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Ald. Nik Kovac
(414) 286-3765

Yet again, report shows Milwaukee tax burden ranks favorably among peers

While the common sentiment that one hears when the tax bills arrive would seem to indicate otherwise, an analysis by **City Comptroller Martin Matson** demonstrates that Milwaukee continues to stand out among peer cities as having the lowest city tax burden, and provides good value in terms of fees and services.

According to the *2015 Comparative Revenue and Expenditure Report* (attached), Milwaukee's per capita tax revenues ranked lowest among a pool of 10 peer cities—Kansas City (Missouri), Cleveland, Columbus, Oklahoma City, Memphis, Omaha, Charlotte, Portland (Oregon) and Raleigh. Milwaukee collected \$475 per capita in total local taxes, which is 46 percent lower than the average collected in those peer cities.

“Critics of Milwaukee are always quick to condemn our property taxes, but that’s only a part of the equation,” said **Alderman Nik Kovac**, chair of the Common Council’s Finance and Personnel Committee. “Milwaukee does not collect any kind of income or sales tax, resulting in a total per capita city tax collection that’s \$263 lower than our nearest peer city.”

Mr. Matson presented his findings Wednesday to the Common Council’s Finance and Personnel Committee based on figures from 2014, the most recent year for which complete figures are available. “In terms of what we collect in property taxes, we’re in about the middle of the pack,” he told committee members. “But when you factor in the sales and income taxes that those municipalities collect, we’re dead last in total per capita tax collection.”

-More-

Tax study/ADD ONE

According to the report, Milwaukee's per capita property tax collection ranks fourth out of the pool of peer cities.

While it isn't included as part of the city's total tax revenue, Milwaukee's per capita municipal fees and charges for service (\$585) is 23 percent lower than the average of comparable cities, and ranks sixth on the list.

"For years, this regular, longstanding report from the comptroller's office has documented the value that City of Milwaukee residents enjoy compared to our peer cities," said **Alderman Terry L. Witkowski**, a longtime member of the Finance and Personnel Committee. "I think it's a real eye opener to see that, even as we receive a high level of service, we're paying less in taxes than any of our peers."

The original intent behind Wisconsin's current state tax system was for income and sales taxes to be assessed and collected by the state, Alderman Witkowski said, with a portion redistributed back to municipalities in the form of State Shared Revenue payments. Over the years, state aids received by the City of Milwaukee have declined significantly, in real terms, forcing the city to rely more heavily on fees and charges to pay for city services.

Responsible budgeting and borrowing have helped ease the burden, Alderman Kovac said, by suppressing the amount that taxpayers must pay to service the city's debt. Milwaukee has long been recognized by bond rating agencies for its effective debt management program. The city currently has a manageable debt burden, and its annual per capita interest expense of \$39 is 43 percent lower than the average of peer cities.

"Much like you take a car or a bike to the mechanic once a year for an annual inspection, the comptroller's report helps us gauge the efficiency with which we're collecting tax dollars and funding city services," Alderman Kovac said. "I'm pleased to see that Milwaukee is continuing its role as a responsible steward of our taxpayer dollars."

City of Milwaukee

Comparative Revenue and Expenditure Report



Martin Matson
Comptroller

2015

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Introduction

The City of Milwaukee continues to rank lower than the comparable city average for total revenues, \$1,780 per capita versus the average of \$1,990. In the local taxes category, when all taxes (property, sales, income, lodging, etc.) are taken into consideration, the City of Milwaukee ranks lowest among comparable cities, \$475 per capita versus the average of \$877. On the expenditure side, Milwaukee's per capita total expenditures (\$1,751) are slightly lower than the average of comparable cities (\$1,806).

Audited comprehensive annual financial reports (CAFR) for calendar year 2014 or fiscal year 2013/2014 were used to compile this report. The data in this report deals only with city government revenues and expenditures. Capital replacement cycles have been removed from this report, as compared to prior years' reports, because this information is currently provided to the City's Capital Improvements Committee. The report's methodology is further explained on page 16.

Revenue Sources

Unlike most other states, Wisconsin's tax system was designed to assess all sales and income taxes at the state level and redistribute these tax collections back to local governments. The result of this tax structure is a limited ability to raise revenue at the local level.

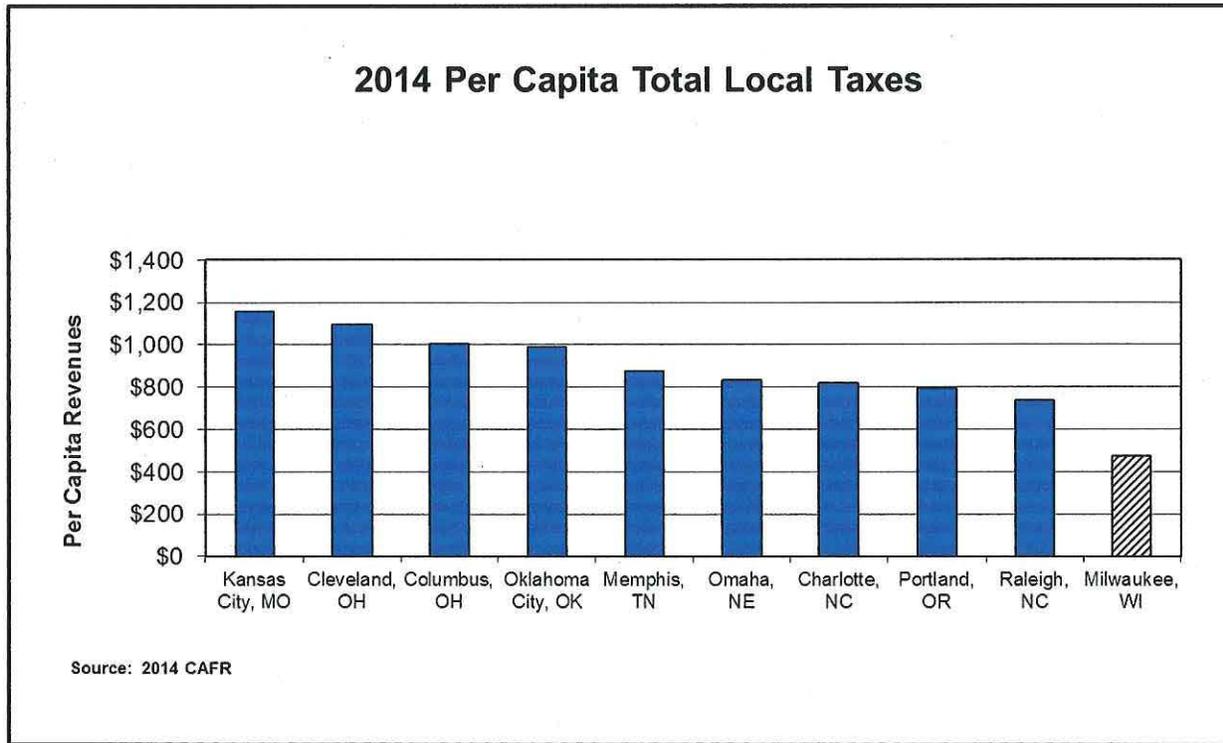
In total, locally generated municipal tax revenues in Milwaukee are much lower than those raised in comparable cities, due to the fact that the State of Wisconsin prohibits local governments from assessing local sales and income taxes except as specifically authorized by State legislation. These sales taxes are quite limited in scope, including sales taxes imposed for specifically legislated premier resort area tax districts or sports stadium districts. For local governments in Wisconsin, the property tax is the only significant, on-going source of tax revenue. Therefore, State aids are a critical component of the City of Milwaukee's revenue structure, given its limited local revenue options.

