City of Milwaukee

Comparative Revenue and Expenditure Report

Martin Matson
Comptroller

2016

Table of Contents

Introduction 2

Revenue Sources 3

Local Taxes 4

Property Taxes 5

Intergovernmental Aids 6

Charges for Services 7

Expenditures by Purpose 8

Public Safety 9

Public Works 10

General Government 11

Conservation and Development 12

Culture and Recreation 13

Interest Expense 14

Appendix I 15

Data Source and Limitations 15

Appendix II 16

Comparable City Methodology 16

Introduction

The City of Milwaukee continues to rank lower than the comparable city average for total revenues, $1,845 per capita versus the average of $2,048. 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, $479 per capita versus the average of $910. On the expenditure side, Milwaukee's per capita total expenditures ($1,904) are slightly higher than the average of comparable cities ($1,831).

Audited comprehensive annual financial reports (CAFR) for calendar year 2015 or fiscal year 2014/2015 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.

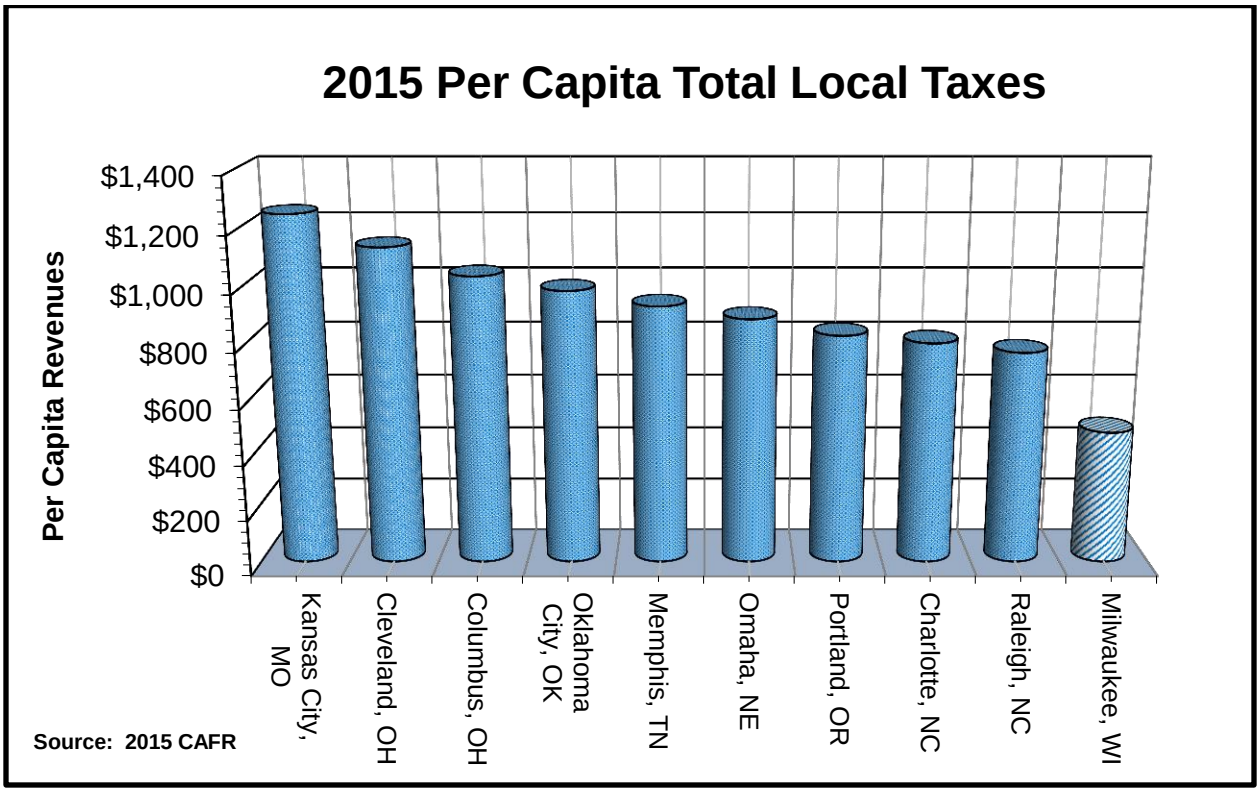
2015 Per Capita Municipal Revenues

	City of Milwaukee	Average of Comparable Cities	Variance Milwaukee versus Comparable City Average	
Property Taxes	$479	$373	$106	28%
Other Local Taxes	0	537	(537)	-
Total Local Taxes	**479**	**910**	**(431)**	**-47%**
Intergovernmental Aids	560	301	259	86%
Total Local Taxes and Aids	**1,039**	**1,211**	**(172)**	**-14%**
Charges for Services	654	785	(131)	-17%
Other Revenues	152	52	100	192%
Total Revenues	**$1,845**	**$2,048**	**($203)**	**-10%**

Source: 2015 CAFR

Total local per capita taxes in Milwaukee of $479 are 47% less than the comparable cities average of $910. City of Milwaukee per capita local taxes combined with intergovernmental aids of $1,039 are 14% lower than the peer city average of $1,211. Total per capita revenue for the City of Milwaukee is $1,845, which is 10% less than the comparable cities average of $2,048.

