

City of Eau Claire, Wisconsin 2024 Adopted Budget



City Manager's Budget Message

**To: Council President Berge,
City Council Members, and
City of Eau Claire Residents**

Presentation of the 2024 Adopted Operating Budget

We are pleased to present Eau Claire's Adopted 2024 Operating Budget. This document is the culmination of a huge amount of work of the Finance Staff and of managers and staff throughout the City, along with efforts throughout 2022 and 2023 by our City Council. I am extremely grateful to Kitzie Winters, Corey Lee, Michael Korbol and Dave Solberg for the very many long hours they have spent working to fit the pieces of this puzzle together, which is particularly challenging given fiscal constraints. A special thanks to the Department Directors for all the long hours and creative solutions to work within our budgeted dollars.

OVERVIEW OF FY24 BUDGET – NARRATIVE DESCRIPTION

This year has been one of record growth, careful thought, hard work and hard decisions, and some big ideas. Our efforts have included the following areas of focus.

Addressing Fiscal Gaps

This year, we have worked very hard to study and address our financial challenges. We need to address our structural deficit before it significantly impacts our City services and resident quality of life. Eau Claire has struggled with fiscal constraints for the past 30 years. Prior City leadership team members have turned over every stone to find efficiencies. In that time period, though the City and expectations grew, staffing levels have fallen.

After decades of cuts, the pandemic hit in the spring of 2020, stretching budgets, shrinking the labor market, and driving inflation rates of six and seven percent. Tax lawsuits, including from one of our major hospital systems, further shift the burden of taxes to our struggling households. Both the City and resident finances have been pulled to the point of breaking. More details on our fiscal picture is in this letter's final section.

By the spring of 2022, after the world got put on hold for two years, staff and the Council pulled out our long to-do list. We took on tasks that had been stalled due to the pandemic or delayed because the steps are politically unpopular. We had no choice -- by 2022, there was no more wiggle room to avoid taking the bigger steps.

So, we queued up proposed changes that had been discussed for many years, including the painful ones:

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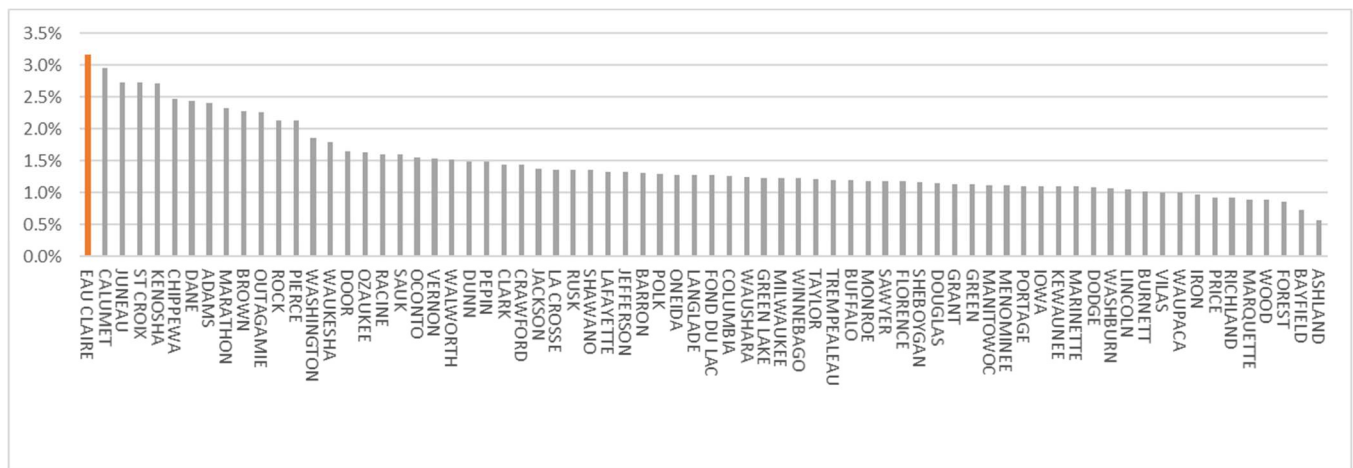
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- We placed on the ballot and voters approved a referendum to hire 12 public safety staff.
- We proposed and Council ultimately passed a vehicle registration fee to prevent accelerated deterioration of our streets.
- We lobbied the State for increased shared revenue, obtaining some increase, but far less than our peer cities.
- We scrutinized fiscal partnerships to be sure that resident tax dollars are spent on services benefiting residents.

These are hard changes. The Council and residents ultimately decided, though, not acting would be more painful.

Managing Record Growth

While scrutinizing every penny, we have also worked hard to manage record growth. The chart below shows Eau Claire County’s Net New Construction for 2022, which was the highest among all counties due to the new growth in the Cities of Eau Claire and Altoona. The new growth has allowed us to accommodate the demand for commercial/industrial growth to relieve resident taxpayers and attract good jobs. It has meant considering new industries within our capacities to sustain and greenlighting residential developments that create a diverse mix of more units to address our housing crisis. We have shepherded through two of the City’s largest annexations, while also redeveloping our downtown and adding infill housing to our existing neighborhoods. We have also focused on strengthening the parts of the City that support smart growth, including studying code enforcement, reviewing parking policies, staffing up our Inspections Division, undertaking a regional housing study, and updating our 100-year-old zoning. Residential and commercial growth can be painful, especially to neighbors. However, we have listened to those concerns, provided answers and understanding, while being steadfast in our core principles of being a welcoming, inclusive, fiscally responsible City that puts the best interests of the entire community first.



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Investing in Core Systems

Managing change has also meant shoring up our core departments, implementing recommendations from prior studies (including Parking and Transit), and managing new ideas from the Council and community. Our projects have included spearheading an equity initiative, coordinating efforts to address the needs of unhoused residents, launching efforts to attract and retain employees, using data to plan and problem solve, rethinking customer service, and making major investments in information systems, customer service, and performance management. Many of these changes include growing pains, but we are tackling them as best we can.