	City of Milwaukee	Average of Comparable Cities	Variance Milwaukee versus Comparable City Average	
Property Taxes	\$475	\$368	\$107	29%
Other Local Taxes	0	508	(508)	-
Total Local Taxes	475	876	(401)	-46%
Intergovernmental Aids	570	302	268	89%
Total Local Taxes and Aids	1,045	1,178	(133)	-11%
Charges for Services	585	761	(176)	-23%
Other Revenues	150	51	99	194%
Total	\$1,780	\$1,990	(\$210)	-11%

Source: 2014 CAFR

Total local per capita taxes in Milwaukee of \$475 are 46% less than the comparable cities average of \$876. City of Milwaukee per capita local taxes combined with intergovernmental aids of \$1,045 are 11% lower than the peer city average of \$1,178. Total per capita revenue for the City of Milwaukee is \$1,780, which is 11% less than the comparable cities average of \$1,990.

Local Taxes

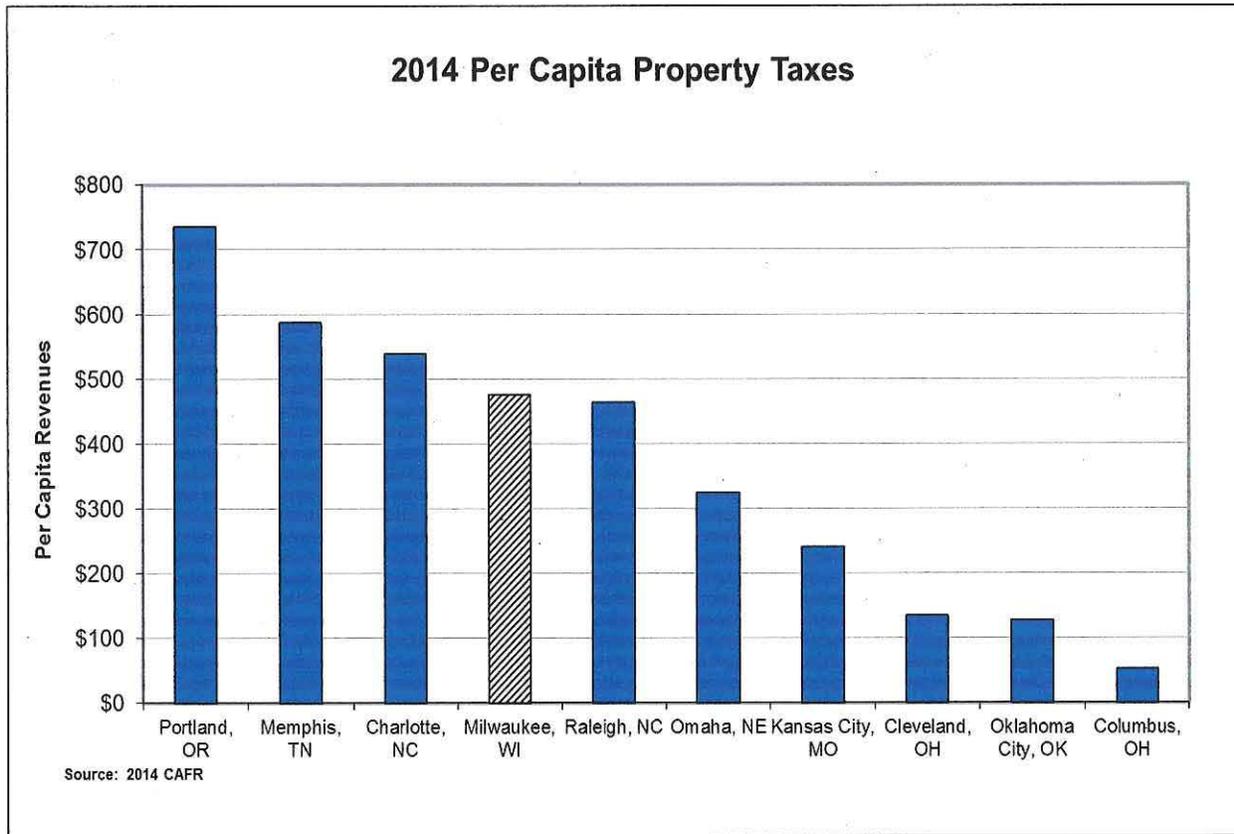


Local taxes include property, utility, sales, income and other taxes generated at the municipal level. The only local tax the City of Milwaukee can levy is the property tax. All of the nine peer cities included in this report have one or more additional local tax options available. As a result, when all available local taxes are considered, Milwaukee ranks last in per capita local taxes. Milwaukee collects \$475 per capita in total local taxes, which is 46% lower than the average of comparable cities.

