



**POPULAR ANNUAL  
FINANCIAL REPORT**  
City of Milwaukee, Wisconsin

For the Year Ended  
December 31, 2018



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## ABOUT THIS REPORT

Although this report is largely based on the City's 2018 Comprehensive Annual Financial Report (CAFR), it is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Only the financial data for the general government is included in this report and, therefore, all of the City's discretely presented component units are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. A copy of the City's audited 2018 CAFR, which is prepared in accordance with GAAP, is located at:

<https://city.milwaukee.gov/ImageLibrary/Groups/cityComptroller/Reports/CAFR/CAFR2018.pdf>



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Certain photographs appear courtesy of Visit Milwaukee.

# City of Milwaukee, Wisconsin

## PRINCIPAL CITY OFFICIALS



Mayor  
Tom Barrett



City Comptroller  
Martin Matson



City Treasurer  
Spencer Coggs



City Attorney  
Grant F. Langley

## Common Council

Ashanti Hamilton, President

Dist.

1



Ashanti Hamilton

2



Cavalier Johnson

3



Nicholas Kovac

4



Robert Bauman

5



Nikiya Dodd

Dist.

6



Milele A. Coggs

7



Khalif J. Rainey

8



Robert G. Donovan

9



Chantia Lewis

10



Michael J. Murphy

Dist.

11



Mark A. Borkowski

12



José G. Pérez

13



Terry L. Witkowski

14



T. Anthony Zielinski

15



Russell W. Stamper, II

## A MESSAGE FROM THE COMPTROLLER

To the Citizens of Milwaukee:

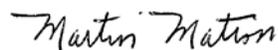
I am pleased to present to you the City of Milwaukee's (the City's) Popular Annual Financial Report (PAFR) for the Year Ended December 31, 2018. This report is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is written in a manner that will summarize and communicate, in a user-friendly manner, the City's financial condition.

In addition to providing financial information, it is important to demonstrate what makes Milwaukee a great place to live and work. Milwaukee's economy is supported by a vast network of for-profit and not-for-profit businesses. It is important for us to demonstrate the role City government is playing in supporting these activities.

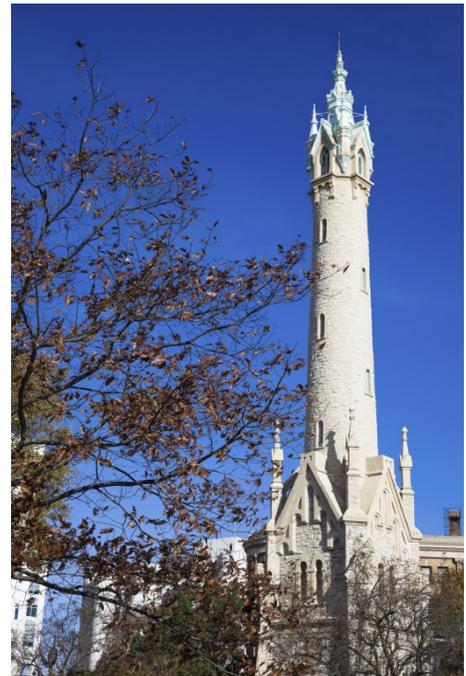
Financial information within this report is derived in large part from the City's 2018 independently audited set of financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). These audited statements are part of the City's 2018 Comprehensive Annual Financial Report (CAFR).

I welcome any feedback, comments, or concerns regarding the information included in this report.