Changes for 2024

Our fiscal stability efforts this year have enabled us to free up a small amount of funding to build on the initiatives we have started in 2023 and take some new steps in FY24. We undertook a very difficult process to prioritize the funding requests submitted by departments. Only the following types of funding initiatives are in this budget document:

- Initiatives required by law;
- Initiatives that are fully cost neutral;
- Programs that allow the City to comply with accounting standards and protect checks and balances;
- Efforts that ensure immediate employee and resident safety; and
- Initiatives that we believe will lead to significant operational efficiencies and savings in the near future.

Details of funding and organizational changes are outlined below, and accomplishments from 2023 and our goals for 2024 will be shared in the Budget presentation for review by the Council. While this list of changes looks long, an additional 70 service requests have not been funded. We are excited about taking these steps, if approved by the Council, however, we continue to be worried about the fiscal state of the City and very hopeful that we can find ways to fund more needs in future years.

SUMMARY OF ADOPTED FY24 CHANGES

Charges Covered by Increased Fees of Grants

Electrical and Plumbing Inspectors: Over the last five years, the workload for inspectors has tripled, while the staffing has declined. This has become a perfect storm for the Inspections Division. Record construction and numbers of building permits pulled have occurred at the same time that the City has been unable to attract candidates for the inspector positions due to the demand for skilled tradespeople because of that same hot building market. This has led to significant operational problems, including the following:

- A gap in providing commercial plumbing inspections of a year now;
- A downgrading of our insurance rating;
- Threats of sanctions from the State; and

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- Two years of negative survey feedback from the Homebuilders Association.

While our Inspections Division staffing is still far short of what’s needed, the addition of two inspectors in 2023 has helped. The positions were funded by ARPA in 2023, and we are proposing increases to building permit fees to cover the salaries in 2024.

Division	Reason	Project	Cost	Revenue	Net Cost
Inspections	Safety	Electrical Inspector	(121,000)	121,000	-
Inspections	Safety	Plumbing Inspector	(121,000)	121,000	-

Stormwater Related Changes: We are proposing two relatively small changes in Engineering staffing that relate to stormwater work, which can be charged to the Water/Sewer Enterprise Funds. Those changes include an increase in the training line for Stormwater Engineers and the addition of a Stormwater Intern.

Division	Reason	Project	Cost	Revenue	Net Cost
Engineering	Training, Retention	Increase Training Line for New Storm Water Engineers	(3,500)	3,500	-
Engineering	Efficiency, Safety	Storm Water Intern 505-44-443-2360	(20,000)	20,000	-

Reducing Fire Overtime and Police Overtime: During the referendum, we added staff and increased the Fire Department’s “minimum staffing” numbers. This is the count of people who are on duty at any given time. When those staff are unable to come in due to vacation or sickness, they need to be backfilled to maintain the minimum staffing levels. Because the shifts are 24 hours (vs. the eight-hour shift that office workers do), the Fire Department has, on average, more sick hours used per staff person, and thus, more need for coverage. Some of the overtime is mandated, meaning firefighters/paramedics are required to come in on their days off to cover shifts. Excessive overtime hurts staff well-being and morale. We had decided to propose to add staff to reduce the overtime. That said, the City recently learned that the Fire Department had been awarded a SAFER grant, which pays for firefighter hiring for a three-year period. The SAFER grant will fund those extra staff this year. Also funded by an increase in grant funding is a small increase to the Police training line.

Division	Reason	Project	Cost	Revenue	Net Cost
Fire Suppression	Efficiency	Addition of 6 Firefighters/EMS in lieu of Overtime	(638,400)	638,400	-
Police - Training	Safety, Efficiency	Increased Training	(15,000)	15,000	-

Increased Fees: We covered a number of needed increases to expense lines through increasing fees, including pawnshop fees and Fairfax pool fees. The additional Country Jam staffing will be paid for through Country Jam.

Division	Reason	Project	Cost	Revenue	Net Cost
Police - IPSD	Revenue	Pawnshop Fees	(2,400)	2,400	-
Police - Patrol	Safety	Country Jam Staffing Hours	(46,400)	46,400	-
Recreation	Safety, Community Engagement	Seasonal Wages	(40,000)	40,000	-

Creation of Neighborhood Services Division: We are proposing the creation of a Neighborhood Services Division to increase coordination and centralization of code enforcement. Parking code enforcement currently is carried out by two departments (Police and Engineering), and trash/nuisance code enforcement is currently carried out by four departments (Health, Community Development, Police, and Community Services). The dispersed nature

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of the duties makes it hard for any one team to keep their eye on trends in violations. Also, it’s challenging to manage related projects and set bigger picture goals.

Our proposal for 2024 is to start small on the formation of a Neighborhood Services Division. We plan to hire one Neighborhood Services Supervisor, and we will also assign the current City Code Enforcement staff person (now in Community Development) and two seasonal Community Service Officers (now in the Police Department) to that new division. We propose to move approximately \$20K in fees that currently go to the Health Department for truck inspections to the City, which will help fund this division.

We will seek to have this group undertake the following tasks:

- **Parking Code Enforcement:** Carry out parking enforcement and assess/implement longer-term parking strategy, such as implementation of paid downtown parking in lots or on streets and implementation of permit parking.
- **Trash Code Enforcement and Hauling Oversight:** Carry out trash-related enforcement and assess/implement longer-term strategy, such as oversight of the Trash Consulting study, which is scheduled to start January 2024.
- **Nuisance Code Enforcement:** Carry out other code enforcement (e.g. weeds, shoveling) and assess/implement longer-term strategy, such as discussions with the Health Department about the housing inspection program and other current or new code enforcement needs, such as enforcement of short-term rental regulations.
- **Development of Consolidated Customer Service:** Explore a path to creating a consolidated customer service division that handles walk-in customers, calls, emails, in the model of a 311 Call Center or One Stop Shop Customer Service Office. The Office can, over time, take the most frequent interactions from other departments, such as voter registration or facility rental. It’s our hope that the new office will be able to take City Manager Office calls, so as to relieve the need for Admin Support in the City Manager’s Office. These steps, however, require determining a staffing model. They also relate to the implementation of an Asset Management System with a Customer Relationship Management module.

