

# **City of Milwaukee**

## **Comparative Revenue and Expenditure Report**



**Martin Matson  
Comptroller**

**2014**

## Table of Contents

|   | <b>Page</b> |
|---|-------------|
| <b>I. Introduction</b> .....              | 2           |
| <b>II. Revenue Sources</b> .....          | 3           |
| A. Local Taxes .....                      | 4           |
| B. Property Taxes .....                   | 5           |
| C. Intergovernmental Aids .....           | 6           |
| D. Charges for Services .....             | 7           |
| <b>III. Expenditures by Purpose</b> ..... | 8           |
| A. Public Safety .....                    | 9           |
| B. Public Works.....                      | 10          |
| C. General Government.....                | 11          |
| D. Conservation and Development.....      | 12          |
| E. Culture and Recreation .....           | 13          |
| F. Interest Expense .....                 | 14          |
| <b>IV. Appendices</b>                     |             |
| I. Data Sources and Limitations.....      | 15          |
| II. Comparable City Methodology .....     | 16          |

## Introduction

The 2014 Comparative Revenue and Expenditure Report includes a change in comparable cities from prior years' reports in order to reflect current demographics as population centers have changed over the years. Selection criteria utilized in this report is consistent with prior years' reports. However, due to changes in population over the last decade, four of the nine previously reported cities were replaced. Pittsburgh, Sacramento, Cincinnati, and Toledo were removed and replaced with Memphis, Raleigh, Omaha, and Kansas City.

Though the comparable cities differ from past reports, the City of Milwaukee continues to rank lower than the comparable city average for total revenues. 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. On the expenditure side, Milwaukee's per capita total expenditures are slightly lower than the average of comparable cities.

Audited comprehensive annual financial reports (CAFR) for calendar year 2013 or fiscal year 2012/2013 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. This is 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. This means that State aids are a critical component of the City of Milwaukee's revenue structure, given its limited local revenue options.

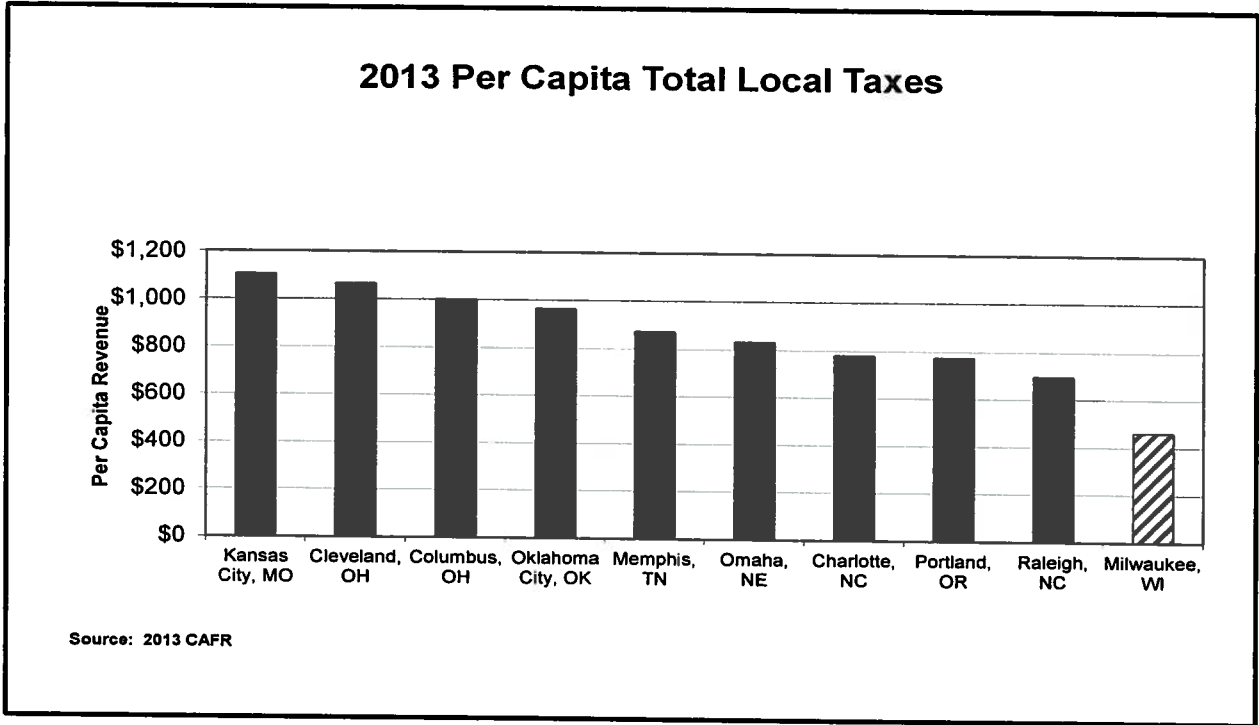
### 2013 Per Capita Municipal Revenues

|                                   | City of<br>Milwaukee | Average of<br>Comparable<br>Cities | Variance<br>Milwaukee versus<br>Comparable City Average |             |
|-----------------------------------|----------------------|------------------------------------|---|-------------|
| Property Taxes                    | \$461                | \$360                              | \$101   | 28%         |
| Other Local Taxes                 | 0                    | 494                                | (494)   |             |
| <b>Total Local Taxes</b>          | <b>\$461</b>         | <b>\$854</b>                       | <b>(\$393)</b>  | <b>-46%</b> |
| Intergovernmental Aids            | 532                  | 327                                | \$205   | 63%         |
| <b>Total Local Taxes and Aids</b> | <b>\$993</b>         | <b>\$1,181</b>                     | <b>(188)</b>  | <b>-16%</b> |
| Charges for Services              | 578                  | 737                                | (159)   | -22%        |
| Other Revenues                    | 139                  | 52                                 | 87  | 167%        |
| <b>Total</b>                      | <b>\$1,710</b>       | <b>\$1,970</b>                     | <b>(\$260)</b>  | <b>-13%</b> |

Source: 2013 CAFR

Total local per capita taxes in Milwaukee are 46% less than the average of comparable cities. City of Milwaukee per capita local taxes combined with intergovernmental aids is 16% lower than the peer city average. Total per capita revenue for the City of Milwaukee is \$1,710, which is 13% less than the per capita total revenue of comparable cities.

