

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

For the Year Ended
December 31, 2019

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ABOUT THIS REPORT

Although this report is largely based on the City's 2019 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 2019 CAFR, which is prepared in accordance with GAAP, is located at:

<https://city.milwaukee.gov/ImageLibrary/Groups/cityComptroller/Reports/CAFR/2019CAFRv2.pdf>



Certain photographs appear courtesy of Visit Milwaukee.

City of Milwaukee, Wisconsin

PRINCIPAL CITY OFFICIALS

As of 12/31/2019



Mayor
Thomas M. 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



Scott Spiker

14



T. Anthony Zielinski

15



Russell W. Stamper, II

A MESSAGE FROM THE COMPTROLLER

To the Citizens of Milwaukee:

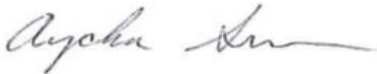
I am pleased to present to you the City of Milwaukee's (the City's) Popular Annual Financial Report (PAFR) for the Year Ended December 31, 2019. This report is intended to increase awareness and transparency throughout the community of the City's finances. As such, this report is written in a manner 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.

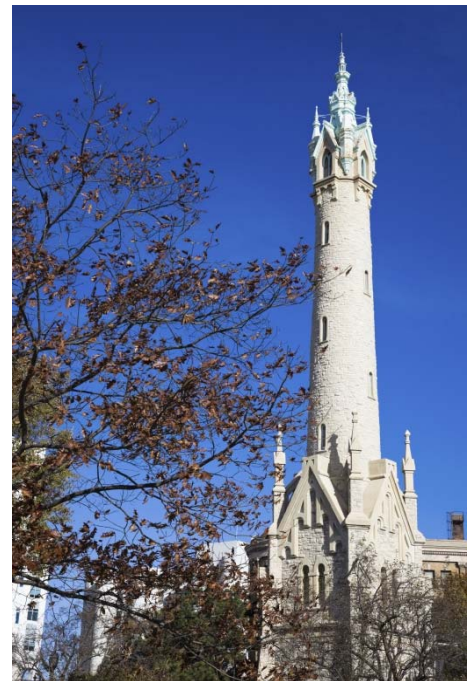
Financial information within this report is derived in large part from the City's 2019 independently audited set of financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). These audited statements are part of the City's 2019 Comprehensive Annual Financial Report (CAFR).

When elected in April of 2020, I committed to providing City financial information as best and as transparent as possible. Thus, I welcome any feedback, comments, or concerns regarding this report.