In 2024, this new division will be funded by a combination of ARPA, trash hauler fees, and parking enforcement revenue. Note that we propose to keep the division in the City Manager’s Office for 2024, however, in the future it may make sense to move it to the Community Development Department.

Division	Reason	Project	Cost	Revenue	Net Cost
Neighborhood Services Division	Efficiency	Neighborhood Services Supervisor	(104,190)	104,190	-

Changes Partially or Fully Covered by Levy

Library Security Officer: The Library had a part-time, contracted security officer this past year, paid for through ARPA. They requested a full-time employee who can work with the Library on security, safety, and general well-being at the Library. Unlike other departments, the Library and Health Department receive an increase

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equivalent to our Net New Construction. The Library will be funding the security guard through that annual increase, which means they need to reduce other parts of their budget.

Division	Reason	Project	Cost	Revenue	Net Cost
Library	Safety	Security Guard	(70,300)	70,300	-

Communications Center Changes: The City pays 30 percent of expenses related to the Communications Center, and the shared funding model makes decision making more complicated. Even if it were fully staffed, the Communications Center would be significantly understaffed. And, in recent years, the Communications Center has not been fully staffed due to turnover, likely due to the stress of the job, the wages, and the tough labor market. The understaffing leads to burn out, creating a cycle of understaffing. This year a number of adjustments were made, including addition of a Communications Center Supervisor so that every shift has a supervisor, addition of overtime, expansion of a quality assurance software, increase in hourly pay for Communications Center staff who are training new employees, implementation of text to 911 software (a new communication method that’s likely to increase the workload), and continuation of wellness reviews for Communications Center staff, as is done with officers.

Division	Reason	Project	Cost	Revenue	Net Cost
Police - Comm Center	Efficiency	Communication Center Supervisor	(101,900)	71,300	(30,600)
Police - Comm Center	Efficiency, Safety	Additional Overtime Request	(46,600)	32,620	(13,980)
Police - Comm Center	Efficiency	Quality Assurance Program Software	(6,500)	4,550	(1,950)
Police - Comm Center	Retention, Efficiency	Increase in Pay for Comm Center Trainers	(5,600)	3,920	(1,680)
Police - Comm Center	Efficiency, Safety	Text 911 Software	(3,900)	2,730	(1,170)
Police - Comm Center	Retention, Employee Well-Being	Ongoing Wellness Reviews for Telecommunicators	(2,500)	1,750	(750)

Software: We propose an investment in software tools that are critical building blocks to operations and efficiency. Those are:

- Asset Management
- Payroll and Benefit System Implementation
- Microsoft Office 365
- Open Gov Budget Software

Division	Reason	Project	Cost	Revenue	Net Cost
Community Services	Efficiency	Cartograph	(123,889)	93,326	(30,563)
HR	Efficiency	Payroll & Benefit System	(255,398)	90,000	(165,398)
IT	Efficiency	Office 365 Subscription	(174,200)	50,000	(124,200)
Finance Admin	Efficiency	OpenGov Budgeting Software Implementation	(39,600)		(39,600)

Animal Control Humane Association Agreement Increase: Due to the construction of the new facility, the Eau Claire County Animal Association has increased their annual contract fees for municipalities. The increase is lower for Eau Claire, reflecting the CIP investment, as negotiated and discussed in prior Council meetings.

Division	Reason	Project	Cost	Revenue	Net Cost
Animal Control	Safety	Humane Association Agreement Increase	(29,850)	10,000	(19,850)

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Transit Mechanic: Transit mechanics currently have significant overtime, due to the maintenance requirements of busses, in the context of the highly regulated, federally-funded transit system. We propose to increase Transit capacity a bit by adding a half-time salary to one staff member who is currently half-time, to give them a full-time salary.

Division	Reason	Project	Cost	Revenue	Net Cost
Transit	Efficiency	Bus Mechanic I .5 FTE / Staffing Adjustment	(92,000)	46,000	(46,000)

Finance Department Positions: As was shared in prior meetings, the Finance Department has experienced cuts each year, despite increasing responsibilities. With this budget, we propose to shore up this department’s capacity, in order to ensure that we are compliant with accounting standards and have all safeguards in place. These additions include an Accountant, a Payroll Specialist, and a Property Assessor.

Division	Reason	Project	Cost	Revenue	Net Cost
Accounting	Efficiency	Accountant (1/02)	(68,500)		(68,500)
Payroll & Benefits	Efficiency	Payroll Specialist I	(69,400)		(69,400)
Assessing	Revenue	Property Assessor II	(94,700)		(94,700)

City Manager/Community Development/Engineering Restructuring: After a lot of thought and planning, we propose to make the following shifts:

- **Create permanent Housing Coordinator Position:** The current Housing Coordinator position was created by using funding of the City Manager Executive Assistant upon her retirement. It was created with the expectation that after ARPA funding ends, the position will get returned to the City Manager’s Office and no longer serve as the Housing Coordinator. However, we have seen great need and great value in having this position. Our Housing Coordinator has tackled one of this country’s most unwieldy challenges with incredible determination, and we are seeing the results. Though we wish that housing issues would be resolved by 2026, it doesn’t seem likely, and we believe this should be a permanent position and role.
- **Shift Deputy City Manager:** The City Manager position currently has a huge portfolio, with direct supervision of 19 people and supervision by 11 Council Members. We propose to shift our current part-time Deputy City Manager to a full-time Deputy City Manager, with the goal of having that person focus on internal operations, giving the Manager more time to focus on community and Council engagement. As a result of what will be a shift of the City Engineer, there will be a promotion of a Deputy Engineer to City Engineer.