## Local Taxes



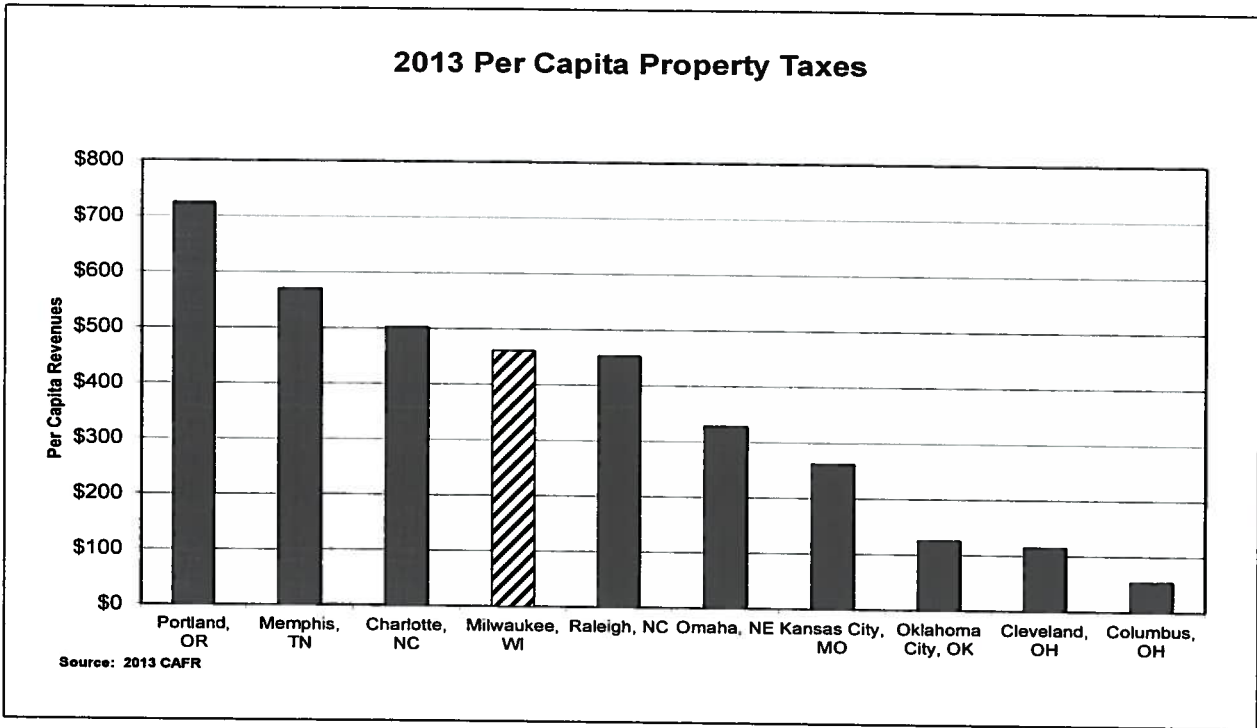
Local taxes include property, utility, sales and income taxes generated at the municipal level, as well as other taxes. The only tax the City of Milwaukee can levy is the property tax. All of the nine peer cities included in this report have one or more additional local tax options available. As a result, when all available local taxes are considered, Milwaukee ranks last in per capita local taxes. Milwaukee collects \$461 per capita in total local taxes, which is 46% lower than the average of comparable cities.

**2013 Per Capita Revenues  
Local Taxes**

|                              | Amount     |
|------------------------------|------------|
| Kansas City, MO              | \$ 1,104   |
| Cleveland, OH                | 1,065      |
| Columbus, OH                 | 1,001      |
| Oklahoma City, OK            | 964        |
| Memphis, TN                  | 870        |
| Omaha, NE                    | 830        |
| Charlotte, NC                | 777        |
| Portland, OR                 | 771        |
| Raleigh, NC                  | 694        |
| <b>Milwaukee, WI</b>         | <b>461</b> |
| Average of Comparable Cities | \$ 854     |