Sincerely,



Aycha Sawa, CPA, CIA
Comptroller



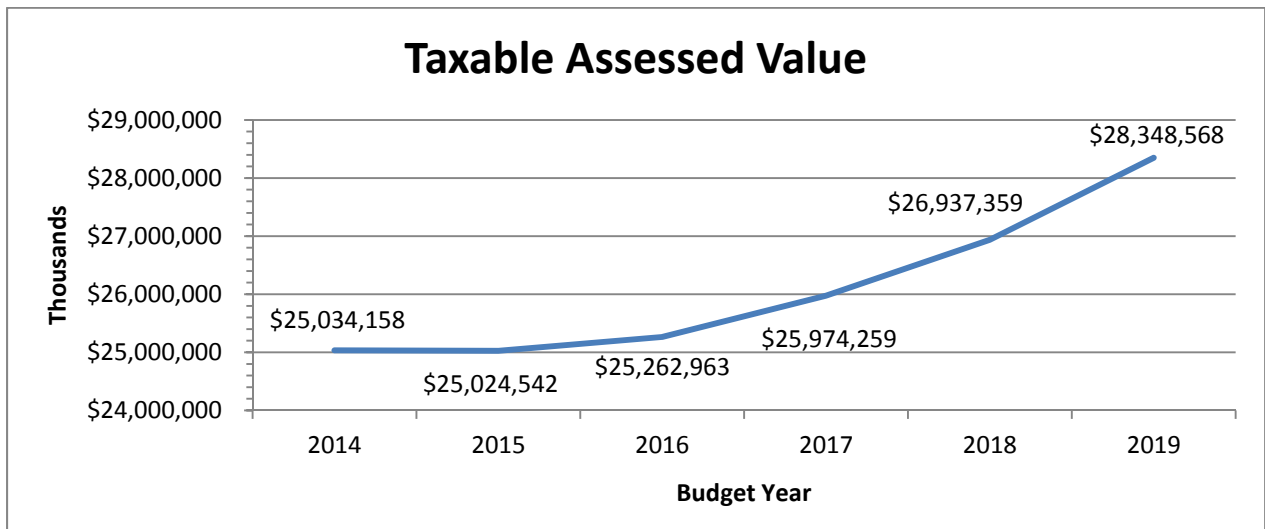
ABOUT MILWAUKEE

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 2019 Wisconsin Department of Administration estimated population of 590,547. 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 Outlook

After a 5 year period of decreases from 2009 through 2014, property values have begun to increase.



Milwaukee is undergoing a remarkable revitalization including a downtown building boom. BMO Harris completed a new 25 story office tower across from City Hall on Wells Street. The Couture high rise is still 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 have driven development with their new arena. They created the Deer District, an entertainment destination just east of the arena, with an outdoor plaza and plenty of amenities.

On the Kinnickinnic River, Michels, an energy and infrastructure contractor, commenced construction of phase one of their \$100 million development. Phase one consists of an eight story office building to house their infrastructure division headquarters. Future phases include plans for an apartment building, hotel, and two additional office buildings.

Komatsu Mining also released plans to construct a new \$285 million headquarters and manufacturing facility in the City's Harbor District. The company plans to move operations to the new campus in 2022.

The City continues to invest in its neighborhoods. City resources contributed to the creation of 1,720 new housing units, improvements to 508 existing housing units, and assisted 307 individuals purchase a home. The City sold 250 foreclosed houses in 2019.

The City also continues to advance the vitality of the neighborhood commercial corridors. The City's Commercial Corridor team provided more than 100 revitalization grants totaling more than \$1 million to businesses and commercial properties throughout the City. These investments helped launch 37 new businesses, expand 12 businesses, and improve dozens of business sites throughout the City.