Local Taxes



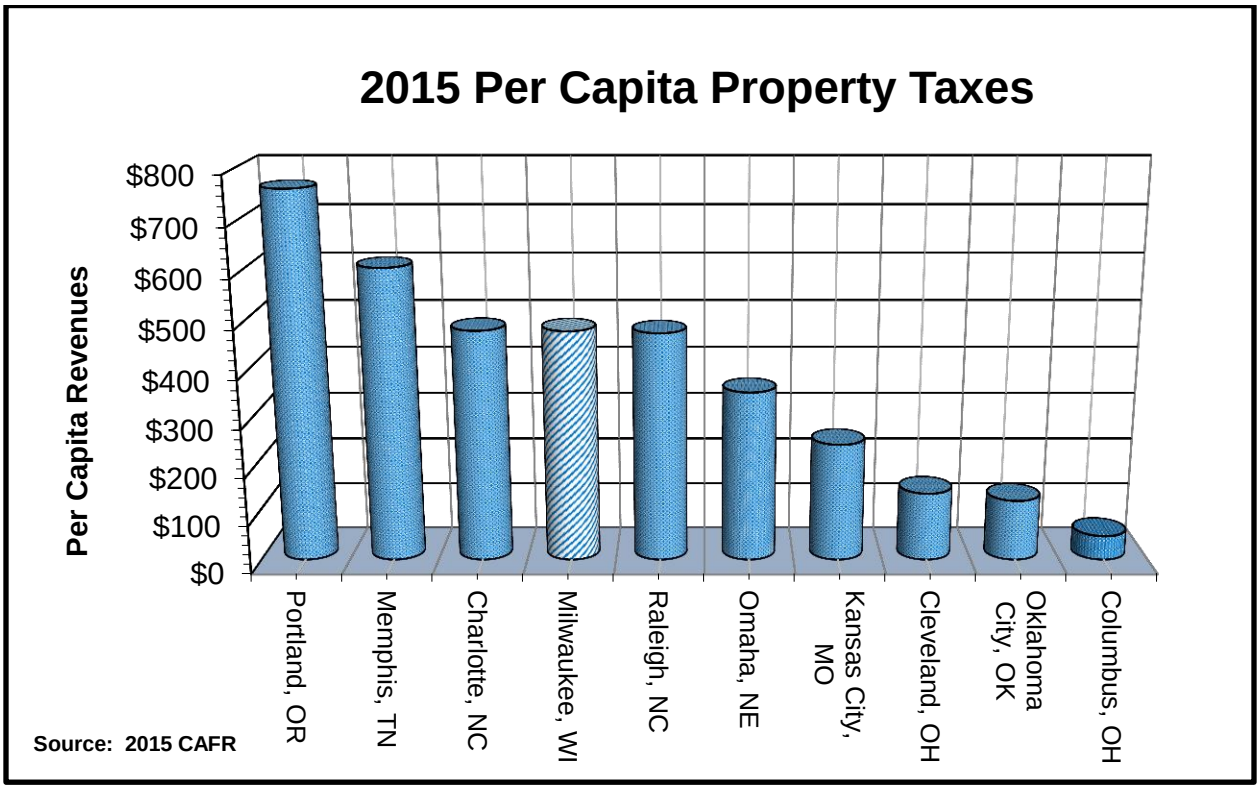
Local taxes include property, utility, sales, income and other taxes generated at the municipal level. The only local tax the City of Milwaukee can levy is the property tax. All of the nine peer cities included in this report have one or more additional local tax options available. As a result, when all available local taxes are considered, Milwaukee ranks last in per capita local taxes. Milwaukee collects $479 per capita in total local taxes, which is 47% lower than the average of comparable cities.

2015 Per Capita Revenues
Local Taxes

	Amount
Kansas City, MO	$ 1,249
Cleveland, OH	1,136
Columbus, OH	1,036
Oklahoma City, OK	985
Memphis, TN	931
Omaha, NE	886
Portland, OR	827
Charlotte, NC	800
Raleigh, NC	767
Milwaukee, WI	**479**
Average of Comparable Cities	$ 910