Sincerely,



Martin Matson  
Comptroller



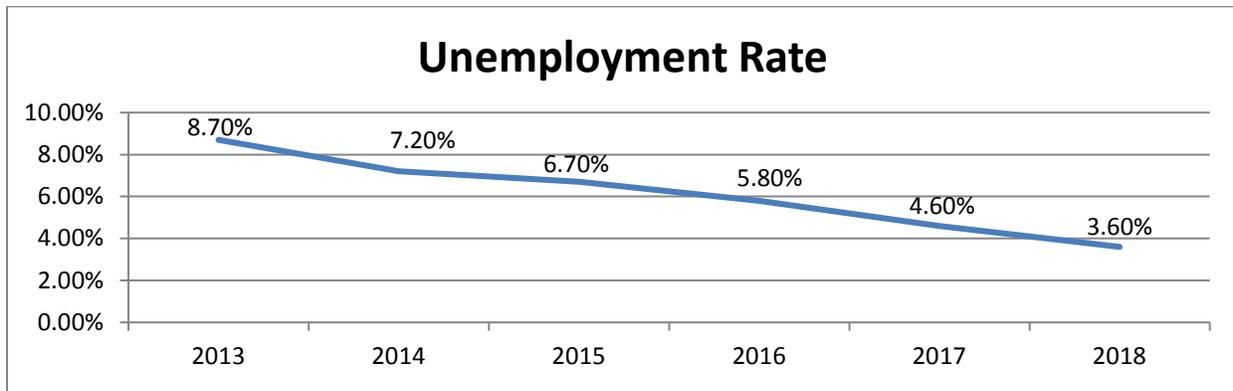
## ABOUT MILWAUKEE

Geographically, Milwaukee consists of 96.9 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is located approximately 75 miles east of the State capital, Madison. Milwaukee is the 31st largest city in the United States with a 2018 Wisconsin Department of Administration estimated population of 595,555. It is also the largest city in the State, and Wisconsin's main cultural and economic center.

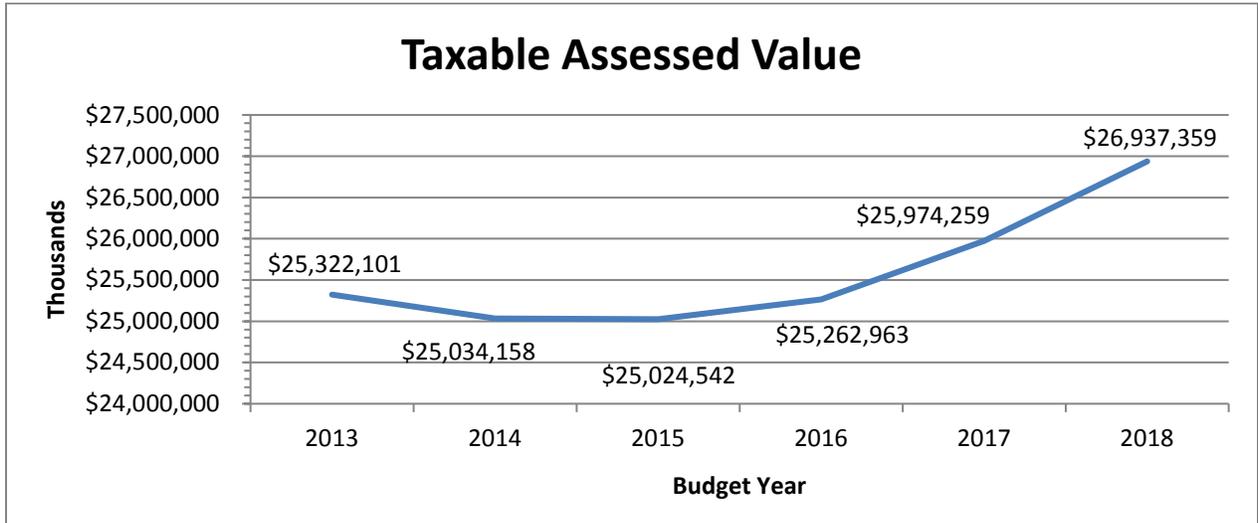
Milwaukee is the economic hub of the southeast region and the entire state of Wisconsin. It is a premiere center for advanced manufacturing, fresh water research and development, clean and green technology, health care, biomedical technology and financial services. Milwaukee's transportation system is a gateway for tourism, conventions, commerce, business growth and economic development.

### Economic Highlights

Over the last six years, the City's unemployment rate has continued to decline. The 2018 unemployment rate was 3.6%.



After a long period of decreases, property values have begun to increase.



Milwaukee is undergoing a remarkable revitalization including a downtown building boom. BMO Harris is building a new 25 story office tower across from City Hall on Wells Street. The Couture high rise is being planned along Milwaukee’s lakefront. The project will include a 44-story, \$122 million mixed-use development with apartments and retail. Northwestern Mutual has changed the City’s skyline with the construction of a 32-story office tower, as well as a 33-story upscale apartment tower. The office tower, at one million square feet, is the largest office structure in the state of Wisconsin.

In addition, the Milwaukee Bucks just completed its 2018 – 2019 season in the new Fiserv Forum arena. The Milwaukee Bucks also created the Deer District, an entertainment destination created just to the east of the arena, with an outdoor plaza and many amenities.

