

Letter Report

Area Cooperation Compacts

June 2005



Legislative Audit Bureau

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Janice Mueller
State Auditor

June 8, 2005

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As required by s. 66.0317 (2)(e), Wis. Stats., we have reviewed the performance of area cooperation compacts entered into by Wisconsin cities, villages, and towns. Municipalities in designated high-population areas are required to enter into at least two intergovernmental agreements with neighboring municipalities for joint service delivery, shared planning efforts, municipal revenue sharing, boundary agreements, or other types of agreements intended to reduce service delivery costs. Counties may participate in such agreements but are not required to do so. The Department of Revenue surveys municipalities annually on their compliance with these requirements, which began in 2003.

In June 2002, 82.3 percent of the municipalities responding to a survey by the Department, or 368 municipalities, indicated that they planned to enter into compacts by 2003. By June 2004, 72.3 percent of municipalities responding to the Department's survey indicated they had entered into compacts, although inconsistencies in survey responses create some uncertainty about the validity of these results.

We include a recommendation for the Department to improve the quality of the data collected from municipalities and thereby enable more comprehensive assessments of the program in the future.

I hope you find this information useful. Please contact me if you have additional questions.

Sincerely,

Janice Mueller
State Auditor

JM/DB/bm

Enclosure

AREA COOPERATION COMPACTS

2001 Wisconsin Act 16 created s. 66.0317, Wis. Stats., which requires municipalities located within federally designated metropolitan statistical areas (MSAs) to enter into collaborative compacts, or agreements, with at least two other local units of government in order to provide at least two different types of public services. The intent of the requirement is to reduce the cost of local government services. Section 66.0316 (1)(e), Wis. Stats., identifies 13 types of common public services that municipalities can choose as subjects of their compacts, including police and fire protection, emergency medical service, library service, recycling, and solid waste collection. Statutes also require that the Legislative Audit Bureau prepare an annual report on the performance of the compacts.

Municipalities have considerable flexibility in developing the compacts and establishing the nature of planned shared efforts. For example, they can agree to joint service delivery, shared planning efforts, municipal revenue sharing, boundary agreements, or other arrangements. The appendix profiles, by agreement category, all types of public services provided through area cooperation compacts, based on information that municipalities reported to the Department of Revenue in June 2004.

Compliance by Municipalities

Section 66.0317, Wis. Stats., requires municipalities to submit annual compliance reports to the Department, certifying whether the requirement to enter into a compact or compacts to perform at least two governmental services was met, and the specific categories of intergovernmental agreements included in such compacts.

Since 2002, the Department has sent annual reporting forms to 460 municipalities within federally designated MSAs. In June 2002, 82.3 percent of responding municipalities indicated that they planned to enter into compacts by 2003, as required by statute. However, as shown in Table 1, the self-reported compliance rate has changed each year. Municipal staff have suggested several reasons for the variation, including that different staff may have completed each year's reporting forms or that respondents may have interpreted the questions differently from year to year. Further, the form's language allows considerable flexibility in defining area cooperation compacts.

Table 1

Area Cooperation Compact Law Compliance Rates¹
By Municipality Type, 2002 through 2004

	2002 Planned Compliance Rate	2003 Compliance Rate	2004 Compliance Rate
Cities	89.9%	71.1%	76.8%
Villages	82.0	69.3	75.1
Towns	80.5	63.0	64.5
Total	82.3	65.8	72.3

¹ Source: Self-reported data from municipalities.

In addition, the number of municipalities reporting to the Department has fluctuated from 447 in 2002, to 322 in 2003, and 368 in 2004. In each of these years, 460 municipalities were surveyed. A change in format that required additional reporting may have contributed to the decline in responses. In 2002, municipalities were directed to complete a one-page form indicating whether they planned to enter into compacts. In 2003, an expanded form required them to provide information about the types of intergovernmental agreements they had entered. Department staff also report that they made additional efforts to increase the number of municipalities completing and returning the forms in 2004, which may explain both the higher response rate and the higher self-reported rate of compliance. It should be noted that statutes do not provide for a penalty when municipalities fail to report on performance or to form compacts.

In reviewing the forms submitted by municipalities, we identified some inconsistencies regarding the definition of municipal intergovernmental cooperation. For example, in one section of the form, 260 municipalities, or 70.6 percent of those reporting in 2004, indicated that they had entered into area cooperation compacts to provide fire protection services. However, when directed to indicate which of nine statutorily established categories of cooperation (such as joint service delivery or shared planning efforts) they used to cooperate for fire protection services, only 209 of these 260 municipalities did so. This inconsistency could reflect reporting errors, or it may have resulted because the form does not list two common categories of agreements: mutual aid agreements and contracting for services.