Source: 2015 CAFR

Property Taxes



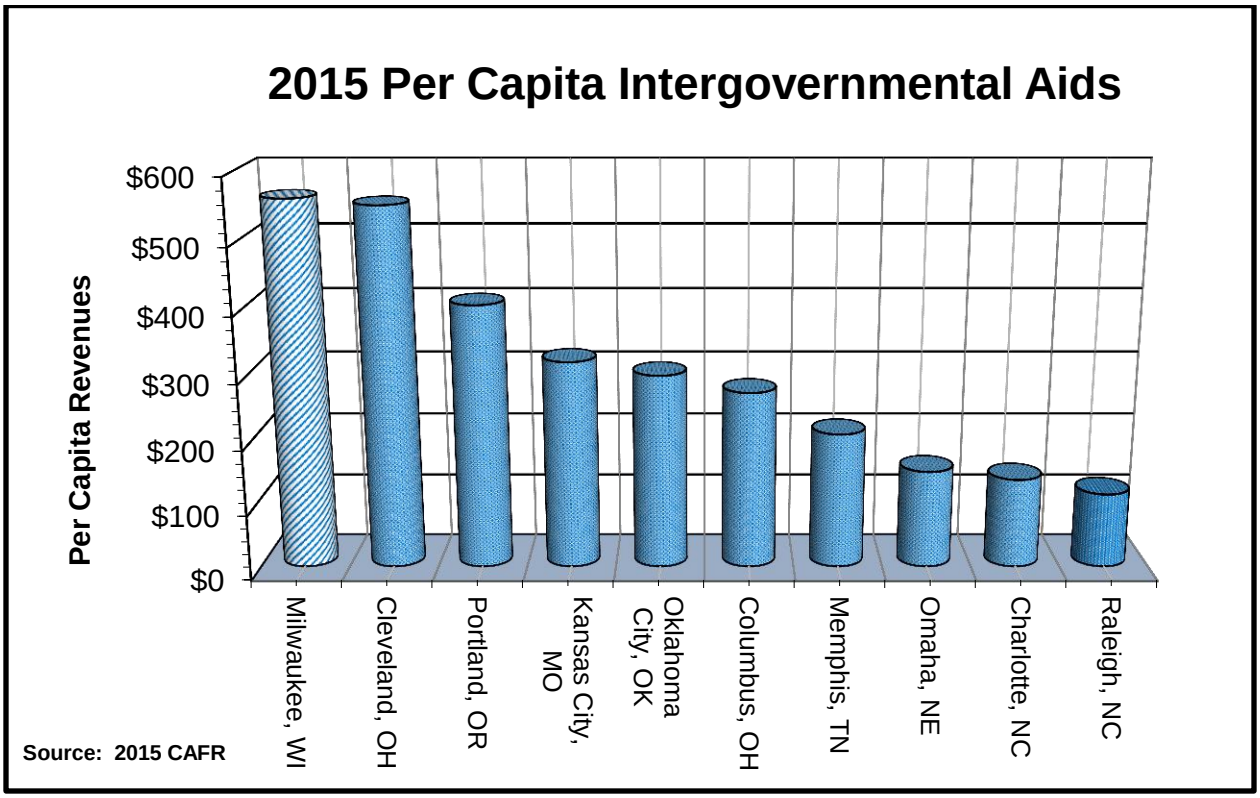
The City of Milwaukee's local tax is the property tax. Milwaukee's municipal property tax per capita is $479, which is 29% higher than the peer city average. Since the City of Milwaukee cannot assess a local sales tax or a local income tax, it relies on the property tax for its local tax revenue.

2015 Per Capita Revenues
Property Taxes

	Amount
Portland, OR	$ 761
Memphis, TN	606
Charlotte, NC	480
Milwaukee, WI	**479**
Raleigh, NC	475
Omaha, NE	354
Kansas City, MO	245
Cleveland, OH	142
Oklahoma City, OK	126
Columbus, OH	51
Average of Comparable Cities	$ 372

Source: 2015 CAFR

Intergovernmental Aids



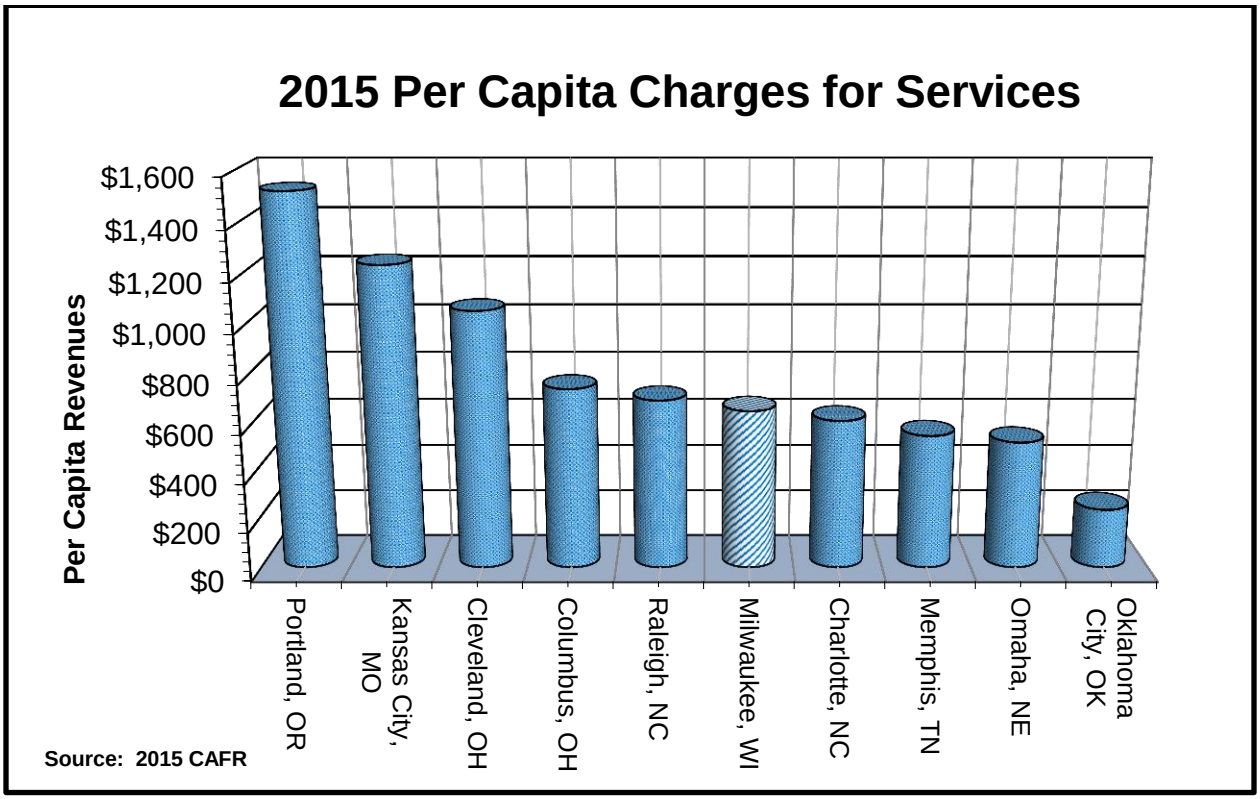
In Wisconsin, municipalities do not have the ability to institute sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be assessed and collected by the State, with a portion redistributed back to municipalities in the form of State Shared Revenue payments. This tax system is the primary reason why Milwaukee ranks first in funding from intergovernmental revenues, 86% higher than the average of comparable cities. However, state aids received by the City of Milwaukee have declined, in real terms, over the years.