The City completed the initial M-Line of the Milwaukee Streetcar project. Operations began in November 2018 and ridership has thus far exceeded expectations. The lakefront line is being constructed and an expansion to the current line is being planned.

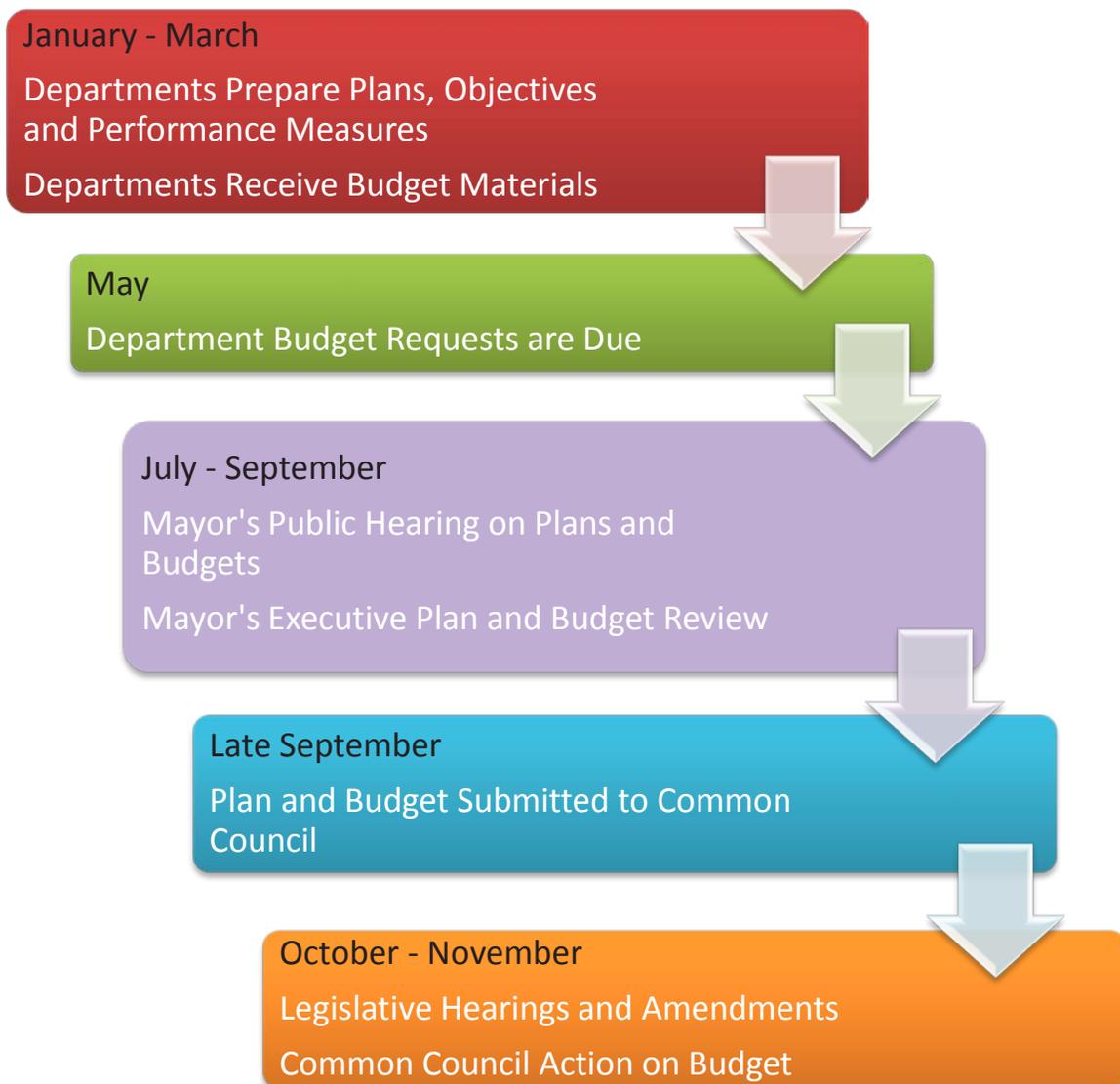
City-wide, approximately 14,000 new housing units have been constructed in the last decade. In 2018 alone, 1,720 housing units have been added, of which 60 apartment units are at Victory Manor for military veterans. The City also sold 500 foreclosed homes in 2018.