2014 Per Capita Revenues Local Taxes	
	Amount
Kansas City, MO	\$ 1,157
Cleveland, OH	1,094
Columbus, OH	1,002
Oklahoma City, OK	988
Memphis, TN	877
Omaha, NE	831
Charlotte, NC	818
Portland, OR	792
Raleigh, NC	738
Milwaukee, WI	475
Average of Comparable Cities	\$ 877

Source: 2014 CAFR

Property Taxes

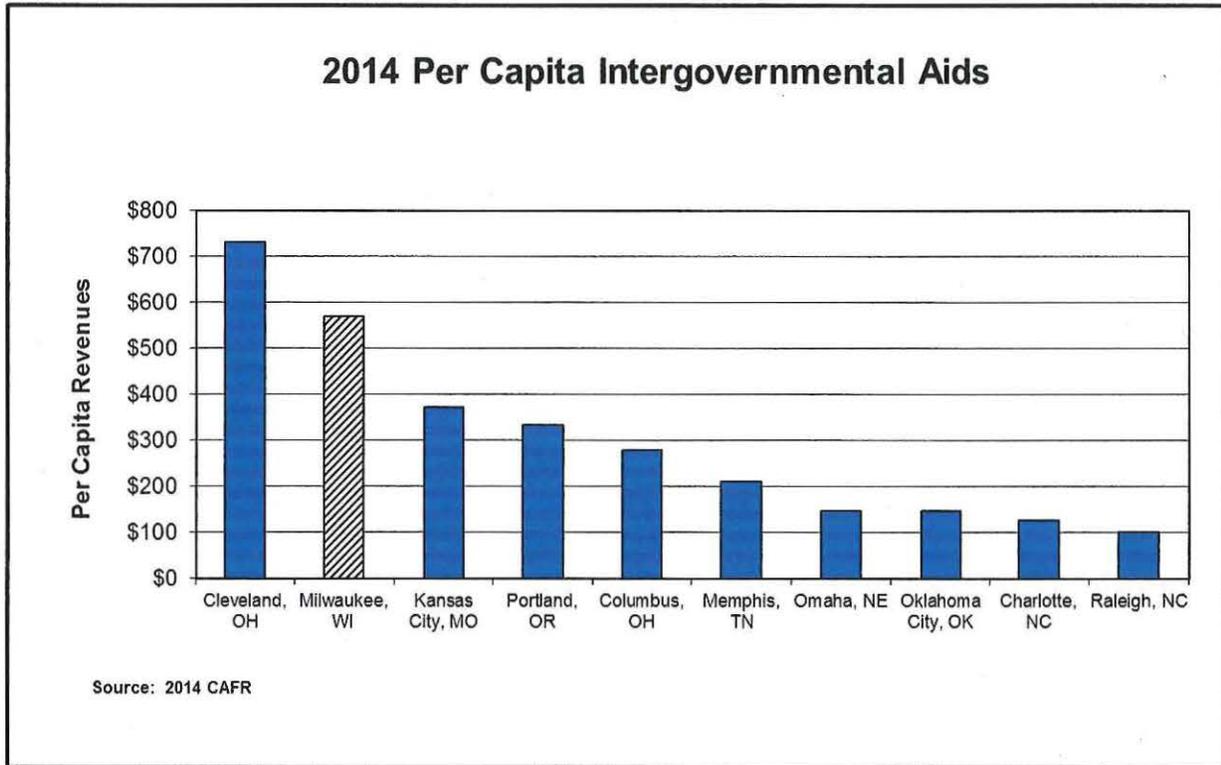


The City of Milwaukee's local tax is the property tax. Milwaukee's municipal property tax per capita is \$475, which is 29% higher than the peer city average. Since the City of Milwaukee cannot assess a local sales tax or a local income tax, it relies on the property tax for its local tax revenue.

	Amount
Portland, OR	\$ 735
Memphis, TN	587
Charlotte, NC	539
Milwaukee, WI	475
Raleigh, NC	463
Omaha, NE	324
Kansas City, MO	241
Cleveland, OH	134
Oklahoma City, OK	128
Columbus, OH	53
Average of Comparable Cities	\$ 368