Source: 2013 CAFR

## Property Taxes



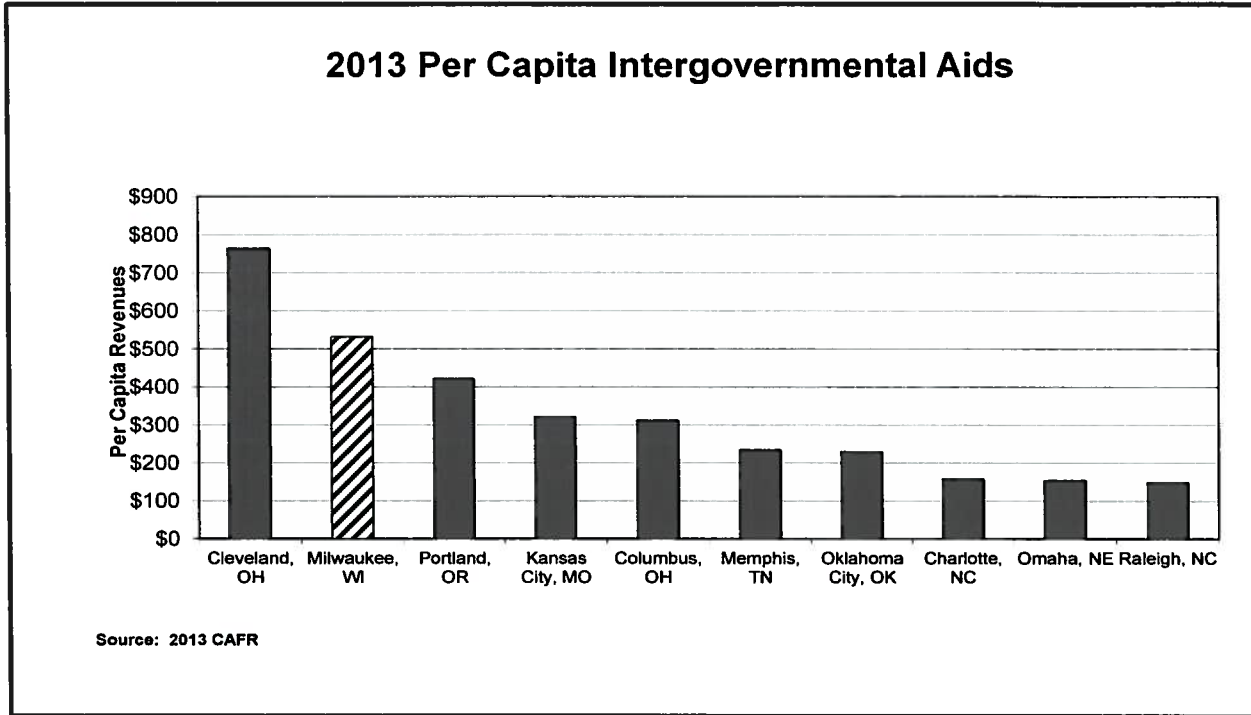
The City of Milwaukee's local tax is the property tax. Milwaukee's municipal property tax per capita is \$461, which is 28% higher than the peer city average. Since the City of Milwaukee cannot assess a local sales tax or a local income tax, it relies on the property tax for its local tax revenue.

**2013 Per Capita Revenues  
Property Taxes**

|                              | Amount     |
|------------------------------|------------|
| Portland, OR                 | \$ 724     |
| Memphis, TN                  | 570        |
| Charlotte, NC                | 502        |
| <b>Milwaukee, WI</b>         | <b>461</b> |
| Raleigh, NC                  | 453        |
| Omaha, NE                    | 328        |
| Kansas City, MO              | 262        |
| Oklahoma City, OK            | 126        |
| Cleveland, OH                | 115        |
| Columbus, OH                 | 54         |
| Average of Comparable Cities | \$ 360     |

Source: 2013 CAFR

### Intergovernmental Aids



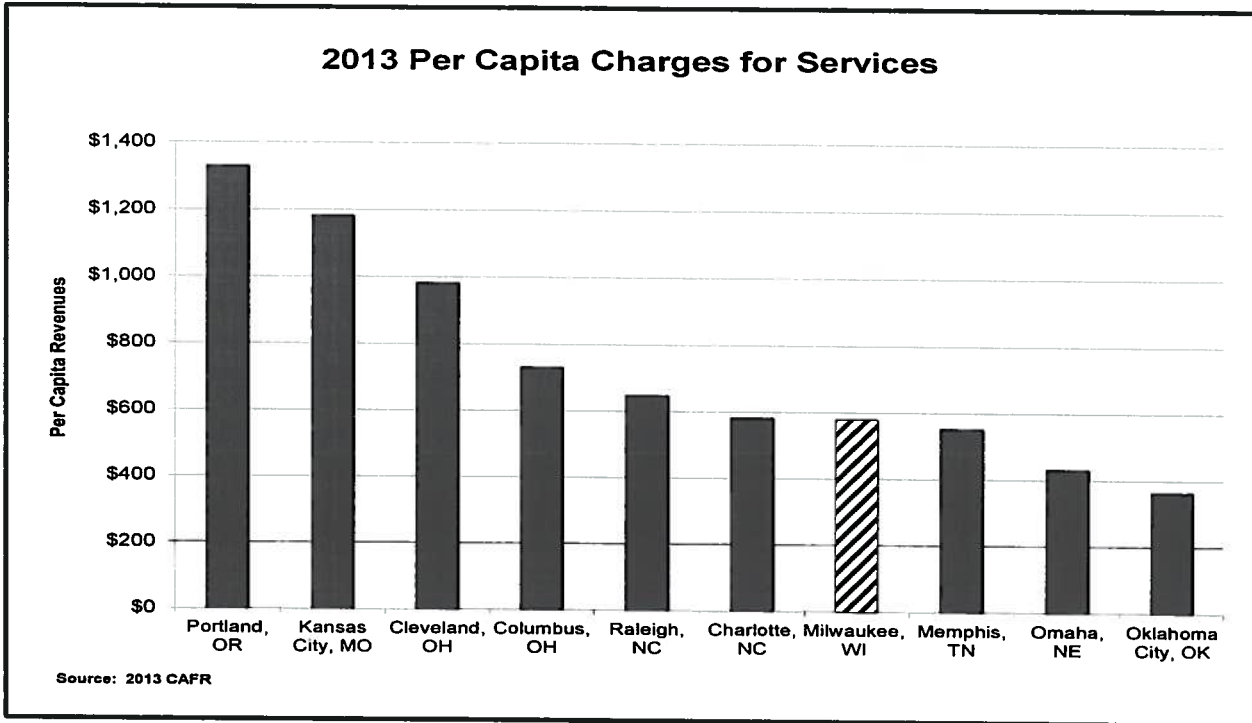
In Wisconsin, municipalities do not have the ability to institute sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be assessed and collected by the State, with a portion redistributed back to municipalities in the form of State Shared Revenue payments. This is the primary reason why Milwaukee ranks second in funding from intergovernmental revenues, 63% higher than the average of comparable cities. However, state aids received by the City of Milwaukee have declined in real terms over the years.