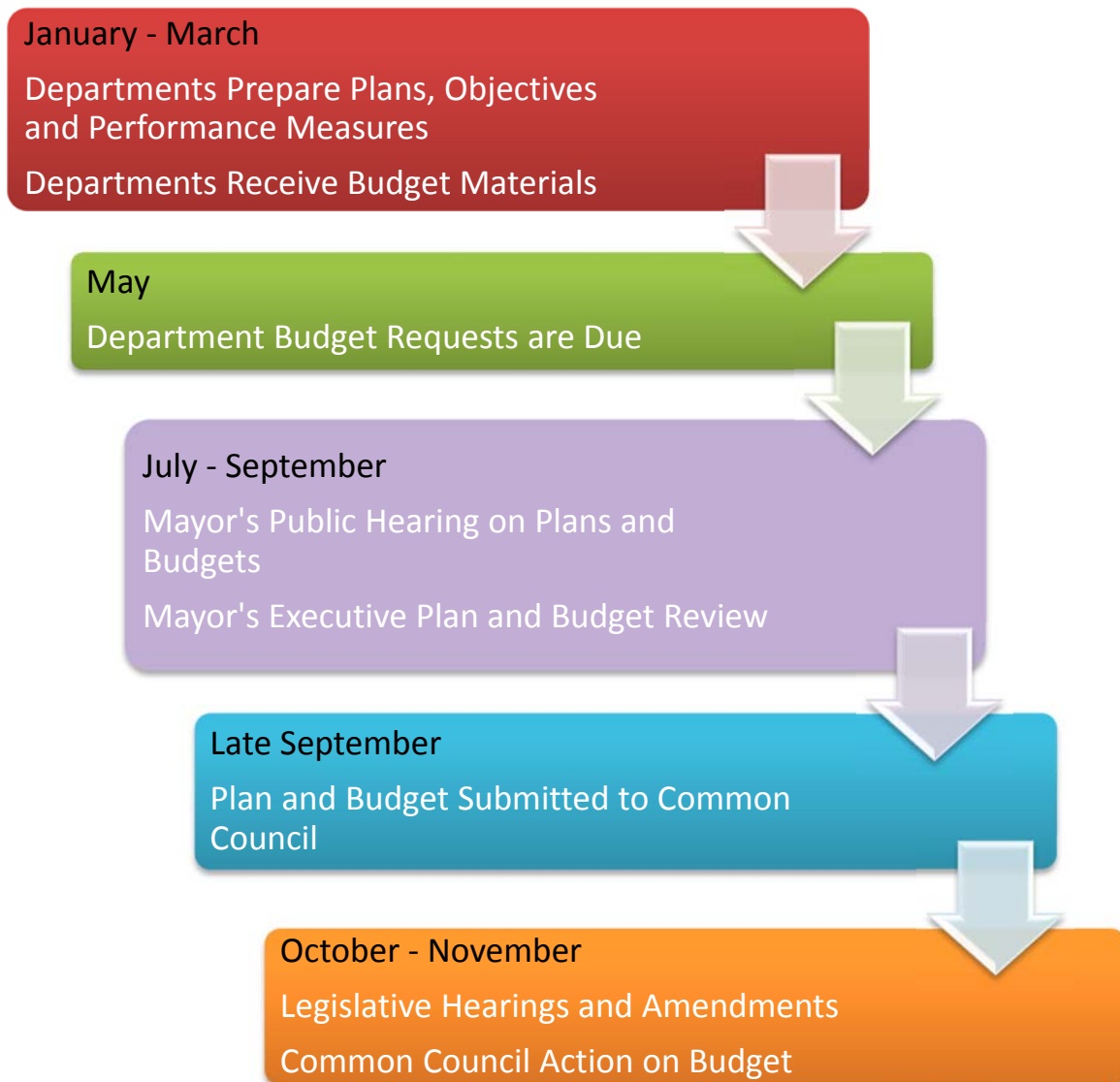


THE BUDGET AND PLANNING PROCESS

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.

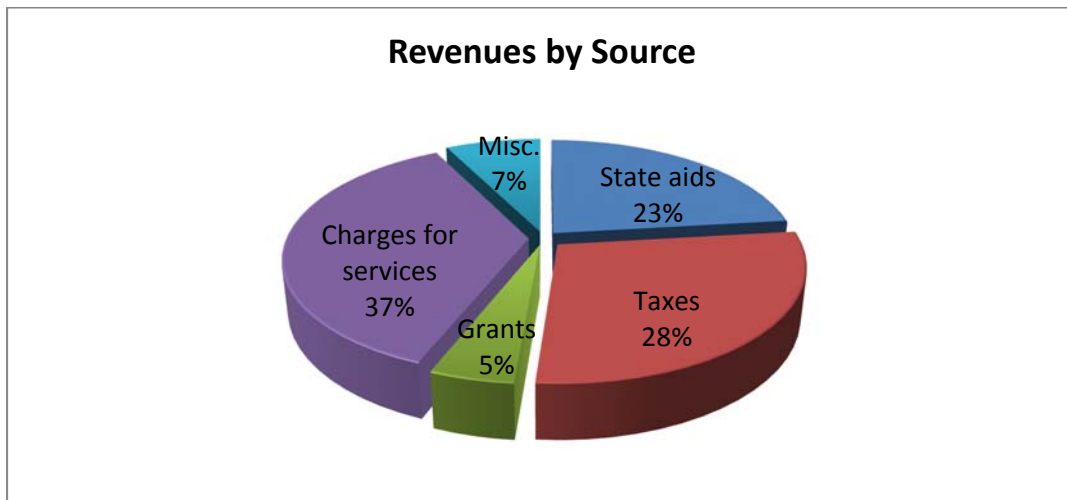
Revenues by Source – Government & Business-type Funds