Source: 2014 CAFR

Intergovernmental Aids

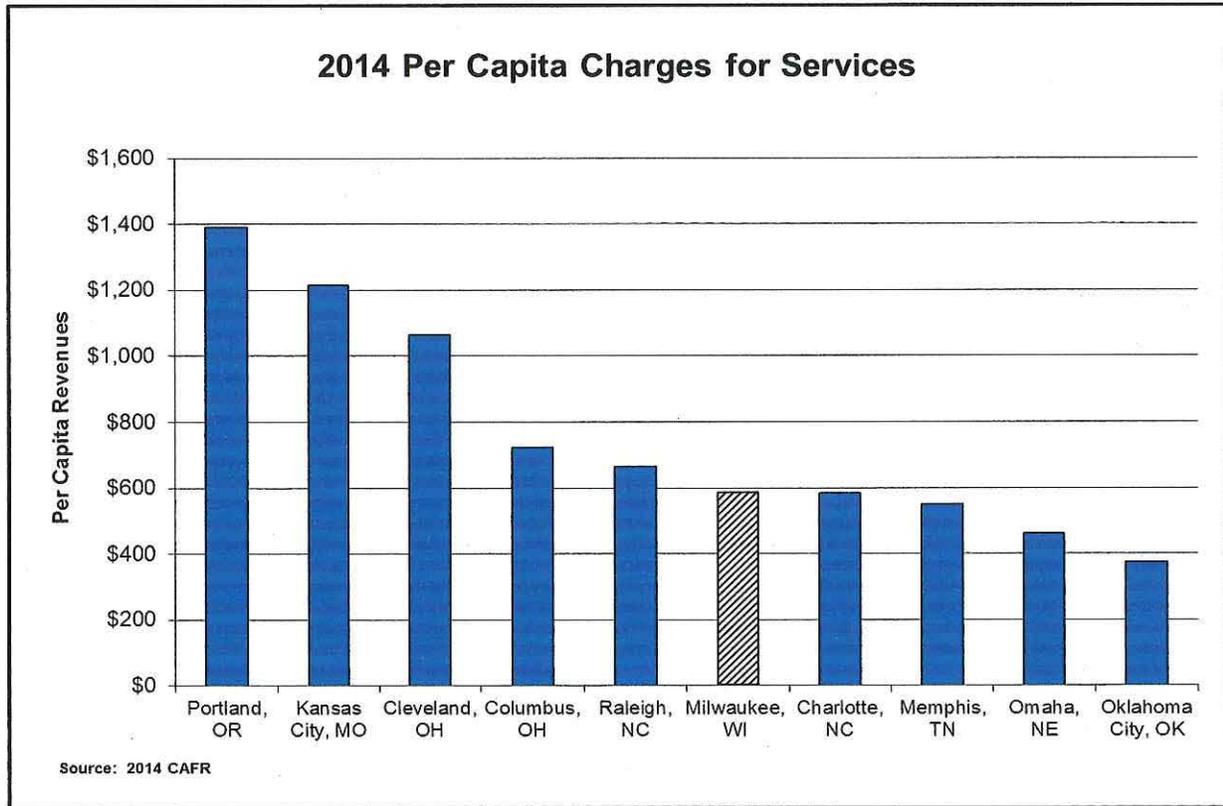


In Wisconsin, municipalities do not have the ability to institute sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be assessed and collected by the State, with a portion redistributed back to municipalities in the form of State Shared Revenue payments. This tax system is the primary reason why Milwaukee ranks second in funding from intergovernmental revenues, 89% higher than the average of comparable cities. However, state aids received by the City of Milwaukee have declined, in real terms, over the years.

	Amount
Cleveland, OH	\$ 731
Milwaukee, WI	570
Kansas City, MO	373
Portland, OR	334
Columbus, OH	280
Memphis, TN	210
Omaha, NE	147
Oklahoma City, OK	146
Charlotte, NC	126
Raleigh, NC	101
Average of Comparable Cities	\$ 302

Source: 2014 CAFR

Charges for Services



The City of Milwaukee's effort to control the growth in property taxes and accommodate decreasing State aid has resulted in a need to look for alternative sources of revenue. Within the past fifteen years, the City has adopted a variety of user charges to provide local revenue alternatives to the property tax. However, Milwaukee's \$585 per capita charges for services is 23% lower than the average of comparable cities.

2014 Per Capita Revenues Charges for Services	
	Amount
Portland, OR	\$ 1,391
Kansas City, MO	1,216
Cleveland, OH	1,065
Columbus, OH	724
Raleigh, NC	665
Milwaukee, WI	585
Charlotte, NC	583
Memphis, TN	550
Omaha, NE	459
Oklahoma City, OK	375
Average of Comparable Cities	\$ 761

Source: 2014 CAFR

Expenditures by Purpose

Like its peer cities, the City of Milwaukee provides a variety of services to its citizens, businesses, and visitors. City services are critical to supporting a quality of life in Milwaukee which meets basic resident needs and expectations. Maintaining City service sufficient to provide for a safe, clean environment is critical to the long term vitality of a city.

2014 Per Capita Expenditures by Purpose				
	City of Milwaukee	Average of Comparable Cities	Variance Milwaukee versus Comparable City Average	
Public Safety	\$690	\$642	\$48	7%
Public Works	644	687	(43)	-6%
General Government	198	187	11	6%
Conservation and Development *	98	105	(7)	-7%
Interest Expenses	39	68	(29)	-43%
Culture and Recreation**	45	91	(46)	-51%
Health ***	37	26	11	42%
Total Expenditures	\$1,751	\$1,806	(\$55)	-3%

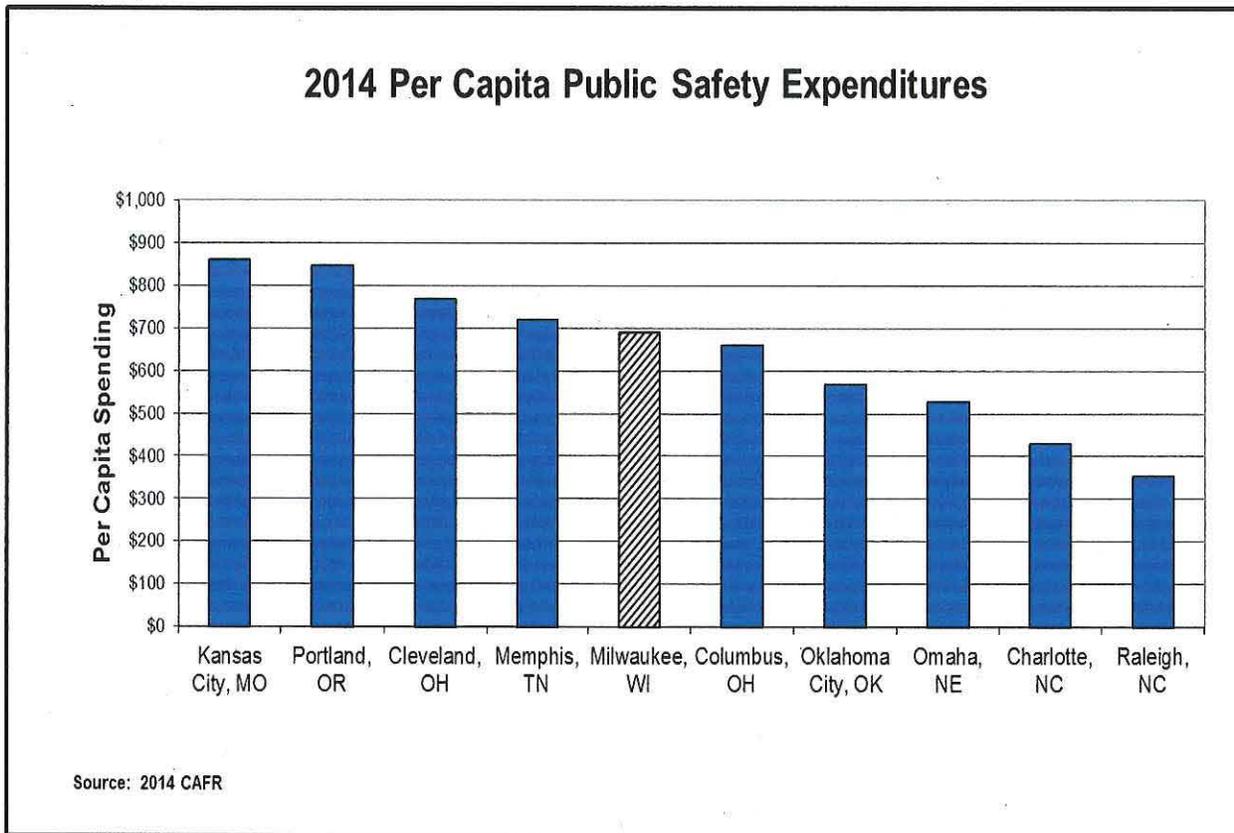
* Nine cities including the City of Milwaukee report Conservation & Development expenditures.
 **Eight cities including the City of Milwaukee report Culture and Recreation expenditures.
 ***Four cities including the City of Milwaukee report Health expenditures.
 Source: 2014 CAFR