2015 Per Capita Revenues
Intergovernmental Aids

	Amount
Milwaukee, WI	**$ 560**
Cleveland, OH	551
Portland, OR	404
Kansas City, MO	319
Oklahoma City, OK	298
Columbus, OH	272
Memphis, TN	208
Omaha, NE	150
Charlotte, NC	137
Raleigh, NC	114
Average of Comparable Cities	$ 301

Source: 2015 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 $654 per capita charges for services is 17% lower than the average of comparable cities.

2015 Per Capita Revenues
Charges for Services

	Amount
Portland, OR	$ 1,523
Kansas City, MO	1,238
Cleveland, OH	1,057
Columbus, OH	744
Raleigh, NC	697
Milwaukee, WI	**654**
Charlotte, NC	614
Memphis, TN	552
Omaha, NE	525
Oklahoma City, OK	244
Average of Comparable Cities	$ 785

Source: 2015 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.

2015 Per Capita Expenditures by Purpose

	City of Milwaukee	Average of Comparable Cities	Variance Milwaukee versus Comparable City Average	
Public Safety	$833	$675	$158	23%
Public Works	670	692	(22)	-3%
General Government	122	162	(40)	-25%
Conservation and Development[1]	149	111	38	34%
Interest Expense	41	75	(34)	-45%
Culture and Recreation[2]	50	91	(41)	-45%
Health[3]	39	25	14	56%
Total Expenditures	**$1,904**	**$1,831**	**$73**	**4%**

1 Nine cities including the City of Milwaukee report Conservation and Development expenditures.

2 Eight cities including the City of Milwaukee report Culture and Recreation expenditures.

3 Four cities including the City of Milwaukee report Health expenditures.

Source: 2015 CAFR

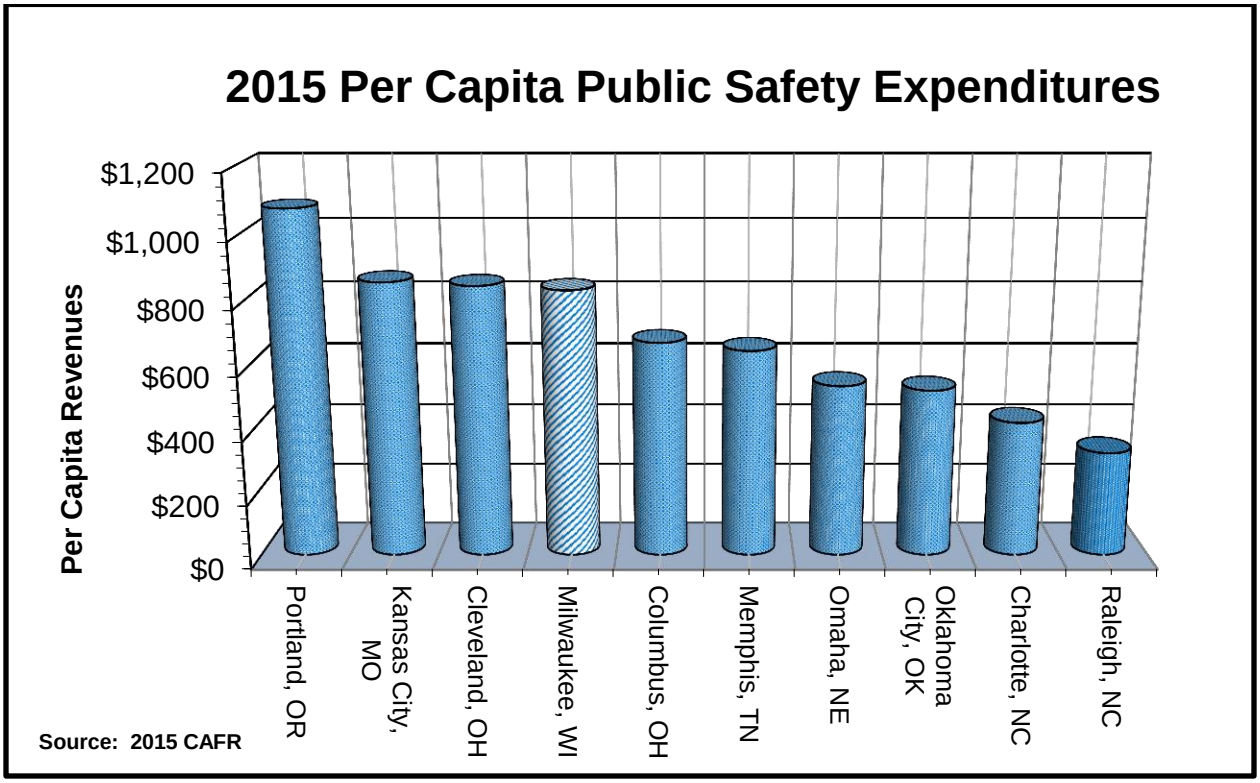
Total expenditures in 2015 for the City of Milwaukee are $1,904 per capita. This is 4% higher than the comparable city per capita average of $1,831.