The costs associated with this reorganization can be construed as the addition of one staff person (defined as either the Housing Coordinator or the Engineer) and the difference between the Deputy City Engineer’s salary now and their future salary as Engineering Director).

Division	Reason	Project	Cost	Revenue	Net Cost
City Manager/Engineering	Efficiency	Reorganization Housing/Engineering/City Manager	(176,000)		(176,000)
Engineering	Efficiency	Reclassify Engineering Technician to Civil Engineer Position	(21,000)	18,900	(2,100)

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Community Risk Reduction: The addition here relates to the retirement of Colleen Schian and Al Bertrang. Those two coordinated Risk Management, including all of our insurance policies, handling claims, and safety training and protocols. One person's salary in Fire Prevention has been charged to Risk Management and, with this proposal, we are shifting that person to work solely on Fire Prevention, which needs more capacity.

Division	Reason	Project	Cost	Revenue	Net Cost
Community Risk Reduction	Safety	Civilian Fire Inspector (.5 Position)	(50,000)		(50,000)

Information Services: This reorganization will combine two part-time positions into one full-time position, and will create advancement opportunities within the department. This will create benefits in workload scheduling, teamwork opportunities, rotating tasks, and cross-training, ultimately translating into better and more timely service levels for customers.

Division	Reason	Project	Cost	Revenue	Net Cost
IS	Efficiency	2 PT to 1 FTE Computer Support Specialist	(49,681)		(49,681)

Street Project Maintenance: Additional budgeted investment in street project maintenance. Weather fluctuations, increased vehicle usage, and a growing population require increasing amounts of street project maintenance.

Division	Reason	Project	Cost	Revenue	Net Cost
Community Services	Safety	Street Project Maintenance	(50,000)		(50,000)

Unfunded Service Modifications

Highest Priority Requests: The following are, in our estimation, high priorities that we were not able to fund:

- **Hire Civilian Police Information Officer:** The Police Department would like to continue their successful approach of civilianizing positions where possible, and they would like to hire a Civilian Public Information Officer, which would free up one staff person to become an additional detective. (Cost: \$103,340)
- **Discretionary Consulting Services - Retirement Plans:** This is a required study; however, we are postponing it. (Cost: \$36,000)
- **Create Facilities Coordinator:** We have made significant cuts to our Recreation budget and its related enterprise funds. The Recreation Department seeks to have a facilities coordinator who can work on rentals and partnerships. (Cost: \$91,733)
- **City Council Wage Increase:** The Eau Claire City Council has the lowest salaries among comparable communities in Wisconsin, and the Council budget has decreased in the past five years. To continue to be a workable opportunity for a wide breadth of candidates, it's important to keep reasonable Council wages. (Estimated Cost: \$10,000)
- **Implement Step 6 to 7 Wage Increase:** Nearly half of our employees are unable to get annual step increases as the City has been unable to fund steps beyond 6. Step 6 is intended to be the market

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average, rather than the market maximum, so we are at risk of losing these employees, especially given wages in the private sector. (Cost: \$331,819)

- **Add Arborist:** The Forestry Crew has a significant backlog of trees to remove, stumps to grind, and trees to plant. (Cost: \$94,735)

Additional Unfunded Service Mod Requests

- Add three Patrol Officers and one Sergeant
- Fully Fund Trail Lighting Line
- Right-size Police overtime line for COLA
- Add Transfer Center Administrative Associate II
- Add Two Full-Time Community Service Worker I's
- Add Community Services Worker II
- Add Mechanic III
- Add Civilian Fire Inspector (Full-Time)
- Add Engineering Storm Water Technician
- Add Engineering Technician I
- Add Safety Coordinator
- Add Makerspace Librarian
- Purchase Floor Hoists
- Add Civilian Fire Inspector (.5 Position)
- Add ICMA Fellow
- Add Engineering Tech I (Survey Crew Chief)
- Fund Siren Upgrades
- Add Youth Services Assistant
- Create City of Eau Claire HR Recruiting video

Future Budget Concerns

We are carefully watching our budget and thinking about the future. This year, the additional \$1.2 million in State aid, combined with our fiscal stability steps, have given us some room to make these changes. Next year, that shared revenue increase will be only 2.3%. Also, we have invested significant effort in understanding any opportunity to stabilize our budget. Future concerns include:

Termination of ARPA: Our ARPA funding, which we have used to fund a number of projects, will terminate at the end of 2026. Two clear gaps will be: .5 of the EDI Coordinator position and Administrative and Project Management support in the City Manager's Office.

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Termination of SAFER: SAFER provides three years of funding for the Fire Department, ending also at the end of 2026. This will create at least a \$250,000 gap.

Continued pressure to increases wages given CPI: We are seeing wage increases from other municipalities and the private sector that outpace our ability to pay. The loss of experienced staff due to erosion of salaries and benefits, though, also impacts our operations and finances.

Continued pressure on other expenses given CPI: Other expense lines, like fuel costs, are impacted due to these recent years of high inflation. Finance Directors historically built some buffer into departmental budgets, however, any of that "wiggle room" has been exhausted.

CIP Needs: We have been spending less levy funding on transfers to the CIP. We do not have a mechanism to rebuild or repair some of our key facilities, such as the Gibson Parking Garage.

Tax Lawsuits: We have increasingly seen lawsuits from a variety of local entities that, if successful, could further shift the tax burden on residential property owners.

State Legislation: Despite the breakthrough compromise on shared revenue, proposed bills and potentially future bills threaten to further limit municipalities' ability to collect revenue.

Future Budget Opportunities

We have worked very hard to identify any means to stabilize our budget this year. Next year, we will continue that process. We propose to the Council the formation of a Fiscal Stability Taskforce, made up of community and Council members, that will review the different opportunities to right-size the City's workload, to increase revenue, to cut expenses, and to take advantage of the forthcoming Innovation Funding.