Total expenditures in 2014 for the City of Milwaukee are \$1,751 per capita. This is nearly equal to the comparable city per capita average of \$1,806.

2014 Per Capita Expenditures Total Expenditures	
	Amount
Portland, OR	\$ 2,585
Kansas City, MO	2,517
Cleveland, OH	2,471
Columbus, OH	1,865
Milwaukee, WI	1,751
Memphis, TN	1,619
Omaha, NE	1,362
Oklahoma City, OK	1,307
Charlotte, NC	1,306
Raleigh, NC	1,277
Average of Comparable Cities	\$ 1,806

Source: 2014 CAFR

Public Safety

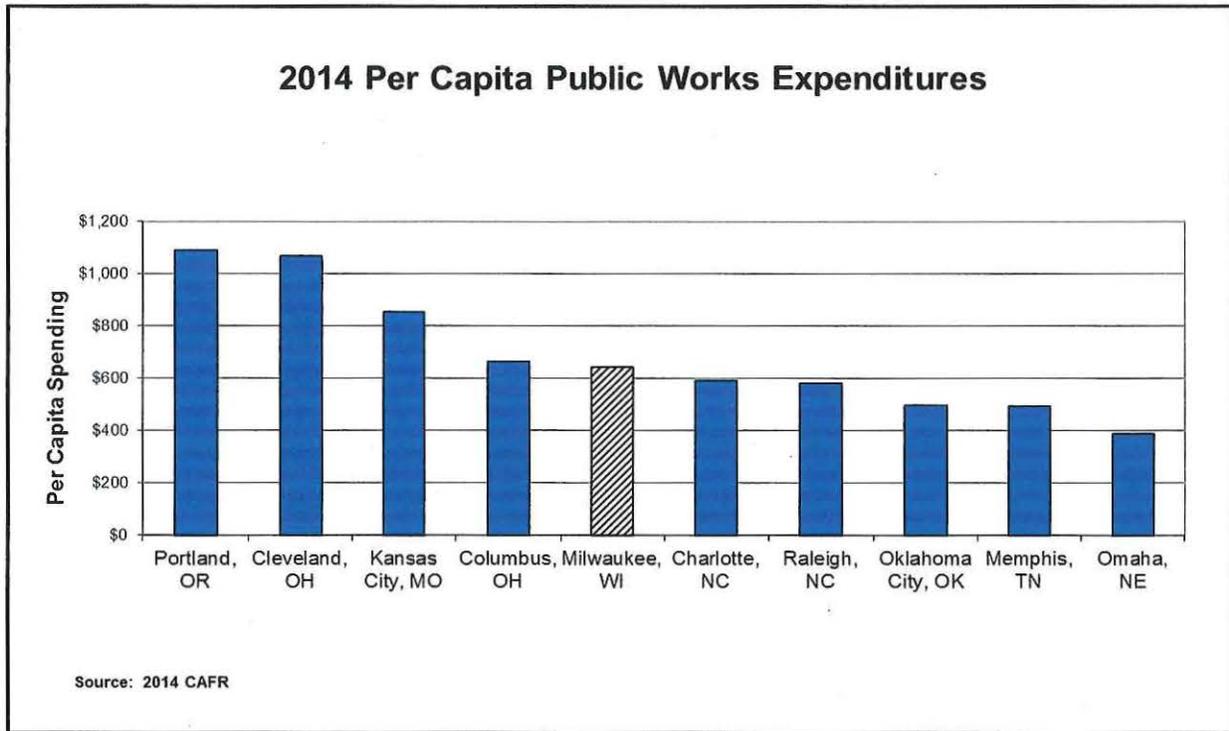


Public safety services include the protection of people and property. These services are essential to the health, safety, and well-being of city residents. Public safety includes police, fire, and code enforcement services. Milwaukee spends \$690 per capita on Public Safety, which is 7% higher than the per capita average of comparable cities.

	Amount
Kansas City, MO	\$ 859
Portland, OR	847
Cleveland, OH	767
Memphis, TN	719
Milwaukee, WI	690
Columbus, OH	661
Oklahoma City, OK	569
Omaha, NE	527
Charlotte, NC	430
Raleigh, NC	354
Average of Comparable Cities	\$ 642