2015 Per Capita Expenditures
Total Expenditures

	Amount
Portland, OR	$ 2,679
Cleveland, OH	2,595
Kansas City, MO	2,507
Columbus, OH	1,915
Milwaukee, WI	**1,904**
Memphis, TN	1,494
Charlotte, NC	1,422
Oklahoma City, OK	1,301
Omaha, NE	1,282
Raleigh, NC	1,210
Average of Comparable Cities	$ 1,831

Source: 2015 CAFR

Public Safety



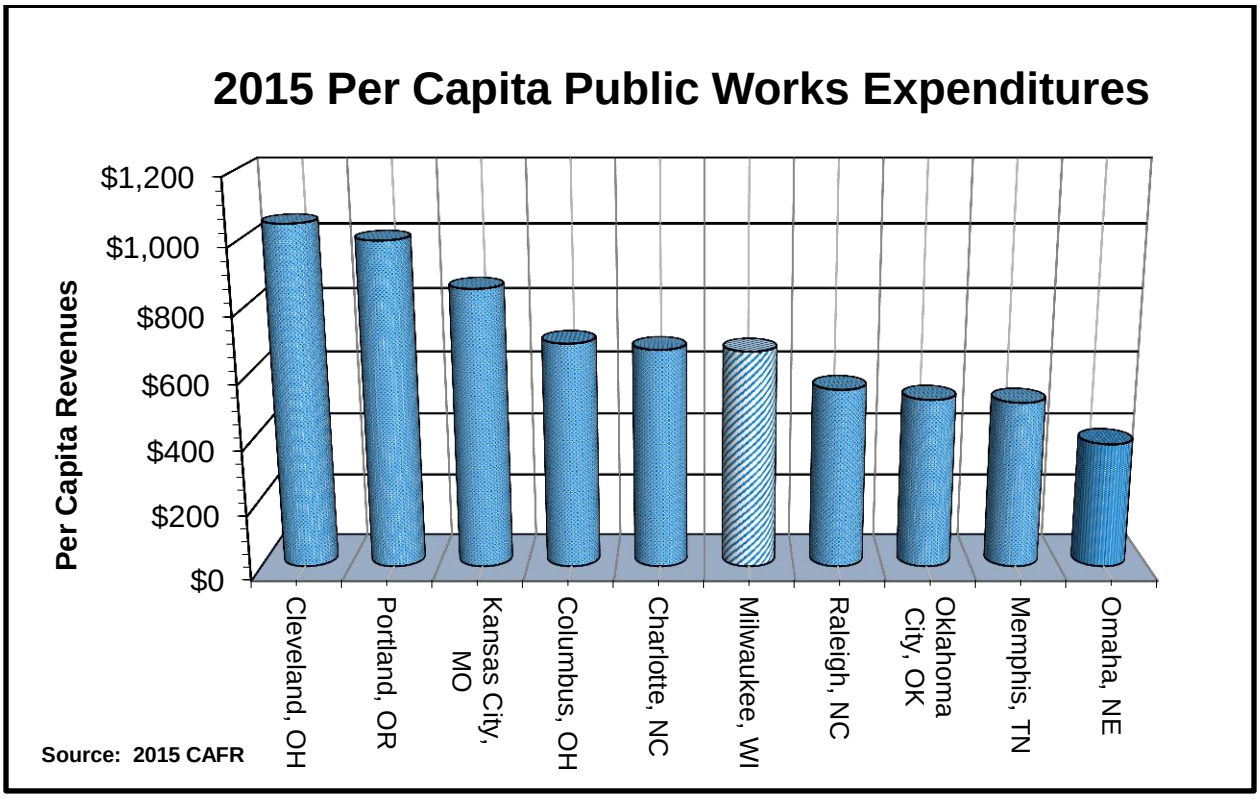
Public safety services include the protection of people and property. These services are essential to the health, safety, and well-being of city residents. Public safety includes police, fire, and code enforcement services. Milwaukee spends $833 per capita on Public Safety, which is 23% higher than the per capita average of comparable cities.