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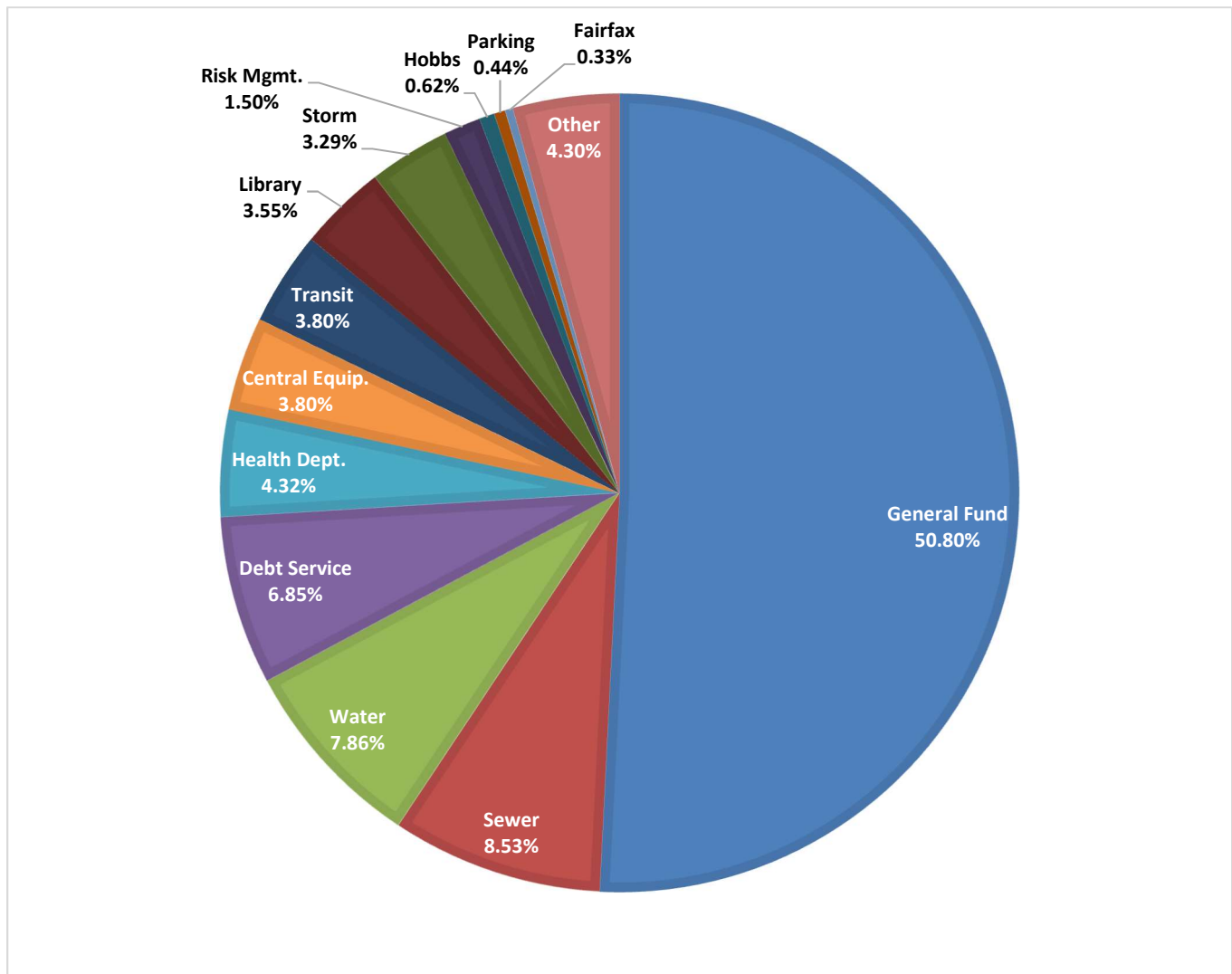
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OVERVIEW OF FY24 BUDGET – QUANTITATIVE DESCRIPTION

The 2024 Adopted Budget for the City of Eau Claire, not including the capital budget, totals \$178,884,323. Compared to the 2023 Adopted Budget, this represents a total increase of \$12M, or 7.2 percent.

The operating budget for the City of Eau Claire is comprised of various funds. The General Fund accounts for most of the City’s core services and represents 50.80 percent of the operating budget, followed by the Sewer Utility (8.53 percent), Water Utility (7.86 percent), Debt Service (6.85 percent), Health Department (4.32 percent), and Central Equipment and Public Transit at (3.8 percent).

The 2024 Adopted Budget for the City-County Health Department totals \$7,733,300. Compared to the 2023 Adopted Budget, this represents a decrease of \$74k, or 1 percent. The 2024 Adopted Budget for the L.E. Phillips Public Library totals \$6,356,385. Compared to the 2023 Adopted Budget, this represents an increase of \$73k, or 1.2 percent.