(in thousands)

<u>Category</u>	<u>2019 Amount</u>	<u>Percentage of Total</u>
Charges for services.....	\$426,524	37%
Taxes.....	329,601	28%
State aids.....	270,575	23%
Miscellaneous.....	87,232	7%
Grants.....	54,913	5%
Total revenues.....	<u>\$1,168,845</u>	<u>100%</u>

Miscellaneous revenue comprises 7% of the City’s total revenue. Types of revenue that fall into this category include interest and investment income, licenses and permit fees, fines and forfeitures, third party contributions, Employees’ Retirement System reimbursement, and proprietary funds’ non-operating revenue.

The pie chart below shows the City’s revenues by source for 2019.



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 45% of total governmental activities.

Expenses by Category – Government & Business-type Funds

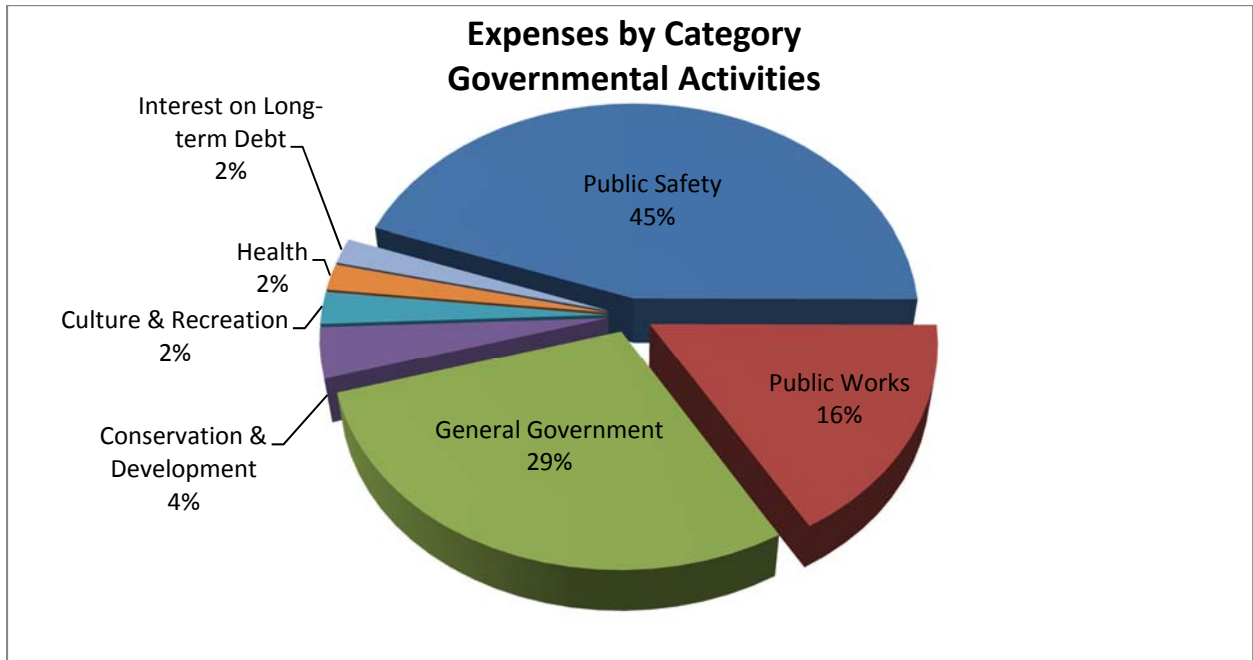
(in thousands)

<u>Category</u>	<u>2019 Amount</u>	<u>Percentage of Total</u>
Governmental Activities		
Public Safety.....	\$557,403	45%
General Government.....	363,272	29%
Public Works.....	206,475	16%
Conservation & Development.....	47,529	4%
Culture & Recreation.....	30,023	2%
Health.....	24,313	2%
Interest on Long-term Debt.....	23,710	2%
Total governmental.....	1,252,725	100%
Business-type Activities		
Water.....	74,954	35%
Sewer Maintenance.....	55,747	25%
MMSD User Charges*	53,301	25%
Transportation.....	27,931	13%
Port of Milwaukee.....	4,724	2%
Total business-type.....	216,657	100%
Total expenditures.....	\$1,469,382	