Source: 2014 CAFR

Public Works

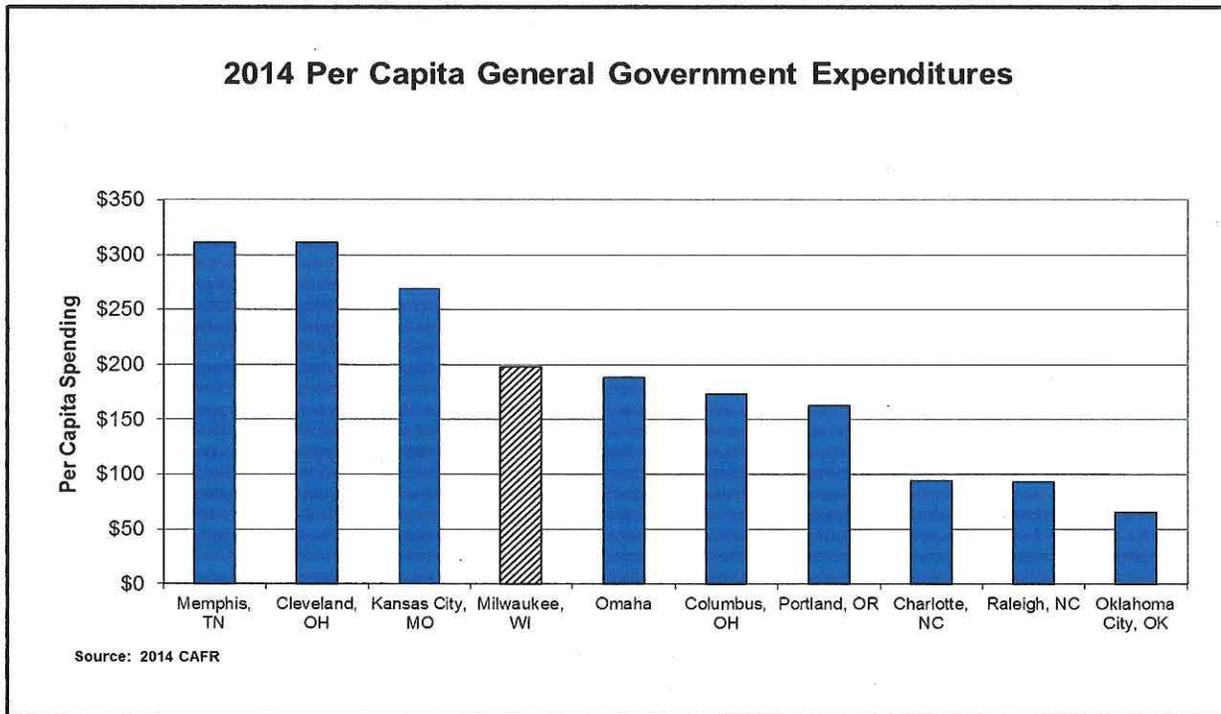


An efficient and well-maintained infrastructure is important to the economic vitality and attractiveness of a city. Maintaining safe and efficient sewers, streets, and other public ways furnish residents with access to employment, goods and services, while also providing businesses with an effective way to transport their products to customers. Milwaukee spends \$644 per capita, about 6% less than the average of comparable cities on streets, sewers, and other public works' expenditures.

	Amount
Portland, OR	\$ 1,090
Cleveland, OH	1,066
Kansas City, MO	852
Columbus, OH	665
Milwaukee, WI	644
Charlotte, NC	591
Raleigh, NC	581
Oklahoma City, OK	495
Memphis, TN	494
Omaha, NE	389
Average of Comparable Cities	\$ 687

Source: 2014 CAFR

General Government

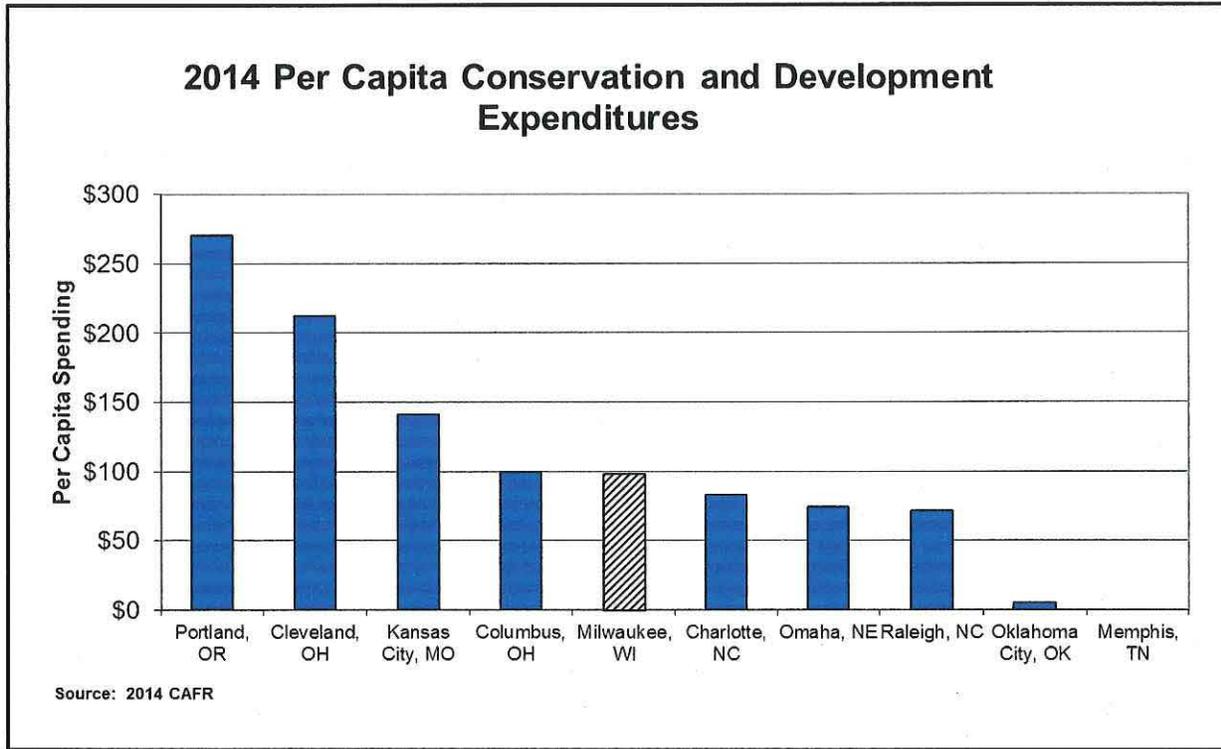


General government and administration costs are necessary for the operation of any organization. Milwaukee's general government and administration costs are comparable to those of its peer cities. The category general government includes expenditures related to the Mayor's Office, Common Council, Municipal Court, legal and financial services, elections, property assessments, employee relations, and other city management overhead expenses. Milwaukee spends \$11 per capita or 6% more than the average of comparable cities on general government and administrative functions.