## THE BUDGET AND PLANNING PROCESS

Effective financial planning begins with objectives and identifies factors that pose challenges and opportunities to structural budget balance. The two primary financial objectives are:

1. Provide mission-critical city services through annual budgets that limit the impact of tax levy and municipal service charges; and
2. Manage long-term obligations in a manner that stabilizes ongoing funding requirements and minimizes transfer of costs to future generations.

### Budget Calendar



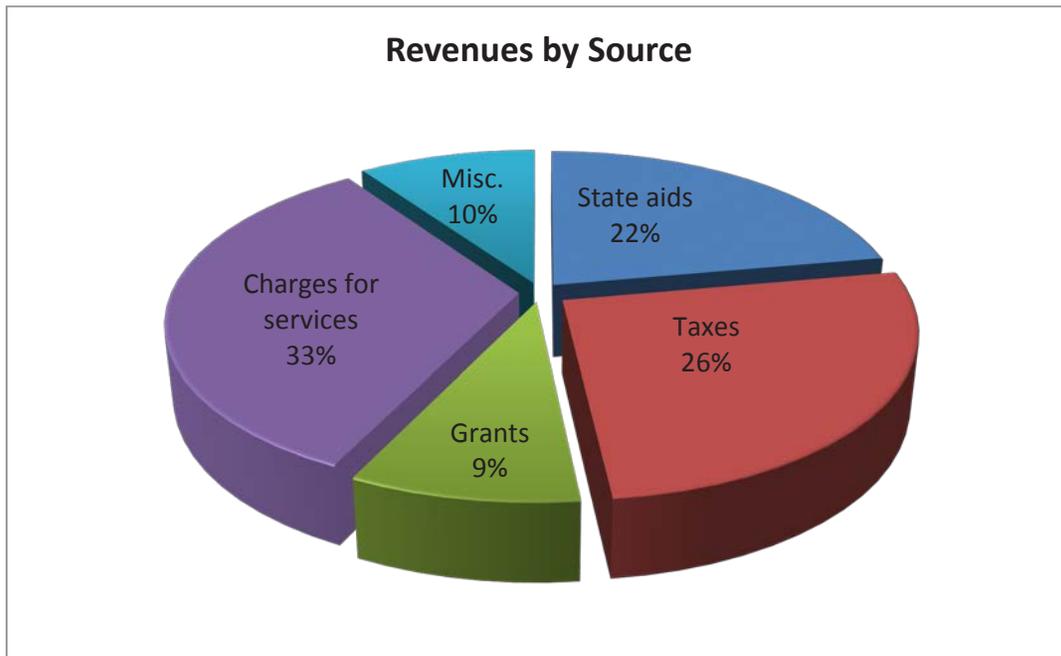
## WHERE DOES OUR MONEY COME FROM?

Like all governments, the City must raise funds to pay for the services that it provides to its citizens and businesses. These sources of funds, referred to as revenue, are raised through taxes, charges for services, State aids and grants.

### Revenues by Source – Government & Business-type Funds

<u>Category</u>	<u>2018 Amount</u>	<u>Percentage of Total</u>
Charges for services.....	\$401,389	33%
Taxes.....	316,655	26%
State aids.....	268,792	22%
Miscellaneous.....	117,373	10%
Grants.....	107,902	9%
Total revenues.....	<u>\$1,212,111</u>	<u>100%</u>

The pie chart below shows the City’s revenues by source for 2018.



## HOW IS OUR MONEY SPENT?

The City uses its revenues to provide a wide array of services. Public safety is, by far, the largest cost, comprising 41% of total governmental activities.