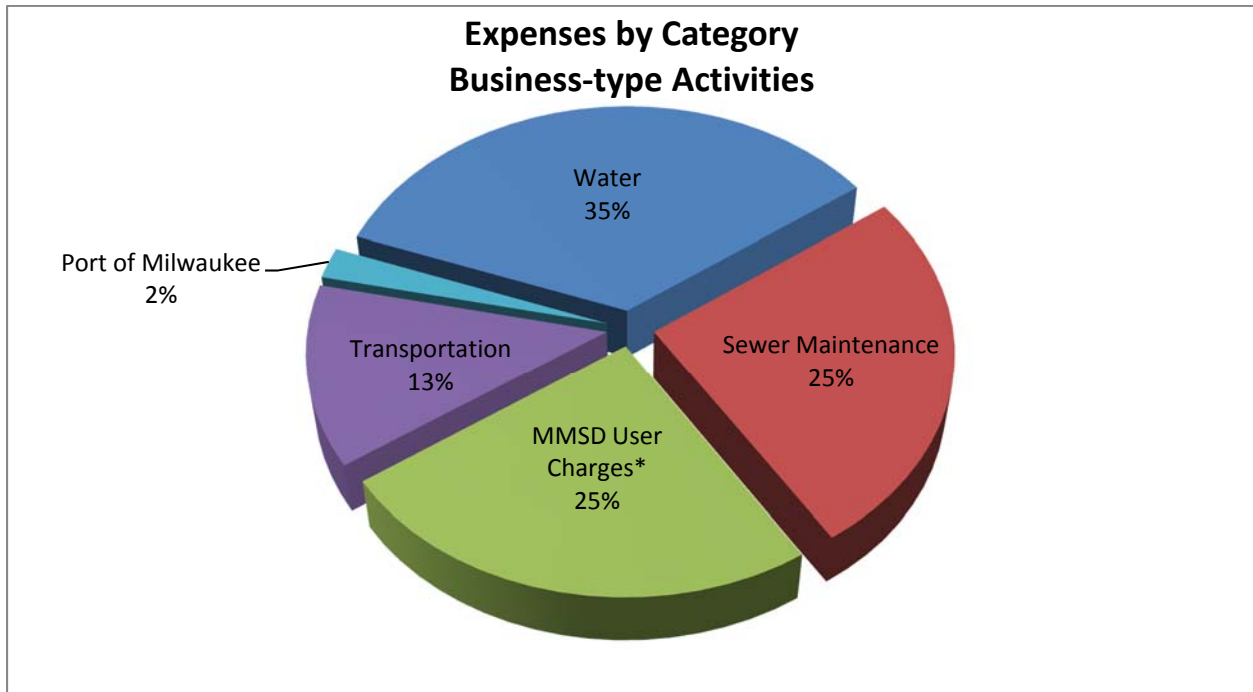
*MMSD refers to the Milwaukee Metropolitan Sewerage District

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 workers’ compensation for all governmental activities are stated in the general government figure.

The pie chart below shows the City's Governmental Activities Expenses during 2019.



The pie chart below shows the City's Business-type Activities Expenses during 2019.



*MMSD refers to the Milwaukee Metropolitan Sewerage District

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 2019.