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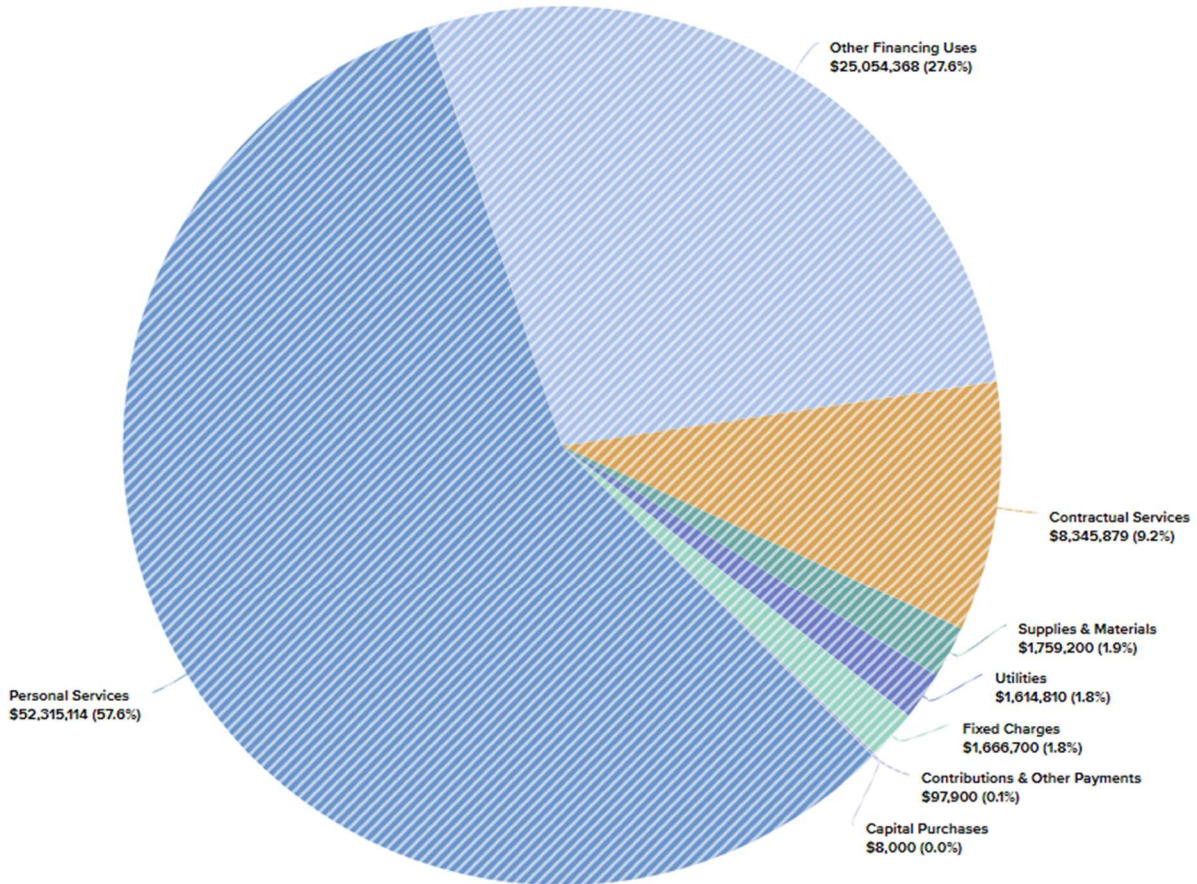
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General Fund

The General Fund is the largest of the City's operating funds and provides for City services most familiar to residents, with the primary source of revenue being the property tax. Police and fire protection, snow plowing, street maintenance, recreation programs and maintenance of parks and ball fields, along with support services, are all paid for through the General Fund.

The 2024 Adopted Budget for the General Fund proposes expenditures totaling \$90,861,971. Compared to the 2023 General Fund Adopted Budget of \$86,070,700, expenditures increased \$4.7M or 5.6 percent. Operating expenditures include personnel, contractual services, utilities, fixed charges, and materials and supplies.

Most of the services provided via the General Fund depend upon people. Personnel represent the largest category of expenditures at 57.6 percent of the General Fund.