**2013 Per Capita Revenues  
Intergovernmental Aids**

|                              | Amount     |
|------------------------------|------------|
| Cleveland, OH                | \$ 763     |
| <b>Milwaukee, WI</b>         | <b>532</b> |
| Portland, OR                 | 421        |
| Kansas City, MO              | 321        |
| Columbus, OH                 | 311        |
| Memphis, TN                  | 234        |
| Oklahoma City, OK            | 229        |
| Charlotte, NC                | 158        |
| Omaha, NE                    | 154        |
| Raleigh, NC                  | 148        |
| Average of Comparable Cities | \$ 327     |

Source: 2013 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. These recently enacted revenue changes notwithstanding, Milwaukee’s \$578 per capita charges for services is 22% lower than the average of comparable cities.

|                              | Amount     |
|------------------------------|------------|
| Portland, OR                 | \$ 1,330   |
| Kansas City, MO              | 1,182      |
| Cleveland, OH                | 981        |
| Columbus, OH                 | 728        |
| Raleigh, NC                  | 646        |
| Charlotte, NC                | 580        |
| <b>Milwaukee, WI</b>         | <b>578</b> |
| Memphis, TN                  | 550        |
| Omaha, NE                    | 430        |
| Oklahoma City, OK            | 362        |
| Average of Comparable Cities | \$ 737     |

Source: 2013 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.

| 2013 Per Capita Expenditures by Purpose |                   |                              |   |           |
|---|-------------------|------------------------------|---|-----------|
|   | City of Milwaukee | Average of Comparable Cities | Variance Milwaukee versus Comparable City Average |           |
| Public Safety                           | \$705             | \$658                        | \$47  | 7%        |
| Public Works                            | 632               | 689                          | (57)  | -8%       |
| General Government                      | 284               | 196                          | 88  | 45%       |
| Conservation and Development *          | 78                | 111                          | (33)  | -30%      |
| Interest Expenses                       | 47                | 70                           | (23)  | -33%      |
| Culture and Recreation**                | 43                | 87                           | (44)  | -51%      |
| Health ***                              | 38                | 24                           | 14  | 58%       |
| <b>Total Expenditures</b>               | <b>\$1,827</b>    | <b>\$1,835</b>               | <b>(\$8)</b>                                      | <b>0%</b> |

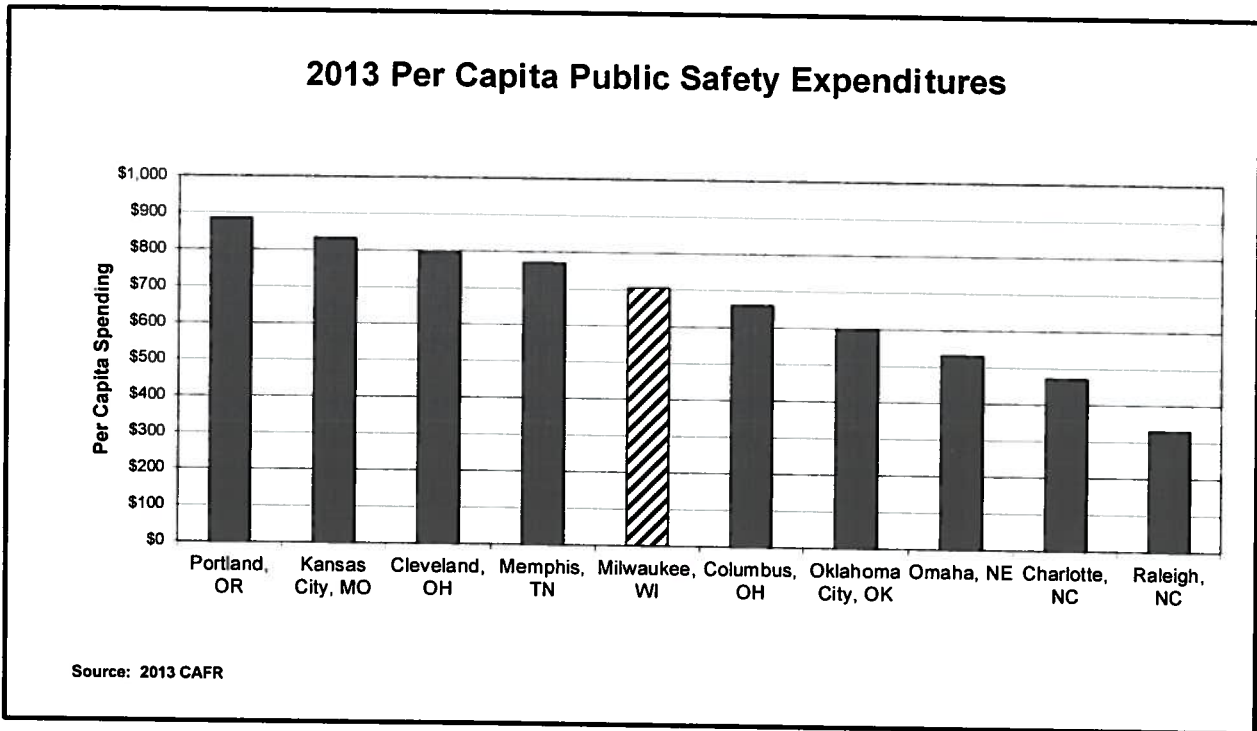
\* Nine cities including the City of Milwaukee report Conservation & Development expenditures.  
 \*\*Eight cities including the City of Milwaukee report Culture and Recreation expenditures.  
 \*\*\*Four cities including the City of Milwaukee report Health expenditures.  
 Source: 2013 CAFR