Government Activities	<u>2019</u>
Public Safety	
Courtroom cases.....	61,284
Police dispatches.....	264,969
Traffic citations.....	50,072
Fire medical emergency assists.....	70,461
Fires extinguished.....	1,580
Building inspection complaints.....	41,699
Building inspection orders.....	36,825
Public Works	
Miles of street paved.....	28.0
Tons of asphalt patching.....	17,460
Tons of refuse/recycling collected....	292,420
Health	
Food inspections.....	9,525
Immunizations.....	6,859
Culture & Recreation	
Library Hours of Operation.....	31,546
Collections size.....	2,703,907
Public Computers.....	681
Conservation & Development	
New housing units.....	1,720
Business-type Activities	
Millions of gallons of water sold.....	27,708
Port metric tonnage handled.....	2,668,624

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>2019</u>	<u>2018</u>
Our Assets - What We Have		
Noncapital Assets: consists mainly of cash and amounts owed to the City.....	\$ 1,040,093	\$ 1,072,643
Capital Assets: consists of land, buildings, equipment, vehicles, infrastructure, improvements, and Construction in Progress.....	2,574,386	2,505,283
Total Assets of the City.....	<u>3,614,479</u>	<u>3,577,926</u>
Deferred Outflows of Resources: represents a consumption of resources that applies to future periods		
Loss on refunding.....	-	31
Deferred outflows for pensions.....	784,898	229,144
Deferred outflows for OPEB.....	201,866	-
Our Liabilities - What We Owe		
Liabilities: consists of amounts that the City expects to pay		
Long-term liabilities.....	4,152,251	3,049,168
Other liabilities (i.e. accounts & notes payable, accrued expenses).....	326,166	324,075
Total Liabilities of the City.....	<u>4,478,417</u>	<u>3,373,243</u>
Deferred Inflows of Resources: represents an acquisition of resources that applies to future periods		
Gain on refunding.....	485	649
Deferred inflows for grants.....	719	699
Deferred inflows for pensions & OPEB.....	167,666	193,093
Subsequent year's property taxes.....	346,410	331,334
Net Position		
Net investment in capital assets: cost of capital assets less depreciation.....	1,662,463	1,613,775
Restricted: amounts that are restricted for specific purposes.....	206,412	212,795
Unrestricted (Deficit): amounts available for any decided-upon purpose.....	<u>(2,261,329)</u>	<u>(1,918,487)</u>
Total Net Position.....	<u>\$ (392,454)</u>	<u>\$ (91,917)</u>

Total net position at the close of fiscal year 2019 was (\$392) million, a 326% decrease compared to the 2018 total of \$(92) million. This decrease is due mainly to the increased liability for pension and OPEB.

The City is required to record unfunded pension and OPEB liabilities. The unfunded liability is the difference between amounts of capital held and the costs of future benefits owed. The amounts are determined by an actuarial valuation. Many factors are considered when determining the valuation such as future estimated health insurance costs, mortality rates, and employee population size. In addition, the performance of pension contributions held in various investment funds is also considered. The actuarial valuation assumed the rate of return on the investments would be 8%. The actual net investment return was -2.91%. This significantly increased the pension liability.

SUMMARY OF CAPITAL ASSETS

The City's investment in capital assets as of December 31, 2019 was \$2.6 billion, an increase of \$69 million over 2018. 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>2019</u>	<u>2018</u>
Land.....	\$184,717	\$184,933
Construction-in-Progress.....	192,883	163,792
Buildings	518,819	510,015
Infrastructure.....	3,113,706	3,033,086
Improvements other than buildings.....	23,381	23,078
Machinery & equipment.....	565,468	552,382
Nonutility property.....	3,918	3,918
Accumulated depreciation.....	<u>(2,028,506)</u>	<u>(1,965,921)</u>
Total Capital Assets.....	<u>\$2,574,386</u>	<u>\$2,505,283</u>

LONG TERM OBLIGATIONS

At year-end, governmental activities had long-term obligations of \$3.6 billion. Of this amount, \$142 million is due within one year. The long-term obligations include debt, other postemployment benefits, net pension liability, claims & judgements, and compensated absences.