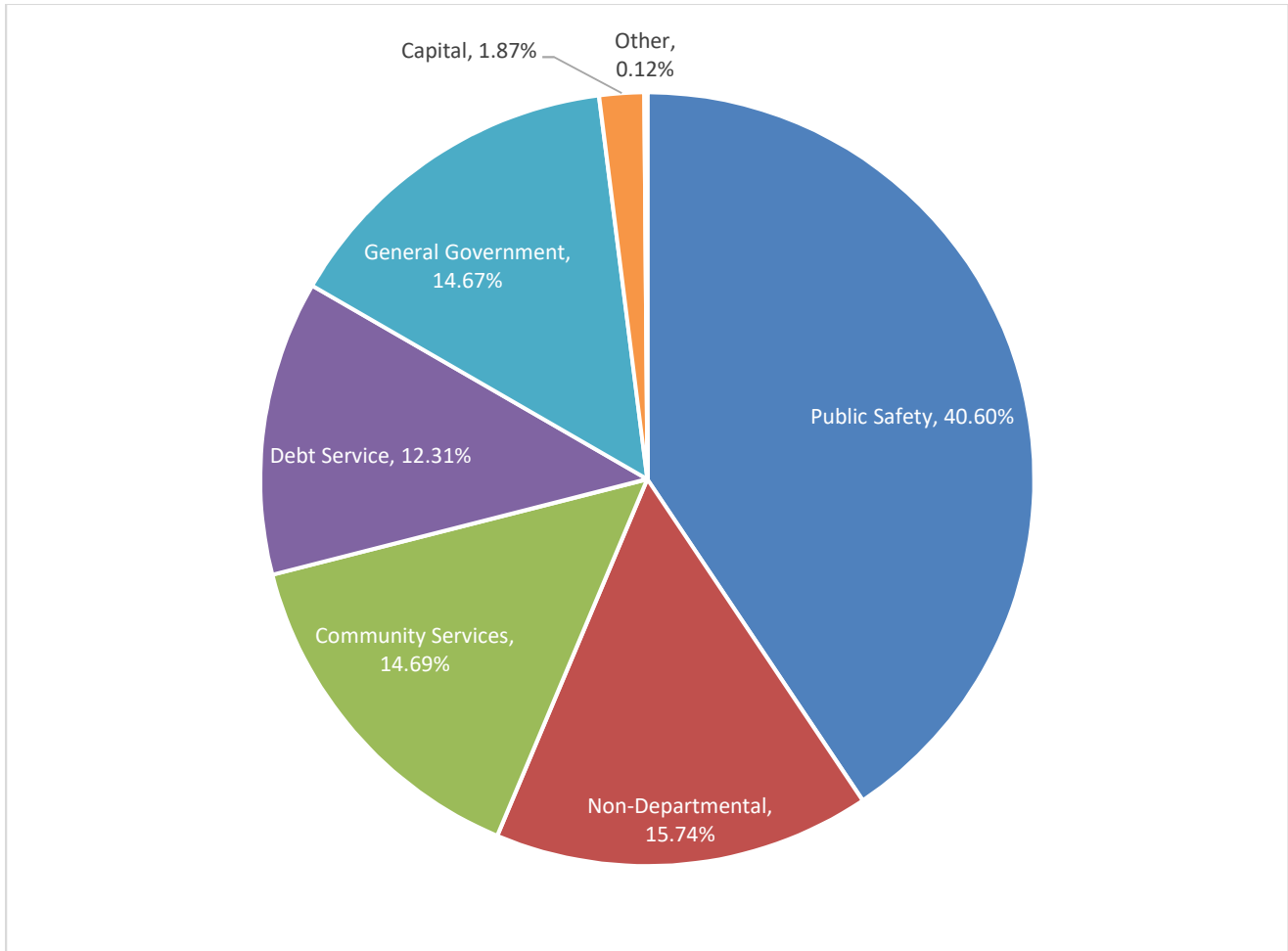


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The largest program within the General Fund budget is Public Safety, representing (40.6 percent) of General Fund expenditures. The next largest program expenditures include Non-Departmental (15.7 percent) Community Services (14.6 percent), and Debt Service (12.31 percent.)

The 2024 Budget requires a property tax levy of \$52,521,094 for City Government (City, Library, and Health). Compared to the 2023 adopted property tax levy of \$49,907,032, this represents an increase of \$2.6M, or 5.2 percent.



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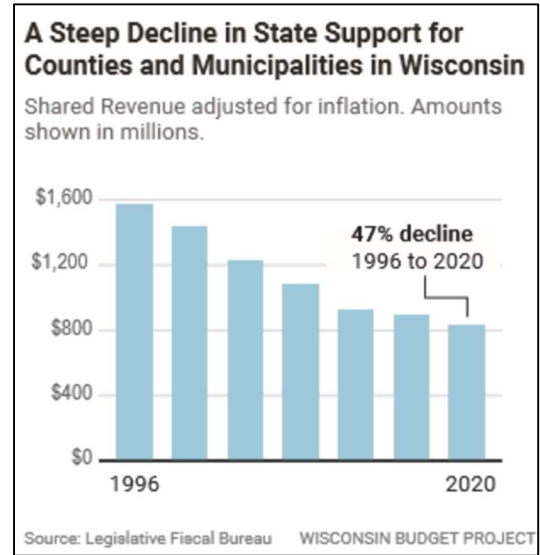
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CONTEXT OF MUNICIPAL BUDGET PREPARATION IN WISCONSIN

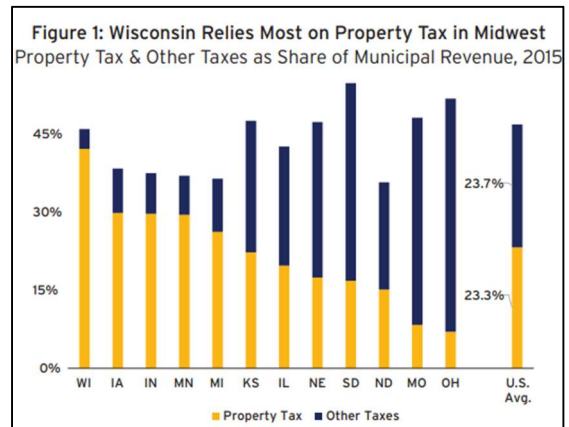
Fiscal Constraints in Wisconsin

Below outline the four key fiscal constraints that Wisconsin municipalities face:

- **Declining State Aid:** When passed more than a century ago, the sales tax in Wisconsin was originally conceived of as revenue that would flow through to municipalities. At the current time, however, 80 percent of the sales tax funds State functions or is stored in the State’s fund balance. Because of this shift, municipal revenue has fallen steadily. The graph to the right shows the decline in State revenue in the millions. As a result of advocacy by counties, cities, villages and towns in 2023, the legislature increased shared revenue to communities for the 2024 budget. While Eau Claire did not see a significant change, the \$1.2 million additional shared revenue (a budget increase of .7%) does allow us to address some long-standing needs in this budget.



- **Levy Limits:** A community’s growth in new businesses or homes from the prior year, which is called Net New Construction (NNC), determines the max property tax levy increase. This can create a vicious cycle of cuts to municipal services. Cuts in services can cause businesses and residents to avoid moving to the community, and that in turn lowers growth, which then requires more dis-investment. It’s a brutal formula that is particularly handicapping rural areas, accelerating population loss.
- **Expenditure Restraint Program (ERP):** State finance law limits how much municipalities may increase their budget each year. According to the State, the general fund budget may increase less than CPI-U plus 60 percent times Net New Construction (up to a maximum of 2%). If the municipality exceeds this increase, it loses significant State funding. Due to high inflation, which has caused a high CPI, the City’s allowable increase is higher than usual this year. This allows the City room to implement the referendum, while maintaining the ERP funding.



- **Limits to Other Revenue Sources:** Wisconsin municipalities rely heavily on property taxes out of necessity, more so than other midwestern states and most in the country, as displayed in the chart to the right. The chart below summarizes tools that are available to municipalities in other states but that are restricted here in Wisconsin.