	Amount
Memphis, TN	\$ 311
Cleveland, OH	311
Kansas City, MO	269
Milwaukee, WI	198
Omaha	188
Columbus, OH	173
Portland, OR	163
Charlotte, NC	94
Raleigh, NC	93
Oklahoma City, OK	65
Average of Comparable Cities	\$ 187

Source: 2014 CAFR

Conservation and Development



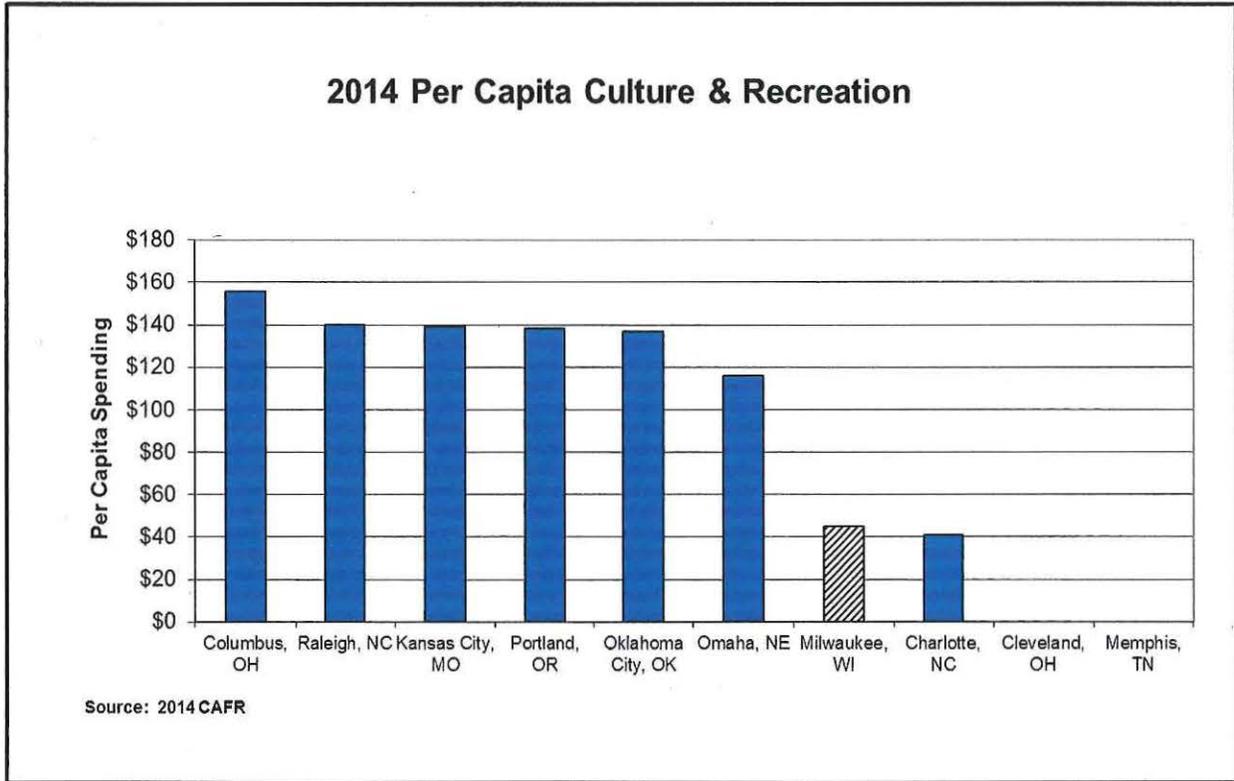
The promotion of economic development and job creation is provided under this category of expenditures. These expenditures include planning, economic development and community development activities. The City of Milwaukee's per capita expenditures for conservation and development are \$7 or 7% less than the comparable city average. Memphis, TN does not report any expenditures under primary government Conservation and Development activities.

	Amount
Portland, OR	\$ 270
Cleveland, OH	212
Kansas City, MO	141
Columbus, OH	99
Milwaukee, WI	98
Charlotte, NC	83
Omaha, NE	74
Raleigh, NC	71
Oklahoma City, OK	5
Memphis, TN	-
Average of Comparable Cities ¹	\$ 105

¹ For consistency with previous tables, avg. includes cities reporting \$0.