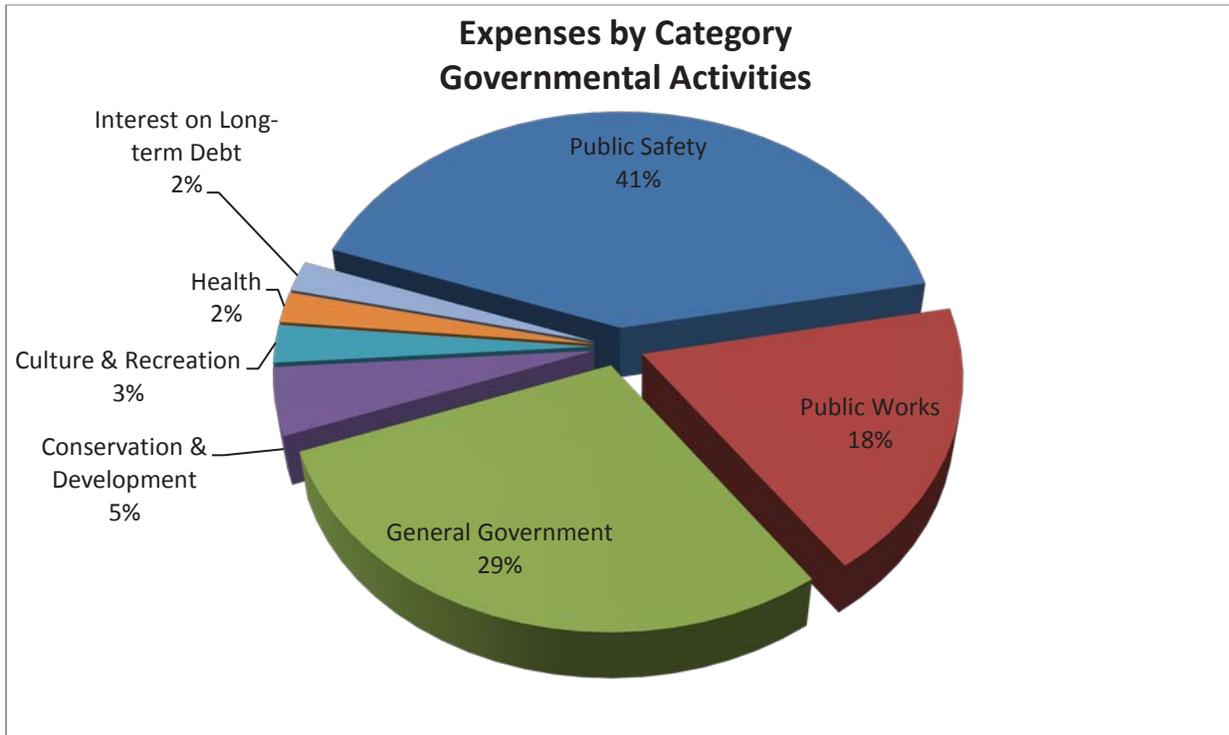
### Expenses by Category – Government & Business-type Funds

(in thousands)

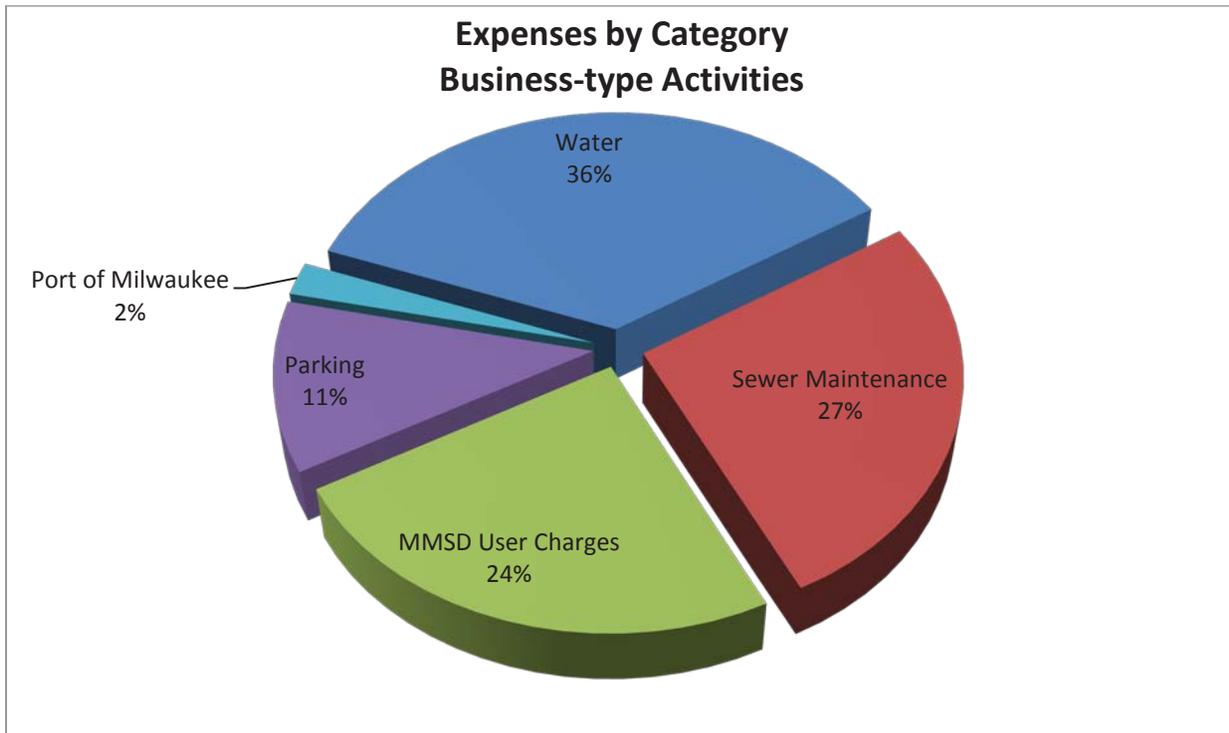
<u>Category</u>	<u>2018 Amount</u>	<u>Percentage of Total</u>
Governmental Activities		
Public Safety.....	\$437,746	41.4%
General Government.....	309,828	29.3%
Public Works.....	192,613	18.2%
Conservation & Development.....	47,904	4.5%
Culture & recreation.....	26,866	2.5%
Health.....	21,789	2.1%
Interest on Long-term Debt.....	21,451	2.0%
Total governmental.....	1,058,197	100.0%
Business-type Activities		
Water.....	78,310	35.5%
Sewer Maintenance.....	58,550	26.5%
MMSD User Charges.....	53,772	24.4%
Parking.....	25,031	11.4%
Port of Milwaukee.....	4,840	2.2%
Total business-type.....	220,503	100.0%
Total expenditures.....	\$1,278,700	