Based on information submitted by municipalities in 2004, the most common types of services included in cooperation compacts were fire protection, emergency services, libraries and law enforcement. Among the nine statutory categories of agreements, collaborative service delivery with another municipality and establishment of performance standards were the most common.

We also note that effective June 2003, the federal Office of Management and Budget increased the number of MSAs in Wisconsin from 13 to 15 and also added counties to preexisting MSAs. In all, municipalities in five counties are newly subject to the area cooperation compact law:

- Fond du Lac County (Fond du Lac MSA);
- Oconto County (Green Bay MSA);
- Kewaunee County (Green Bay MSA);
- Columbia County (Madison MSA); and
- Iowa County (Madison MSA).

There are 14 cities, 36 villages, and 89 towns in these five counties, which the Department did not include in its annual compliance survey for 2004. Further, because of uncertainty regarding which border municipalities are subject to the area cooperation compact law, the Department's 2004 compliance survey did not include municipalities in Douglas, St. Croix, and Pierce counties. These counties are located in MSAs for which the primary population center is located in Minnesota. The Department's surveys have, however, included municipalities in La Crosse County, which is part of an MSA that extends into Minnesota, but has the City of La Crosse as its primary population center. For its 2005 survey, the Department did add the newly designated MSAs, as well as MSAs for which the primary population center is in Minnesota.

Future Considerations

The Legislature has expressed significant interest in cooperative efforts by municipalities that reduce costs while maintaining appropriate levels of public services. Because the area cooperation compact requirements are relatively new, it is difficult to draw conclusions about their effectiveness at this time. However, the Department could make an administrative change to improve the quality of the data available for program assessment.

Administrative Change

As noted, some responses to the Department's surveys contain inconsistencies that may reflect a misinterpretation of reporting categories by municipal staff. In addition, the existing list of reporting categories excludes two relatively common areas of cooperation: mutual aid agreements and contracting for services with a neighboring municipality. While s. 66.0317 (2)(c)2 requires the Department to collect information on nine cooperation categories, amending the survey instrument to explicitly include these common categories could improve its accuracy and value for future assessments.

☑ **Recommendation**

We recommend the Department of Revenue amend its survey form by adding mutual aid agreements and contracting with a neighboring municipality to the existing list of cooperation categories, in order to assist municipal staff in reporting.

Under current law, municipalities are to submit information to the Department on two different dates. By May 1 each year, municipalities are to certify that they have entered into compacts. By June 30 each year, municipalities are to report the cooperation categories to which their compacts relate. To reduce the reporting requirement for municipalities, the Legislature could consider combining the two reporting requirements and direct they be submitted on the same date. In addition, because a shared reporting date of June 30 for both municipalities and the Legislative Audit Bureau makes it impossible to provide information on area cooperation compacts for the current year, the Legislature could consider changing the evaluation report deadline from June 30 to September 1, to allow us sufficient time to analyze and report on current survey results from municipalities.

Appendix

Area Cooperation Compacts by Category¹
June 2004

Categories of Cooperation	Types of Services												
	<i>Animal Control</i>	<i>EMS</i>	<i>Fire</i>	<i>Health</i>	<i>Housing</i>	<i>Human Services</i>	<i>Law Enforcement</i>	<i>Library</i>	<i>Recreation and Culture</i>	<i>Recycling</i>	<i>Solid Waste</i>	<i>Transportation</i>	<i>Youth Services</i>
Cooperative Service Delivery													
Collaborative Service Delivery	47	140	158	46	13	15	97	82	35	68	45	29	13
Reduction or Elimination of Service Overlap	40	121	132	44	11	16	82	63	31	63	44	26	13
Metropolitan Service Delivery	19	36	38	21	7	5	26	30	9	16	18	17	4
Cooperative Planning Efforts													
Performance Standards	57	171	177	50	10	21	103	89	28	93	72	28	17
Smart Growth Planning	25	44	45	29	27	24	42	31	27	34	34	30	22
Financial Incentives for Shared Regional Planning	8	34	36	29	6	6	23	22	10	27	21	7	5
Other Agreement Categories													
Boundary Issues	8	37	38	10	2	2	24	18	5	11	10	13	2
Municipal Revenue Sharing	9	29	37	8	1	3	13	16	9	22	16	7	4
Other Intergovernmental Issues	10	20	25	10	5	6	21	15	12	11	7	7	6

¹ Municipalities may report multiple compact categories and government service types.