Source: 2014 CAFR

Culture and Recreation



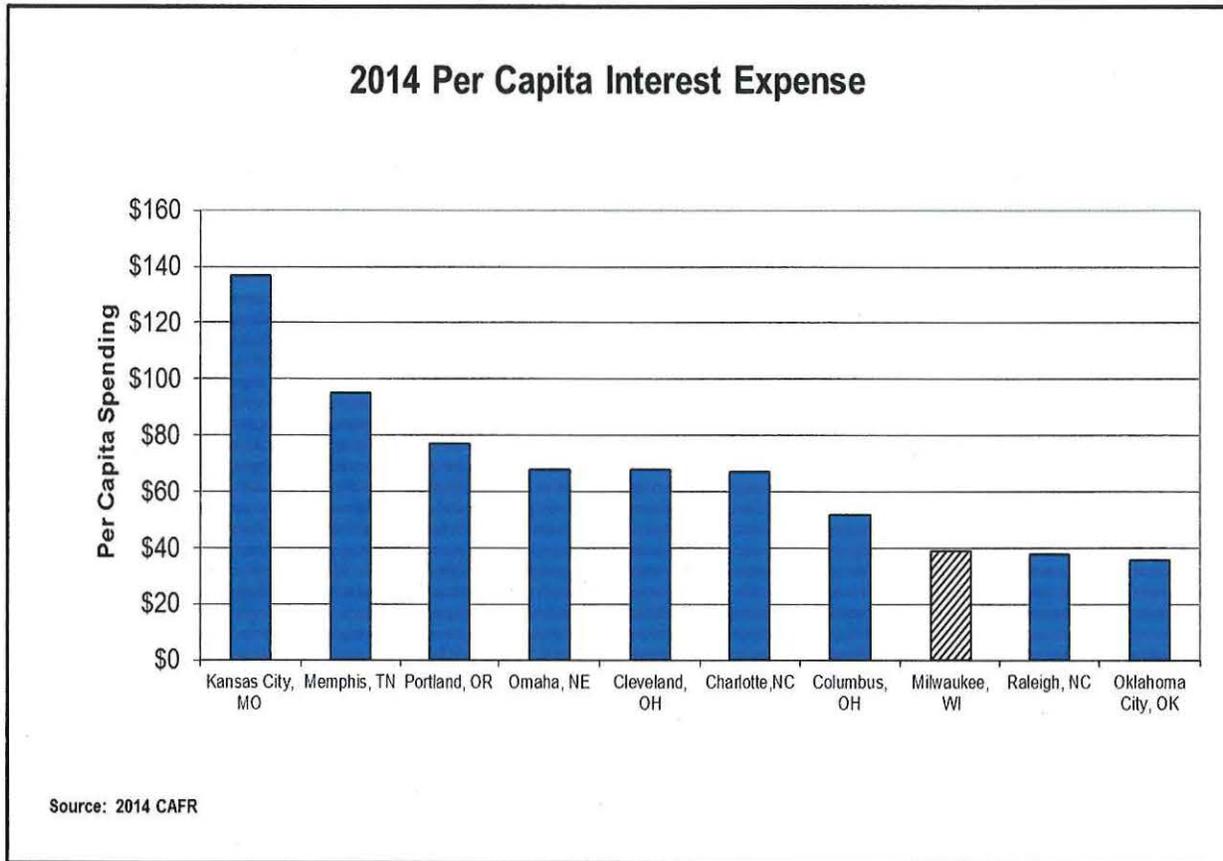
The services provided in the Culture and Recreation category vary significantly by city. The City of Milwaukee's per capita expenditures for Culture and Recreation are \$46 or 51% less than the comparable city average. Neither Cleveland nor Memphis report any expenditures under primary government Culture and Recreation activities.

	Amount
Columbus, OH	\$ 156
Raleigh, NC	140
Kansas City, MO	139
Portland, OR	138
Oklahoma City, OK	137
Omaha, NE	116
Milwaukee, WI	45
Charlotte, NC	41
Cleveland, OH	-
Memphis, TN	-
Average of Comparable Cities ¹	\$ 91

¹ For consistency with previous tables, avg. includes cities reporting \$0.

Source: 2014 CAFR

Interest Expense



Milwaukee has long been recognized by bond rating agencies for its effective debt management program. Milwaukee currently has a manageable debt burden and its annual per capita interest expense is \$29 or 43% below the average of comparable cities.

	Amount
Kansas City, MO	\$ 137
Memphis, TN	95
Portland, OR	77
Omaha, NE	68
Cleveland, OH	68
Charlotte, NC	67
Columbus, OH	52
Milwaukee, WI	39
Raleigh, NC	38
Oklahoma City, OK	36
Average of Comparable Cities	\$ 68

Source: 2014 CAFR

Appendix I

Data Source and Limitations

Data used in this report is from Comprehensive Annual Financial Reports (CAFR) from the City of Milwaukee and nine comparable cities. This data consists of actual revenue and expenditure figures, and unlike budgeted figures, revenues and expenditures for each of the reported governments may not be equal. The next section of this report titled Comparable City Methodology explains how the comparable cities were selected. Local governments use similar classification of expenditures and revenue in their CAFR but there may be some differences in the categorization of this financial data between cities. An example is some cities categorize infrastructure expenditures as Public Works while other cities call this category Public Services. Also, some cities directly finance and administer activities or services that in other municipal governments are undertaken by county government, state government, or the private sector. However, CAFR data is the best and most currently available audited financial data and provides a reasonable basis for comparing cities to get a general understanding of differences between spending and funding of city services. In this report, the Comptroller's Office compares revenue data (local taxes, property taxes, charges for service, etc.) and expenditure by type (administration, public safety, public works, etc.). This report, to the best of our ability, excludes data from the following categories to enhance the comparability of other cities to the City of Milwaukee:

Electric Power Generation, Public Transit, Airports & Aviation, Cemeteries, Convention Centers, Golf Courses, Sport Facilities, Pass-Through Costs for Employee Retirement Systems, and Public School Education & School Capital Contributions.

The City of Milwaukee provides services that are not provided by all other comparable cities. The largest of these expenditures, included in the City of Milwaukee's data but not all other cities' data, are health services and the Port of Milwaukee.

This report utilized 2014 population figures to calculate per capita values for 2014. The population data is from the U.S. Census Bureau.

Appendix II

Comparable City Methodology

In selecting comparable cities to Milwaukee all US cities with 2012 census populations between roughly 400,000 and 800,000 were chosen. The cities were then classified as either “sunbelt” or “snowbelt”. “Sunbelt” cities are predominately located in the South and Southwest, while “snowbelt” cities are predominately located in the Northeast and Midwest. An anomaly is Portland, which is neither a “sunbelt” nor “snowbelt” city. Located in the Northwest, Portland made the final selection of comparable cities when classified as either “sunbelt” or “snowbelt”. The importance of the classification process is that it allows a variety of cities to be compared to Milwaukee and also ensures that comparable cities are not clustered in one region of the Country.

After assigning “sunbelt” and “snowbelt” classifications, each city’s population figure was compared to the population figure of its Metropolitan Statistical Area (MSA). For instance, Milwaukee had a 2012 census population of 598,916 and a MSA population of 1,566,981. This means that the City’s population comprises 38% of the MSA population. Five of the closest “sunbelt” cities and four of the closest “snowbelt” cities (with Portland counted as “snowbelt”), in terms of city to MSA population were chosen. Cities that have municipal governments with combined county and city functions, and therefore would not provide good spending comparisons to the City of Milwaukee, were excluded from this comparison.

Overall, the methodology used generates a list of comparably sized cities located throughout the US that are the population centers in terms of their city to MSA populations and are similar in terms of their government function. The comparable cities to the City of Milwaukee included in this report are as follows: Charlotte, NC; Cleveland, OH; Columbus, OH; Kansas City, MO; Memphis, TN; Oklahoma City, OK; Omaha, NE; Portland, OR; and Raleigh, NC.