Total expenditures in 2013 for the City of Milwaukee are \$1,827 per capita. This is nearly equal to the comparable city per capita average of \$1,835.

| 2013 Per Capita Expenditures<br>Total Expenditures |              |
|--|--------------|
|  | Amount       |
| Portland, OR                                       | \$ 2,694     |
| Kansas City, MO                                    | 2,525        |
| Cleveland, OH                                      | 2,469        |
| Columbus, OH                                       | 1,891        |
| <b>Milwaukee, WI</b>                               | <b>1,827</b> |
| Memphis, TN  | 1,720        |
| Omaha, NE  | 1,397        |
| Charlotte, NC                                      | 1,351        |
| Oklahoma City, OK                                  | 1,282        |
| Raleigh, NC  | 1,196        |
| Average of Comparable Cities                       | \$ 1,835     |

Source: 2013 CAFR

## Public Safety



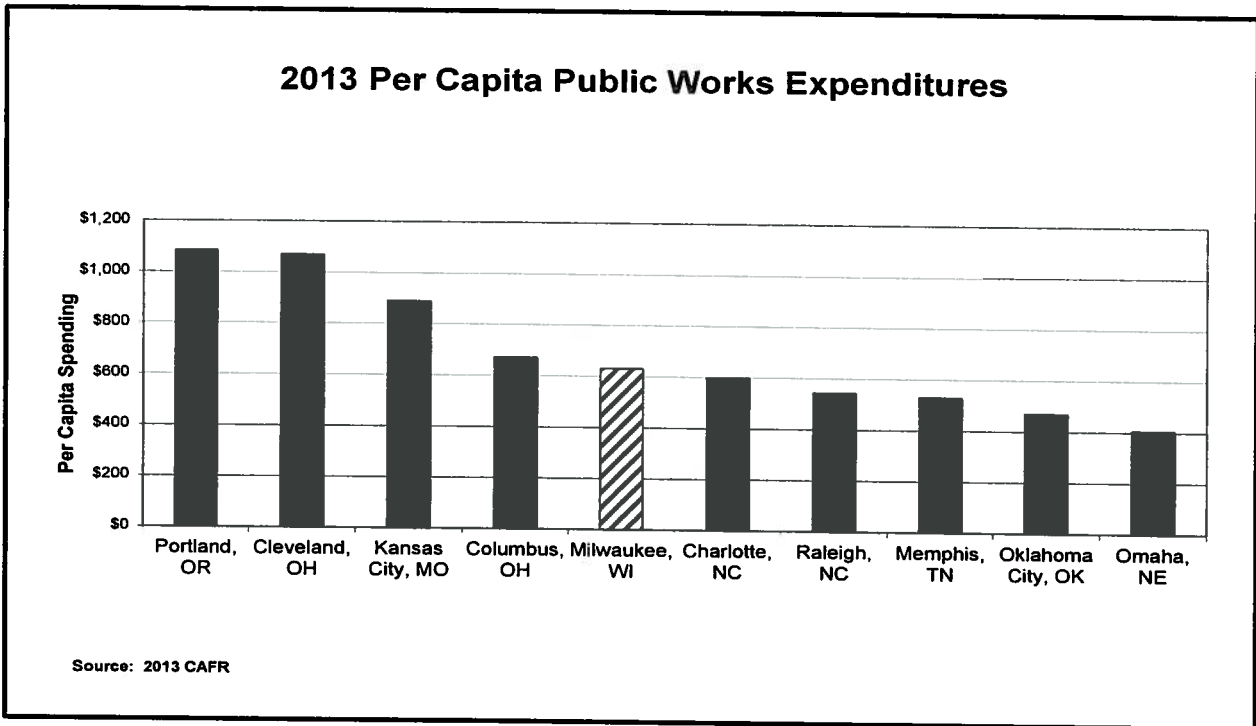
Public safety services include the protection of people and property. These services are essential to the health, safety, and well-being of city residents. Public safety includes police, fire, and code enforcement services. Milwaukee spends \$705 per capita on Public Safety, which is 7% higher than the comparable cities' per capita average.