2015 Per Capita Expenditures
Public Safety

	Amount
Portland, OR	$ 1,077
Kansas City, MO	857
Cleveland, OH	846
Milwaukee, WI	**833**
Columbus, OH	673
Memphis, TN	648
Omaha, NE	539
Oklahoma City, OK	525
Charlotte, NC	424
Raleigh, NC	328
Average of Comparable Cities	$ 675

Source: 2015 CAFR

Public Works



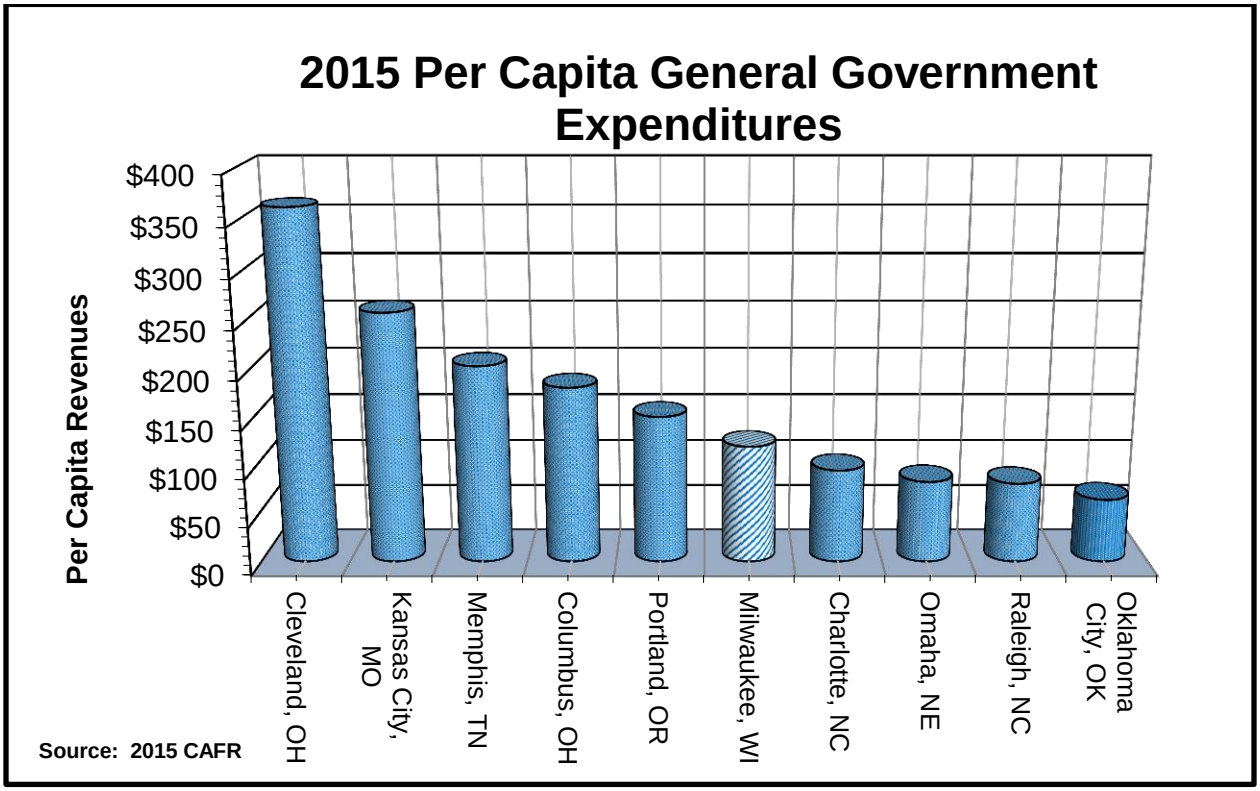
An efficient and well-maintained infrastructure is important to the economic vitality and attractiveness of a city. Maintaining safe and efficient sewers, streets, and other public ways furnish residents with access to employment, goods and services, while also providing businesses with an effective way to transport their products to customers. Milwaukee spends $670 per capita, about 3% less than the average of comparable cities on streets, sewers, and other public works' expenditures.

2015 Per Capita Expenditures
Public Works

	Amount
Cleveland, OH	$ 1,048
Portland, OR	999
Kansas City, MO	857
Columbus, OH	694
Charlotte, NC	675
Milwaukee, WI	**670**
Raleigh, NC	554
Oklahoma City, OK	523
Memphis, TN	514
Omaha, NE	386
Average of Comparable Cities	$ 692

