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Opinion: Wausau's local economy is strangled by debt

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By Keene Winters

We all know the story.

A fortunate farmer finds a goose that lays golden eggs and then kills the goose in a fool-hardy attempt to get at her eggs faster. It is a timeless cautionary tale.

With that in mind, we should all recognize that strangling a local economy with relentless taxation, skyrocketing utility rates and massive long-term indebtedness—like applying the axe to the

goose—is not a shortcut to prosperity. Yet, that is exactly what the City of Wausau has done in its 2023 budget.

In Wisconsin, we have laws, and we have time-tested benchmarks that should keep local government from getting themselves into this kind of trouble. Wausau has not only ignored the parameters of prudent government finances, it has worked diligently and purposefully to evade them.

Let us start by talking about reasonable debt levels. The Wisconsin State Constitution limits municipal general obligation debt to five percent of the value of taxable property within its boundaries. According to the League of Wisconsin Municipalities, the constitutional debt limit “is intended to prevent the creation of excessive municipal debt and to protect taxpayers from the consequent oppression of burdensome, if not ruinous, taxation.”

To that end, the Wisconsin Department of Revenue calculates and publishes a debt limit yearly for all municipalities. In September 2022, it put Wausau’s debt maximum at \$184,036,895. On pages 111-114 of the 2023 city budget, we find that municipal debt in Wausau will be as follows at year end:

Bonds	Principal	Interest	Total	Retirement Date
General Obligation Bonds	\$69,854,779	\$8,116,091	\$77,970,870	2039
Sewer System Revenue Bonds	\$99,248,286	\$27,502,677	\$126,750,964	2050
Water System Revenue Bonds	\$50,186,287	\$8,597,124	\$58,783,409	2040
Total	\$219,289,352	\$44,215,892	\$263,505,243	

Technically, the revenue bonds issued for the utilities do not count toward the constitutional limit. Practically speaking, however, they are paid by the same tax base, and there is no way the utilities could default without massive repercussions for city finances.

According to page 58 of the city's 2021 Annual Financial Report, the utility debt is secured by the following provisions in the event of default:

1. The Wisconsin Department of Administration (DOA) can deduct amounts due from any state payments due to the city or add the amounts due as a special charge to the property taxes apportioned.
2. DOA may appoint a receiver for the program's benefits.
3. DOA may declare the principal amount immediately due and payable.
4. DOA may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus.
5. DOA may increase the interest rate set forth in the financing agreement to the market interest rate.

Make no mistake about it; Wausau city taxpayers are on the hook for these revenue bonds.

How intertwined are city and utility finances? Wausau Water Works is essentially the single largest taxpayer to the City of Wausau. In 2021, voluntary payments in lieu of property taxes from the utilities to the city made up 5.9% of the city's General Fund revenues. From the other side, more than one in eight rate dollars collected by the utilities were simply turned over to the city's General Fund. And, this transfer of funds will only grow larger as the utilities' assets and budgets grow.

In addition to limits on municipal debt, the State Legislature has enacted levy limits, governing how much municipalities can raise

taxes. According to the 2023 city budget, the most Wausau can legally levy on its citizens is \$26,867,396. However, the same page puts the actual levy at \$29,878,918- over \$3 million more. The city uses a loophole in the law for debt repayment to exceed the levy limit.

Here is how the loophole is abused. Every year the city issues about \$2.6 million in bonds to do road repair and construction. That \$2.6 million should be a line item in the city's operating budget. But instead, the city finances it by borrowing. Consequently, the citizens of Wausau end up paying the cost of road repairs plus ten years of interest on the debt so that the city can reclassify road work expenses as exempt from the levy limit.

The 2023 city budget also includes borrowing to bail out a deficit in the Motor Pool Fund. Like with roads, this takes what should have been a foreseeable regular operating expense and converts it to debt so that it too can be repaid outside the levy limits. It again means that taxpayers will pay more—the costs plus interest—for the “privilege” of being taxed at a higher rate.

MILL RATE			
	2010	2022	Change
City of Wausau	\$8.49	\$10.40	+\$1.91
Northcentral Technical College	\$1.94	\$1.32	-\$0.62
Marathon County	\$5.10	\$4.75	-\$0.35
State of Wisconsin	\$0.17	\$0.00	-\$0.17
Wausau School District (net)	\$9.36	\$8.95	-\$0.41
Total	\$25.06	\$25.63	+\$0.57
SHARE OF PROPERTY TAX BILL			
	2010	2022	Change
City of Wausau	33.88%	40.58%	+19.78%
Northcentral Technical College	7.74%	5.15%	-33.46%
Marathon County	20.35%	18.53%	-8.94%

Marathon County	28.00%	18.00%	35.71%
State of Wisconsin	0.68%	0.00%	-100.00%
Wausau School District (net)	37.35%	34.92%	-6.51%
Total	100.00%	100.00%	

Source: City of Wausau annual tax bill inserts.

To be clear, it is hard to imagine a city government that appears more focused and determined to squeeze every nickel from the pockets of its citizens. The results over time are stunning.

The budget passed by a 10-1 vote. Dist. 3 Alder Tom Kilian cast the sole no vote.

In general, the growth in property values should allow responsible local governments to periodically lower their mill rates while still having more money in their budgets. But while Marathon County, the school district and the technical college have done just that, the City of Wausau has just kept raising rates.

That leads us to a third and very telling benchmark. The City of Wausau now takes a larger share of your property tax bill than the K-12 school system.

In communities throughout the state, schools are the largest line item on property tax bills. So why does the City of Wausau – unlike municipalities across the state—need more money from its citizens to operate than the public schools? I wish our mayor would give us an explanation.

What does this all mean? In sum, our goose is cooked. We are on a policy track to become a mini-Detroit, and we are taking the city's schools with us. Unless we break the stranglehold of spendthrift bureaucrats and their useful idiots in city hall soon, the remainder of the city's talent and resources are going to depart for the

suburbs and leave only intractable problems behind.

For those who think that this is an exaggeration, look no further than the Wausau School District, the canary in the coal mine. The hard trends it is facing include declining enrollment, migration of families with children to the suburbs and an increasing proportion of students from low-income households.

Every one of these trends can be directly traced to policy choices at City Hall.

In the past, I have written about water and economic development. The special geology of this area gives the City of Wausau access to abundant clean water—a form of 21st Century gold. Developing and marketing that resource could have been a real boon for Wausau's future. Clearly, City Hall could not have screwed that up any more than if it had tried, squandering two generation's worth of resources along the way. And, plop, there we have it; the head and bloody neck of the goose lays at our feet.

What is left to say? We have borrowed too much. City taxes are too high. Things are already beginning to unravel. We need competent people at the helm.

In just twelve short months from now, nomination papers are due for mayor and for city council seats if anyone wants to fix things.

Editor's note: Wausau Pilot & Review gladly publishes commentary from readers, residents and candidates for local offices. The views of readers and columnists are independent of this newspaper and do not necessarily reflect the views of Wausau Pilot & Review. To submit, email

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