The expenses shown in the table above include future liabilities not funded with current revenues. Significant examples of these liabilities include the Other Postemployment Benefit (OPEB) liability and the Pension liability, which are determined by actuarial valuation reports. OPEB refers to benefits offered to retirees other than pension. The City provides OPEB to its retirees for health and life insurance. These liabilities are allocated amongst all governmental activities. Current year fringe benefit costs, such as health and dental insurance, long term disability insurance, and actual pension contribution for all governmental activities are stated in the general government figure.

The pie chart below shows the City's Governmental Activities Expenses during 2018.



The pie chart below shows the City's Business-type Activities Expenses during 2018.



## WHAT SERVICES DOES OUR MONEY PAY FOR?

Knowing the total cost of an activity doesn't provide any insight on how those dollars are used. The table below identifies some of the services the City provided during 2018.

<b>Government Activities</b>	<b><u>2018</u></b>
<b>Public Safety</b>	
Courtroom cases.....	80,870
Police dispatches.....	255,599
Traffic citations.....	69,048
Fire medical emergency assists.....	71,323
Fires extinguished.....	1,749
Building inspection complaints.....	38,788
Building inspection orders.....	25,821
<b>Public Works</b>	
Miles of street paved.....	29.0
Tons of asphalt patching.....	19,019
Tons of refuse/recycling collected.....	284,955
<b>Health</b>	
Food inspections.....	9,775
Immunizations.....	5,921
<b>Conservation &amp; Development</b>	
New housing units.....	1,720
<b>Business-type Activities</b>	
Millions of gallons of water sold.....	28,730
Port metric tonnage handled.....	2,393,877

## THE CITY'S NET POSITION

The Government-wide Balance Sheet, known as the Statement of Net Position, presents information on the City's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position serve as an indicator of the City's financial position and of the results of the City's operations.

### Changes in Net Position – Governmental & Business-type Funds

(in thousands)

