visitors.

Our parking committee is looking at instituting a paid parking system for long term lots and maybe the downtown area. A paid parking system would include some sort of free parking pass for the city's residents, business owners, and business employees.

We want to avoid punishing fees like Wheel Taxes, that impact residents more than visitors, but we also want to avoid aggressive fees that may keep visitor away from the city. We want tourist to come to Bayfield, but we would like them to share in the expense to keep Bayfield clean and charming.

As much as we have historically worked to keep property taxes low in the city, I believe that we have arrived at a place where we need to consider asking our citizens to approve a property tax increase through referenda. I know this could be unpopular, but in 2018, 82 municipalities asked their citizens for a property tax increase, and 77 of those referenda were approved. And I learned this afternoon that last week, twelve levy limit referendums were conducted by ten cities and villages. Of the 12 municipal referendums, 5 failed and 7 passed. If we do decide to go to referendum, we will have to make sure our taxpayers truly understand our situation we are in.

I've been asked, "What will we get if you raise our taxes?" and the only answer I have for that question is "What are you willing to give up if we don't?"

(pause)

I know our City Council members are as concerned about our financial future as I am. I am certain we will find a solution so that residents and visitors alike will always have plenty of pots to micturate in.

Thank you for wanting to keep Bayfield, the Greatest Little City, on the Greatest of Lakes!