Source: 2015 CAFR

General Government



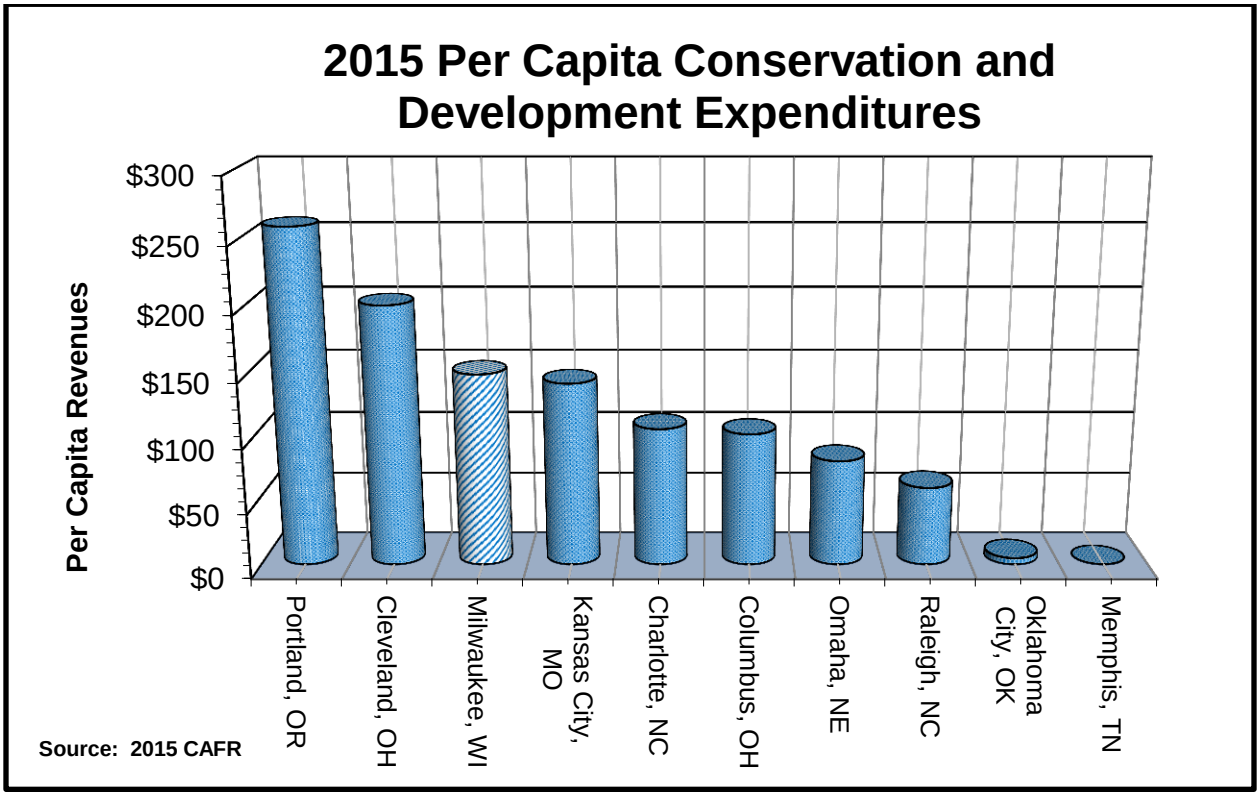
General government and administration costs are necessary for the operation of any organization. Milwaukee's general government and administration costs are comparable to those of its peer cities. The category general government includes expenditures related to the Mayor's Office, Common Council, Municipal Court, legal and financial services, elections, property assessments, employee relations, and other city management overhead expenses. Milwaukee spends $122 per capita or 25% less than the average of comparable cities on general government and administrative functions.

2015 Per Capita Expenditures
General Government

	Amount
Cleveland, OH	$ 363
Kansas City, MO	259
Memphis, TN	205
Columbus, OH	183
Portland, OR	153
Milwaukee, WI	**122**
Charlotte, NC	97
Omaha, NE	85
Raleigh, NC	83
Oklahoma City, OK	66
Average of Comparable Cities	$ 162

Source: 2015 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 $38 or 34% higher than the comparable city average. Memphis, TN does not report any expenditures under primary government Conservation and Development activities.

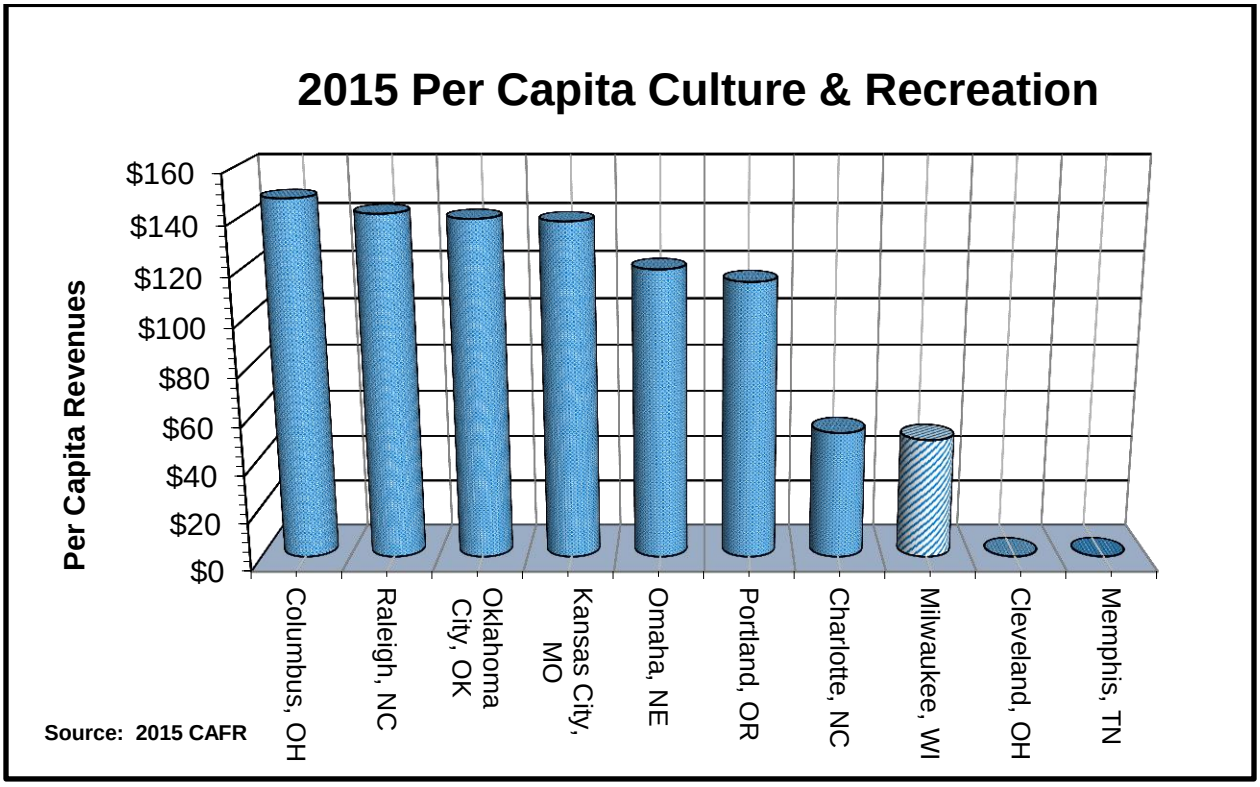
2015 Per Capita Expenditures
Conservation and Development