**2013 Per Capita Expenditures  
Public Safety**

|                              | Amount     |
|------------------------------|------------|
| Portland, OR                 | \$ 885     |
| Kansas City, MO              | 832        |
| Cleveland, OH                | 795        |
| Memphis, TN                  | 770        |
| <b>Milwaukee, WI</b>         | <b>705</b> |
| Columbus, OH                 | 661        |
| Oklahoma City, OK            | 599        |
| Omaha, NE                    | 530        |
| Charlotte, NC                | 470        |
| Raleigh, NC                  | 329        |
| Average of Comparable Cities | \$ 658     |

Source: 2013 CAFR

## Public Works



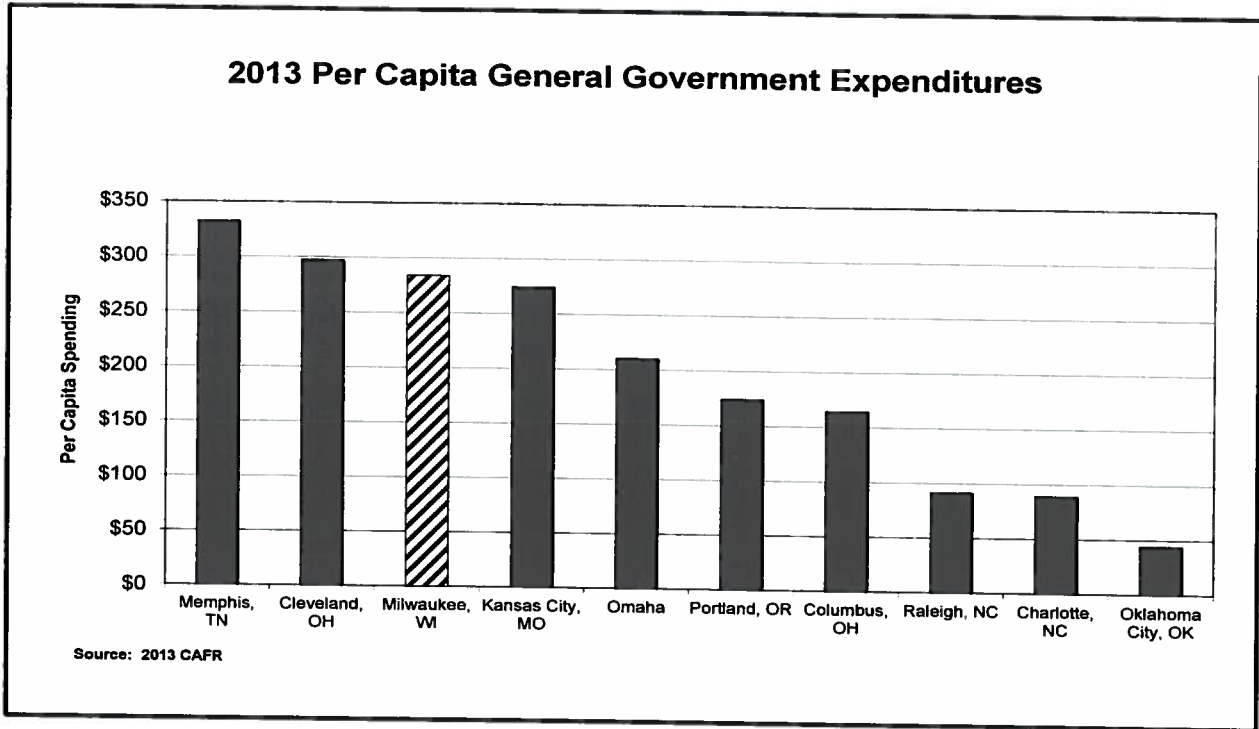
An efficient and well-maintained infrastructure is important to the economic vitality and attractiveness of a city. Maintaining safe and efficient sewers, streets, and other public ways furnish residents with access to employment, goods and services, while also providing businesses with an effective way to transport their products to customers. Milwaukee spends \$632 per capita, about 8% less than the average of comparable cities on streets, sewers, and other public works' expenditures.

**2013 Per Capita Expenditures  
Public Works**

|                              | Amount     |
|------------------------------|------------|
| Portland, OR                 | \$ 1,084   |
| Cleveland, OH                | 1,068      |
| Kansas City, MO              | 889        |
| Columbus, OH                 | 671        |
| <b>Milwaukee, WI</b>         | <b>632</b> |
| Charlotte, NC                | 598        |
| Raleigh, NC                  | 543        |
| Memphis, TN                  | 529        |
| Oklahoma City, OK            | 469        |
| Omaha, NE                    | 405        |
| Average of Comparable Cities | \$ 689     |