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Tool	Feasible?	The Fine Print
Implement a new sales tax.	NO	Prohibited by State law.
Charge new fees or increase fees.	NO	On or after July 2, 2013, if a municipality adopts a new fee or a fee increase for covered services (which were partly or wholly funded in 2013 by property tax levy), that municipality must reduce its levy limit in the current year by the amount of the new fee or fee increase
Negotiate a Payment in Lieu of Taxes with large non-profits	NO	Payments for Municipal Services Program has provided declining revenue to municipalities for services provided to State facilities. For 2020, the PMS appropriation covered 34.6% of the \$53.7 million in entitlements.
Charge a higher rate for commercial properties	NO	“The rule of taxation shall be uniform, and taxes shall be levied upon such property as the legislature shall prescribe.”
Give exemptions to properties based on owner occupancy, hardship, etc.	NO	Prohibited by State law.
Implement a local income tax	NO	Prohibited by State law.
Use room tax for City Operations	NO	The City’s Lodging Tax is currently at its maximum and 70% of it must go a Tourism Entity
Rely more on State Funding (Shared Revenue)	PARTIAL	Shared revenue has fallen from 40.8% of the City’s budget in 1990 to 9.4% in 2021. Advocacy among municipalities in 2023 resulted in the City’s budget increasing by approximately .7%.
Use a vehicle registration tax “wheel tax”	YES & COMPLETE	The City of Eau Claire could add a City wheel tax in the summer of 2023.
Ask voters to vote to pay more taxes, which is called a referendum vote.	YES & COMPLETE	The City of Eau Claire implemented a public safety referendum in the fall of 2022.

Summary of Available Tools:

Given the significant constraints that Wisconsin municipalities face, their options are limited. Below is a table that shows the tools available to Wisconsin municipalities to try to balance their budgets, along with the risks that come with relying too much on those tools.

Tool	Opportunity	Constraint and Risks
Increase borrowing.	Increased debt service spending does not impact levy limits.	<ul style="list-style-type: none"> Debt level is getting closer to City debt policy limits. Bond rating is lower than peer agencies and may drop. Lower bond rating results in higher borrowing costs.
Spend from fund balance.	Creates a one-time spending opportunity.	<ul style="list-style-type: none"> Too low of a fund balance violates City policy. Impacts bond rating.
Reduce transfers to CIP.	Frees up funding for Operating Budget.	<ul style="list-style-type: none"> Deferred maintenance needs grow, resulting in future required expenditures and poorer facilities and equipment.

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Raise fees and fines.	Generates revenue to cover expenditures.	<ul style="list-style-type: none"> Increasing revenue/expenditures pushes Expenditure Restraint limit. Some fee increases result in lower levy capacity.
Reduce transfers to Transit, Recreation, Library, Health.	Frees up funding for Operating Budget.	<ul style="list-style-type: none"> These departments are core municipal functions, and they serve vulnerable populations.
Hold spending on salaries.	Reduces growth in expenditures.	<ul style="list-style-type: none"> More than a half of the City’s non-represented workforce has no opportunity for step increases. Causes loss of highly-skilled employees and low morale.
Hold spending on other service improvements.	Reduces growth in expenditures.	<ul style="list-style-type: none"> Can’t make incremental improvements in operations. Hurts morale, efficiency, and net new construction.

For the 2024 budget, staff has used some of these tools to balance the budget, despite the risks that come with using them. The City’s borrowing has increased, our fund balance has dropped, we have reduced general fund transfers to the CIP, and we have held spending on salaries and service improvements. Additionally, we reduced our transfer to Hobbs, and worked closely with Transit and Community Services departments to lower the requested levy dollars.

Risks of Using Tools: More detail about the downside and risks of using these tools is described below.

Impact of increased borrowing and lower fund balance: The City’s bond rating agency recently announced Eau Claire’s Bond Rating as steady from the prior year at Aa2. The highest bond rating is triple A, or Aaa, whereas Eau Claire’s is now at the lowest rating for the High-Quality category. Some of our peers have higher ratings than Eau Claire’s, and Moodys has indicated that the City’s current condition, primarily its “elevated leverage with high fixed costs” and “limited revenue-raising flexibility because of state-imposed levy limits” may cause it to drop a grade next year. The bond rating determines the cost of capital in the future.

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Impact of reducing transfers to the CIP: As mentioned above, we have lowered general fund transfers to help pay for CIP projects in this year's budget. This kind of reduction results in underfunded CIP lines, such as our equipment repair line. It results in growing deferred maintenance needs.

There are also important projects that have been sought for community wellbeing, business development, or community enjoyment and recreation, and many of these will need to be postponed or abandoned. The wish list for the next five to ten years, includes the items listed in the chart to the right, which total \$160 million at minimum, and are largely excluded from the planned CIP expenditures.

Examples of Expenses Planned for Next 5-10 Years

- Hobbs Improvements (\$8.6 million)
- Fire Station #2 Replacement (\$8.9 million)
- Police Department Range House Rebuild (\$1.15 million)
- Fairfax Park Shelter and Amenities (\$1.3 million)
- Railroad Safety Improvements (\$6.6 million)
- City Hall Chambers (\$15 million)
- City Hall/Library Plaza and Parking Deck (\$8 million)
- Downtown Structured Parking Program (\$21 million)
- Central Maintenance (\$50-\$60 million)
- Fairfax pool replacement (\$30 million)
- Halfmoon Beach Improvements (TBD)

Impact of holding spending on salaries: A key area in which the City has handled its structural deficit is by forgoing planned step increases for staff. There are 160 City employees, who represent more than 53 percent of non-union employees, who are unable to achieve annual step increases due to spending constraints. Some have not received a step increase for 20 years or more. Additional employees in the Health and Library Departments are in the same situation. With this year's 5.4 percent CPI (which is a metric of inflation), employee salaries are effectively dropping relative to the cost of living. This results in high attrition, difficulty attracting employees, and low morale. A recent employee survey carried out in the summer of 2023 and found that many employees are frustrated with pay, opportunities to advance, and a feeling that the community does not support them.

Impact of holding spending on service improvements: As mentioned, departments are asked annually to submit any service improvement requests or "service modifications." Departments work hard to prepare very carefully considered proposed requests that they believe will result in improvements in efficiency, service delivery, or customer service. Some of the requests are correlated with our ability to generate Net New Construction. More than 70 requests were submitted this year, and almost all had been submitted in 2021, 2020, and 2019, and some for many years before that.