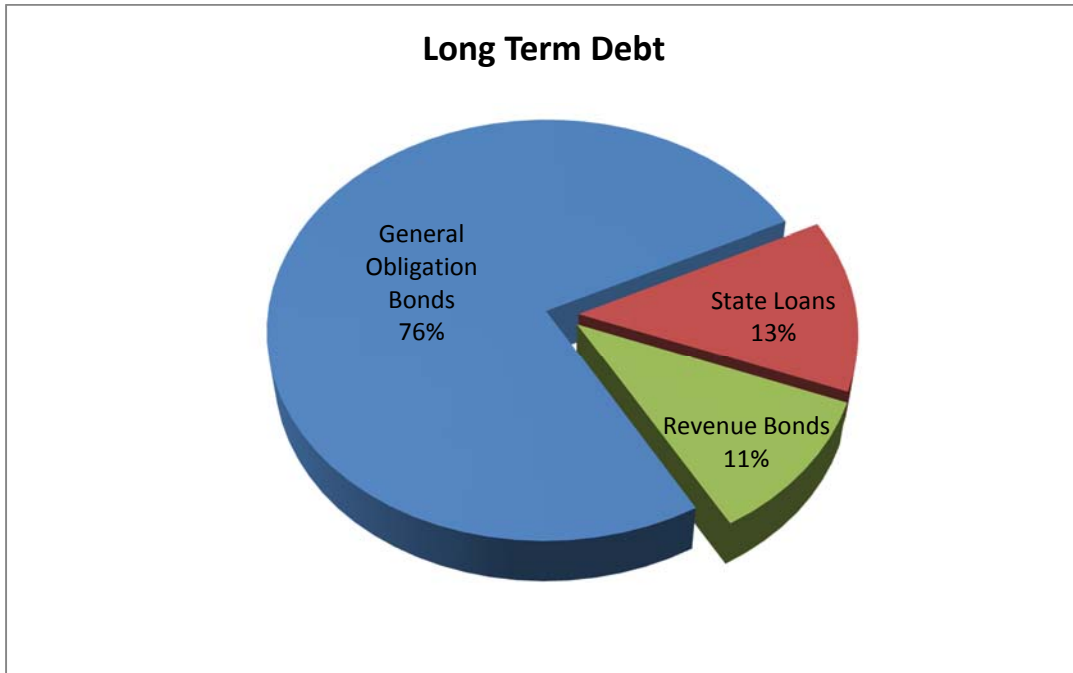
Long-term Obligations – Governmental & Business-type Funds

(in thousands)

	As of December 31, 2019	Amount Due Within One Year
Governmental Activities:		
General obligation bonds.....	\$ 988,466	\$108,883
Unamortized premiums.....	73,871	-
Compensated absences.....	46,702	31,049
Other post-employment benefits.....	1,364,584	-
Pension liability.....	1,110,218	-
Claims & judgements.....	39,938	1,600
Total Governmental Activities.....	<u>\$3,623,779</u>	<u>\$141,532</u>
Business-type Activities		
General obligation bonds.....	\$ 66,674	\$ 3,062
Unamortized premiums.....	279	-
State loans.....	183,866	11,413
Revenue bonds.....	149,675	9,095
Unamortized premiums.....	9,976	-
Compensated absences.....	3,035	3,035
Other post-employment benefits.....	79,584	-
Pension liability.....	35,383	-
Total Business-type Activities.....	<u>\$ 528,472</u>	<u>\$ 26,605</u>

As of December 31, 2019, the City owed \$1.1 billion in general obligation bonds and notes, \$184 million in State loans, and \$150 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 and State loans are backed by specific fee revenues.

The pie chart below shows the composition of the City’s outstanding general obligation bonds & notes, State loans, and revenue bonds as of December 31, 2019.



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 \$52 million as of December 31, 2019, a decrease of \$15 million or 22% compared to prior year.

Fund Balance – General Fund

(in thousands)

<u>Category</u>	<u>2019</u>	<u>2018</u>
Nonspendable.....	\$21,621	\$19,476
Restricted.....	-	-
Committed.....	2,949	3,066
Assigned.....	20,580	26,450
Unassigned.....	7,339	18,002
Total Fund Balance.....	\$52,489	\$66,994

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