Source: 2013 CAFR

## General Government



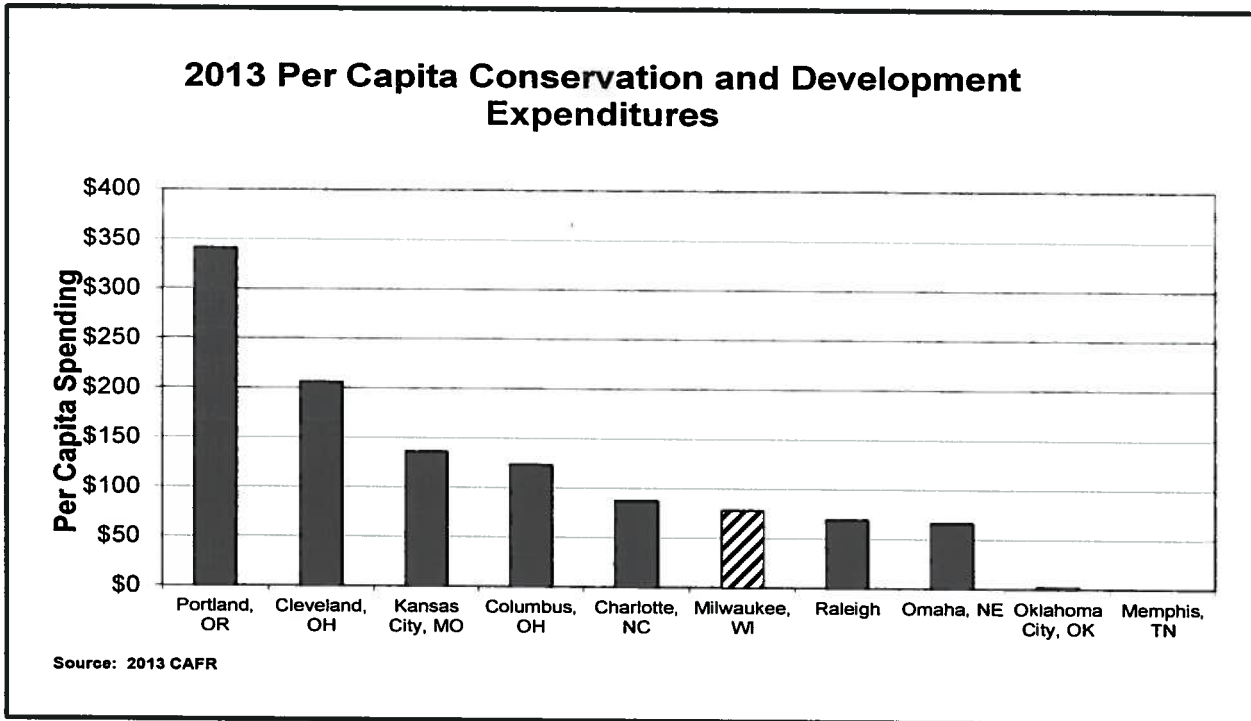
General government and administration costs are necessary for the operation of any organization. Milwaukee's general government and administration costs are comparable to those of its peer cities. These include expenditures for the Mayor's Office, Common Council, Municipal Court, legal and financial services, elections, property assessments, employee relations, and other city management overhead. Milwaukee spends \$88 per capita more than the average of comparable cities on general government or administrative functions.

**2013 Per Capita Expenditures  
General Government**

|                              | Amount     |
|------------------------------|------------|
| Memphis, TN                  | 332        |
| Cleveland, OH                | 297        |
| <b>Milwaukee, WI</b>         | <b>284</b> |
| Kansas City, MO              | 274        |
| Omaha                        | 210        |
| Portland, OR                 | 174        |
| Columbus, OH                 | 164        |
| Raleigh, NC                  | 91         |
| Charlotte, NC                | 89         |
| Oklahoma City, OK            | 44         |
| Average of Comparable Cities | \$ 196     |

Source: 2013 CAFR

## Conservation and Development



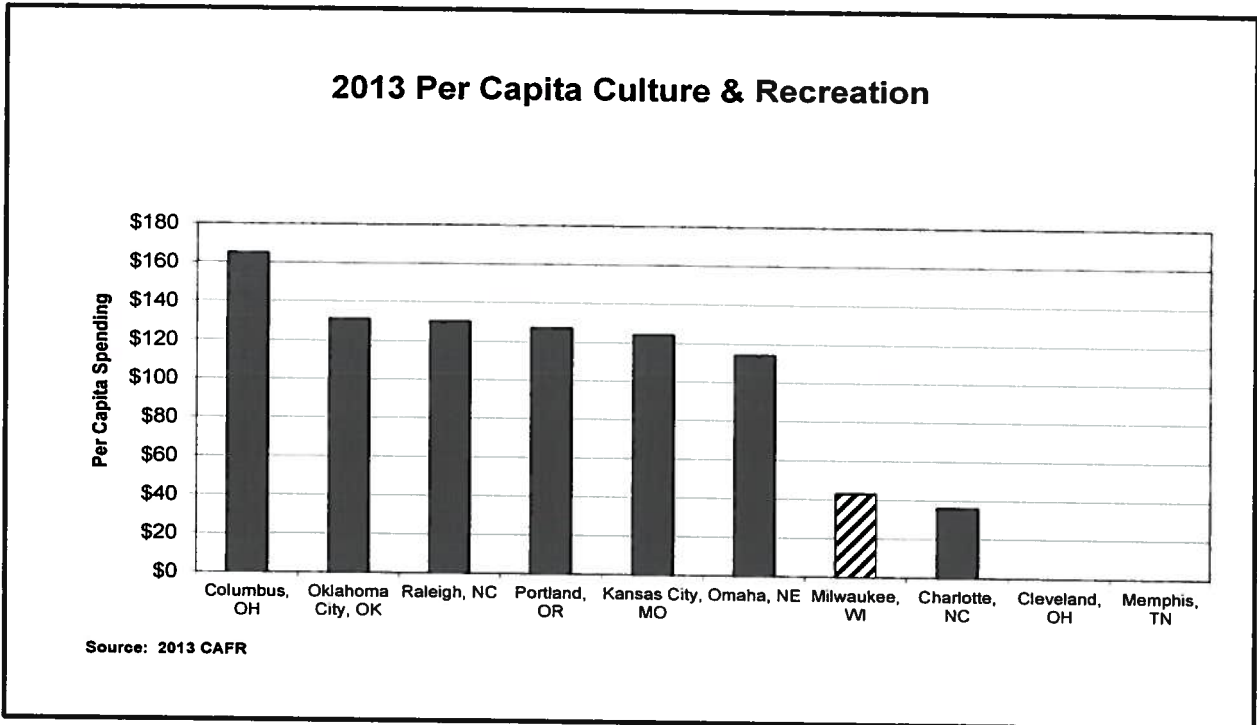
The promotion of economic development and job creation is provided under this category of expenditures. These expenditures include planning, economic development and community development activities. The City of Milwaukee's per capita expenditures for conservation and development are \$33 less than the comparable city average. Memphis, TN does not report any expenditures under primary government Conservation and Development activities.