	<u>2018</u>	<u>2017</u>
<b>Our Assets - What We Have</b>		
Noncapital Assets: consists mainly of cash and amounts owed to the City.....	\$ 1,072,643	\$ 1,086,644
Capital Assets: consists of buildings, equipment, vehicles, infrastructure, improvements, and Construction in Progress.....	2,505,283	2,359,777
<b>Total Assets of the City.....</b>	<u>3,577,926</u>	<u>3,446,421</u>
Deferred Outflows of Resources: represents a consumption of resources that applies to future periods		
Loss on refunding.....	31	112
Deferred outflows for pensions.....	229,144	230,849
<b>Our Liabilities - What We Owe</b>		
Liabilities: consists of amounts that the City expects to pay		
Long-term liabilities.....	3,049,168	2,281,695
Other liabilities (i.e., accounts & notes payable, accrued expenses).....	324,075	338,101
<b>Total Liabilities of the City.....</b>	<u>3,373,243</u>	<u>2,619,796</u>
Deferred Inflows of Resources: represents an acquisition of resources that applies to future periods		
Gain on refunding.....	649	904
Deferred inflows for grants.....	699	579
Deferred inflows for pensions & OPEB.....	193,093	23,127
Subsequent year's property taxes.....	331,334	315,462
<b>Net Position</b>		
Net investment in capital assets: cost of capital assets less depreciation.....	1,613,775	1,570,583
Restricted: amounts that are restricted for specific purposes.....	212,795	163,801
Unrestricted (Deficit): amounts available for any decided-upon purpose.....	(1,918,487)	(1,016,870)
<b>Total Net Position.....</b>	<u>\$ (91,917)</u>	<u>\$ 717,514</u>

Total net position at the close of fiscal year 2018 was (\$92) million, a 113% decrease compared to the 2017 total of \$718 million. This decrease is due mainly to the implementation of the Governmental Accounting Standards Board (GASB) Statement 75, which requires recording the entire net OPEB liability. This pronouncement necessitates the restatement of the January 1, 2018 fund balance and liability balances. This resulted in a \$755 million increase in the January 1, 2018 total OPEB liability and a corresponding decrease to net position. The table below outlines the total OPEB liability as previously stated in 2017 per GASB 45, along with the restated balances per GASB 75.

### Restatement of Total OPEB Liability

*(in millions)*

	<b>Prior GASB 45 Balance 12/31/2017</b>	<b>Restated GASB 75 Bal. 1/1/2018</b>	<b>Increase</b>
Government Activities.....	\$459.4	\$1,148.8	\$689.4
Water Works.....	8.0	47.6	39.6
Sewer Maintenance.....	3.1	16.1	13.0
Parking.....	2.2	12.7	10.5
Port of Milwaukee.....	0.6	3.2	2.6
Total.....	\$473.3	\$1,228.4	\$755.1
	\$473.3	\$1,228.4	\$755.1

# SUMMARY OF CAPITAL ASSETS

The City’s investment in capital assets as of December 31, 2018 was \$2.5 billion, an increase of \$146 million or 6% over 2017. The investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furnishings, and construction in progress.

## Capital Assets – Governmental & Business-type Funds

(in thousands)

<u>Category</u>	<u>2018</u>	<u>2017</u>
Land.....	\$184,933	\$183,056
Construction-in-Progress.....	163,792	162,786
Buildings .....	510,015	420,790
Infrastructure.....	3,033,086	2,953,813
Improvements other than buildings....	23,078	23,145
Machinery & equipment.....	552,382	514,621
Nonutility property.....	3,918	3,917
Accumulated depreciation.....	(1,965,921)	(1,902,351)
<b>Total Capital Assets.....</b>	<b>\$2,505,283</b>	<b>\$2,359,777</b>



## LONG TERM OBLIGATIONS

At year-end, governmental activities had long-term obligations of \$2.6 billion. Of this amount, \$147 million is due within one year. The long-term obligations include debt, other post-employment benefits, net pension liability, claims & judgements, and compensated absences.