	Amount
Portland, OR	$ 259
Cleveland, OH	201
Milwaukee, WI	**149**
Kansas City, MO	142
Charlotte, NC	107
Columbus, OH	103
Omaha, NE	82
Raleigh, NC	61
Oklahoma City, OK	5
Memphis, TN	-
Average of Comparable Cities	$ 111

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

Source: 2015 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 $41 or 45% less than the comparable city average. Neither Cleveland nor Memphis report any expenditures under primary government Culture and Recreation activities.

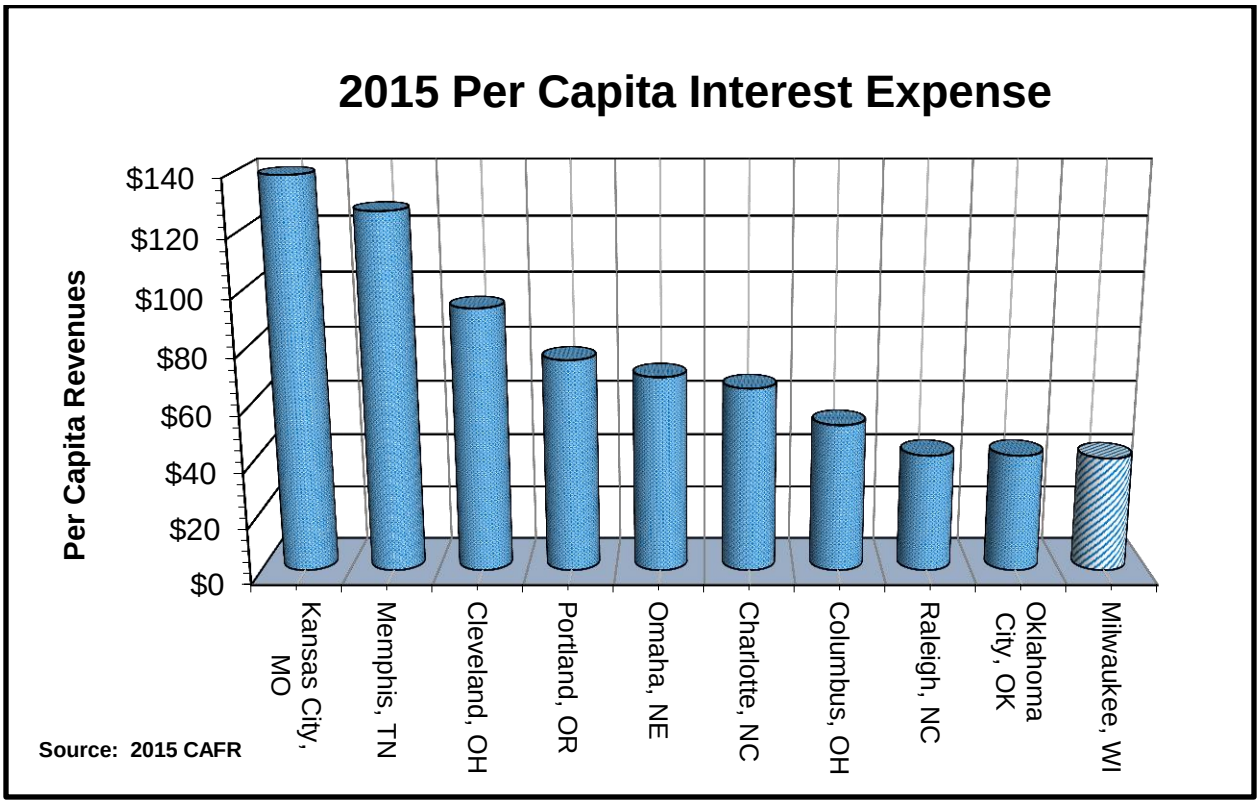
2015 Per Capita Expenditures
Culture and Recreation

	Amount
Columbus, OH	$ 148
Raleigh, NC	142
Oklahoma City, OK	140
Kansas City, MO	139
Omaha, NE	120
Portland, OR	115
Charlotte, NC	53
Milwaukee, WI	**50**
Cleveland, OH	-
Memphis, TN	-
Average of Comparable Cities	$ 91

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

Source: 2015 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 $34 or 45% below the average of comparable cities.

2015 Per Capita Expenditures
Interest Expense

	Amount
Kansas City, MO	$ 139
Memphis, TN	127
Cleveland, OH	94
Portland, OR	76
Omaha, NE	70
Charlotte, NC	66
Columbus, OH	53
Raleigh, NC	42
Oklahoma City, OK	42
Milwaukee, WI	**41**
Average of Comparable Cities	$ 75

Source: 2015 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 2015 population figures to calculate per capita values for 2015. 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. Four of the closest "sunbelt" cities and five 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.