**2013 Per Capita Expenditures  
Conservation and Development**

|                              | Amount    |
|------------------------------|-----------|
| Portland, OR                 | \$ 341    |
| Cleveland, OH                | 206       |
| Kansas City, MO              | 136       |
| Columbus, OH                 | 123       |
| Charlotte, NC                | 87        |
| <b>Milwaukee, WI</b>         | <b>78</b> |
| Raleigh, NC                  | 69        |
| Omaha, NE                    | 66        |
| Oklahoma City, OK            | 2         |
| Memphis, TN                  | -         |
| Average of Comparable Cities | \$ 111    |

Source: 2013 CAFR

## Culture and Recreation



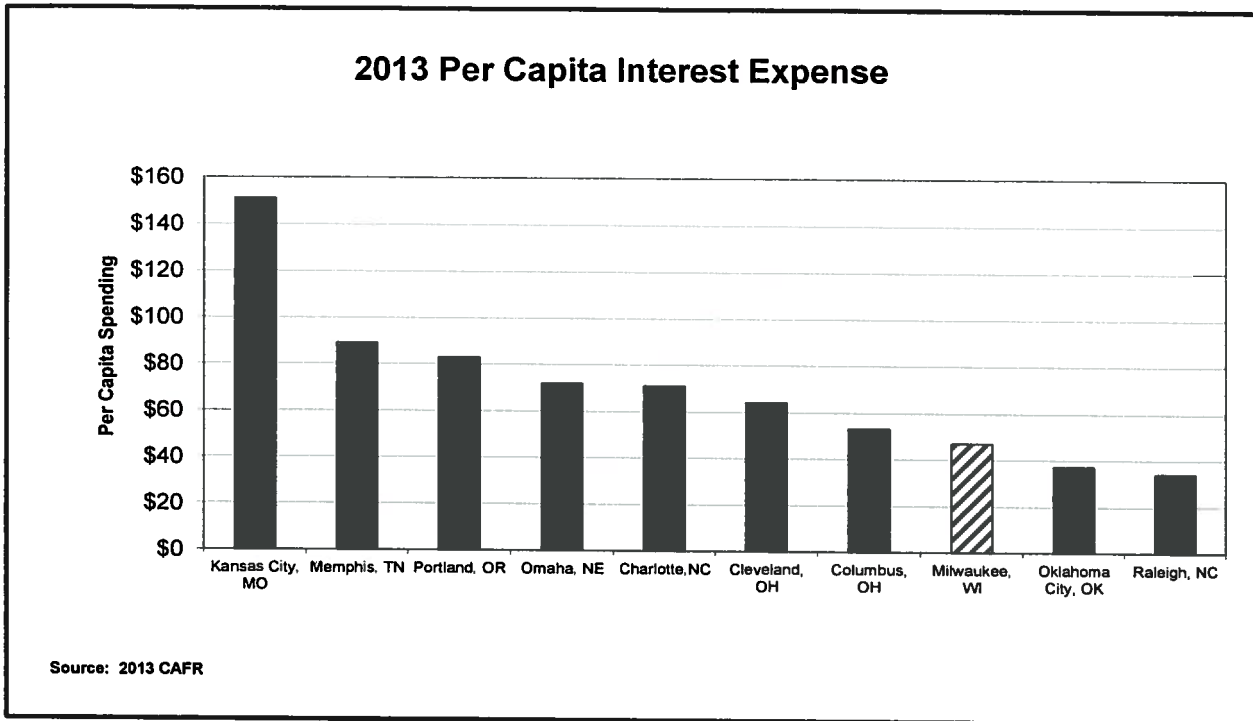
The services provided in the Culture and Recreation category vary significantly by city. The City of Milwaukee's per capita expenditures for Culture and Recreation are \$44 less than the comparable city average. Neither Cleveland nor Memphis report any expenditures under primary government Culture and Recreation activities.

**2013 Per Capita Expenditures  
Culture and Recreation**

|                              | Amount    |
|------------------------------|-----------|
| Columbus, OH                 | \$ 165    |
| Oklahoma City, OK            | 131       |
| Raleigh, NC                  | 130       |
| Portland, OR                 | 127       |
| Kansas City, MO              | 124       |
| Omaha, NE                    | 114       |
| <b>Milwaukee, WI</b>         | <b>43</b> |
| Charlotte, NC                | 36        |
| Cleveland, OH                | -         |
| Memphis, TN                  | -         |
| Average of Comparable Cities | \$ 87     |

Source: 2013 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 \$23 below the average of comparable cities.

**2013 Per Capita Expenditures  
Interest Expense**

|                              | Amount    |
|------------------------------|-----------|
| Kansas City, MO              | \$ 151    |
| Memphis, TN                  | 89        |
| Portland, OR                 | 83        |
| Omaha, NE                    | 72        |
| Charlotte, NC                | 71        |
| Cleveland, OH                | 64        |
| Columbus, OH                 | 53        |
| <b>Milwaukee, WI</b>         | <b>47</b> |
| Oklahoma City, OK            | 37        |
| Raleigh, NC                  | 34        |
| Average of Comparable Cities | \$ 70     |

Source: 2013 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 Cities 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 2013 population figures to calculate per capita values for 2013. 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 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.