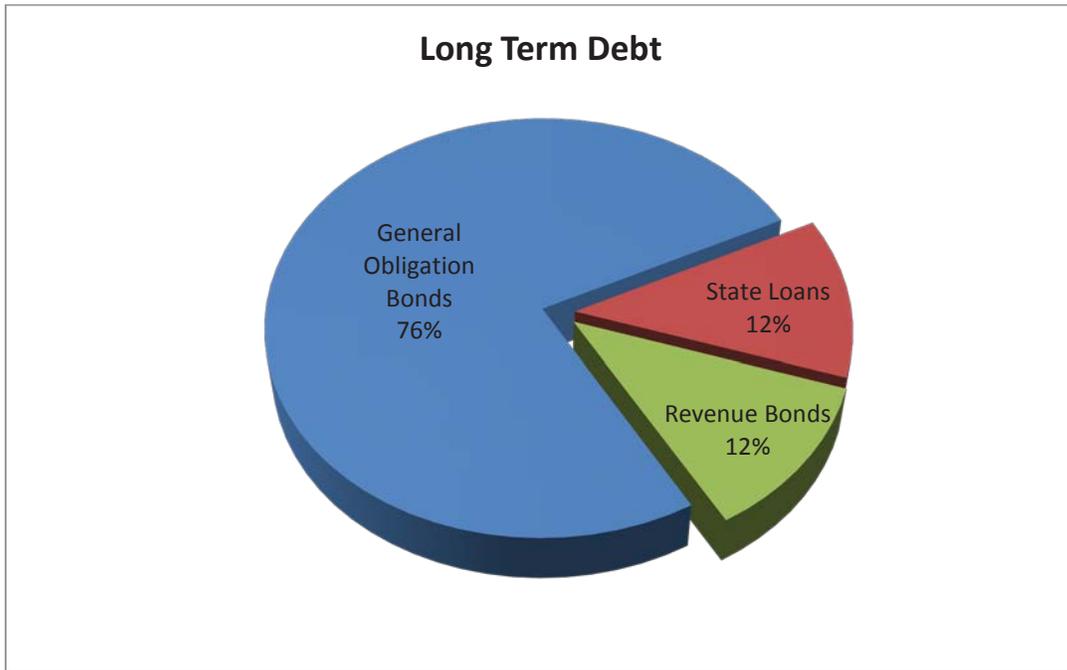
### Long term Obligations – Governmental & Business-type Funds

(in thousands)

	As of December 31, 2018	Amount Due Within One Year
<b>Governmental Activities:</b>		
General obligation bonds.....	\$ 994,923	\$ 114,751
Unamortized premiums.....	75,271	-
Compensated absences.....	46,698	30,436
Other post-employment benefits.....	1,134,360	-
Pension liability.....	292,505	-
Claims & judgements.....	42,330	1,589
Total Governmental Activities.....	<u>\$ 2,586,087</u>	<u>\$ 146,776</u>
<b>Business-type Activities</b>		
General obligation bonds.....	\$ 34,172	\$ 5,349
Unamortized premiums.....	310	-
State loans.....	166,243	10,000
Revenue bonds.....	158,360	8,685
Unamortized premiums.....	11,310	-
Compensated absences.....	3,041	3,041
Other post-employment benefits.....	78,567	-
Pension liability.....	11,078	-
Total Business-type Activities.....	<u>\$ 463,081</u>	<u>\$ 27,075</u>

As of December 31, 2018, the City owed \$1 billion in general obligation bonds and notes, \$166 million in State loans, and \$158 million in revenue bonds outstanding. The general obligation bonds and notes are backed by the full faith and unlimited taxing power of the City, while the revenue bonds are backed by specific fee revenues.

The pie chart below shows the composition of the City's debt as of December 31, 2018.



## FUND BALANCE

The following are descriptions of the City's fund balance classifications:

**Nonspendable Fund Balance** – This includes amounts that cannot be spent because they are (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of these would be inventory and prepaid assets.

**Restricted Fund Balance** – This includes amounts that are restricted to specific purposes stipulated by (a) external creditors, grantors, contributors, or State and Federal laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – This includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the City's highest level of decision making authority which is the Common Council. Once adopted by resolution, a resolution can only be revised or removed by adoption of a new resolution.

**Assigned Fund Balance** – This includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made directly by formal action of the Common Council.

**Unassigned Fund Balance** – This amount is the residual classification for the general fund. This classification represents fund balance that has not been assigned to others and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City’s General Fund, fund balance was \$67 million as of December 31, 2018, a decrease of \$30 million or 31% compared to prior year.

### Fund Balance – General Fund

*(in thousands)*

<u>Category</u>	<u>2018</u>	<u>2017</u>
Nonspendable.....	\$19,476	\$18,401
Restricted.....	-	-
Committed.....	3,066	3,444
Assigned.....	26,450	37,281
Unassigned.....	18,002	38,350
Total Fund Balance.....	\$66,994	\$97,476

This summary of financial data is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the City’s finances and to demonstrate the City’s accountability for the taxes and other funding received. If you have questions about this report or need additional financial information, please contact:

City of Milwaukee Comptroller’s Office  
 200 East Wells Street  
 Milwaukee, WI 53202  
 414-286-3321



