

City of Milwaukee
Comparative Revenue and Expenditure Report



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Comptroller

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Comparative Revenue and Expenditure Report

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Introduction

The discussion over whether taxes are too high, should be frozen, or cut, has centered on the level of taxation, with little discussion or analysis of what services are being provided, and whether they cost too much. In fact, there is almost no debate over what services government should provide or benchmarking the cost of these services to determine if they are reasonably priced. Perhaps the profoundly simple questions of "What should government do and what should it cost?" are not being asked due in part to a lack of reliable data on the subject matter. When confronted with diminishing resources, as well as increasing costs, the basic and difficult question is: What to cut? In other words, the decision to limit property taxes is not the tough decision. The tough decision is which services should be cut or eliminated, and how we pay for the services that remain.

Thus the concept for this report was born. As noted before, there is much information on what we as a city spend, but little organized information as to how that compares to our peers. After all, if taxes are too high, someone should be prepared to say "Relative to what?" This report attempts to be not critical or judgmental, but explanatory. This report provides some important facts for the reader's consideration. The data presented in this report deals only with city revenues and expenditures. The funding and costs of public schools, county government, vocational schools and sewerage districts are not a part of this report, although I encourage these entities to provide their own comparative information.

The City of Milwaukee is in the business of providing services to its citizens. The fact cannot be ignored, however, that we are in a competitive business. The market basket of services we provide to our citizens can and should be compared to our competition as one measure of how effectively we are doing our jobs. Our citizens will do this anyway. If they perceive that they are not getting value for their tax dollars they can and will "vote with their feet." Likewise, if we drastically curtail the services we provide and our competitors do not, leaving our infrastructure deteriorating or our health or public safety efforts at a level far below our competition, we will neither attract new growth nor retain the citizens we have now. Thus the main body of this report compares City of Milwaukee revenues and spending to that of nine comparable municipal governments.

A new section concerning Capital Expenditures is being added in this report. The section looks at City of Milwaukee expenditures for two infrastructure systems, Streets and Alleys, the miles completed by these expenditures, and the resulting implied replacement cycles for the system over a one, three, and five year period. While the measures used may not be perfect, the hope is that they provide an understandable measure of the direction of the City's longer-term infrastructure efforts. The intent is to add data for the remaining infrastructure systems in future editions of the report.

Annual financial reports for Milwaukee and the nine comparable communities for calendar year 2005 or fiscal year 2005/2006 were used to compile this report. The report's methodology is further explained on page 22. This is the fourth annual comparative revenue and expenditure report. As additional changes may be made to make future reports even more meaningful, the reader is encouraged to contact the Comptroller's Office with any comments or suggestions.

II. Revenue Sources from State Aids, Local Taxes and Charges

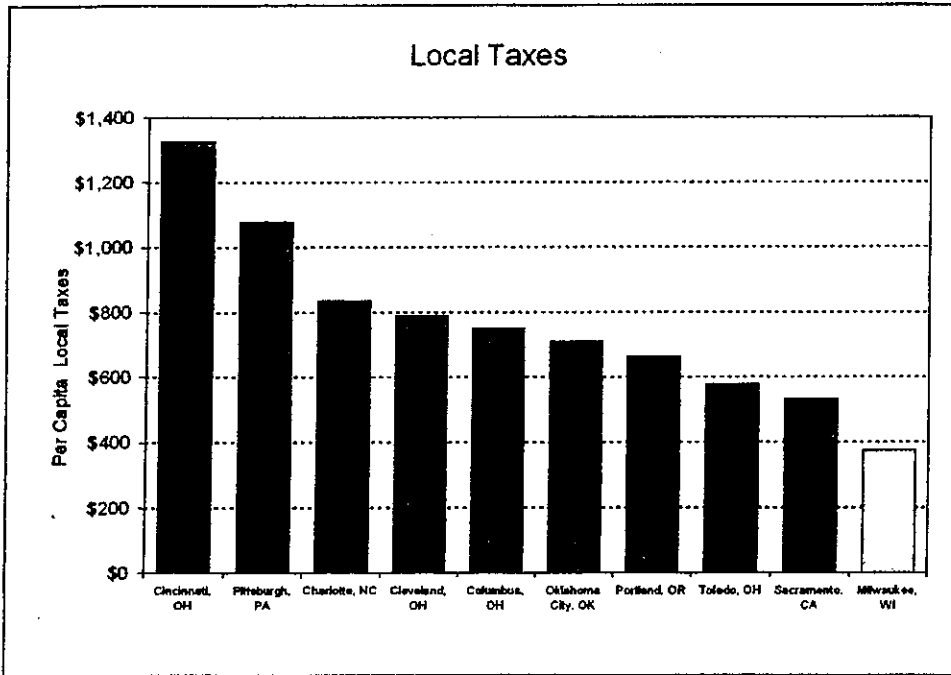
In recent years, there has been an ongoing discussion in the Wisconsin Legislature regarding the reduction of State aids to local governments and the need to control local property taxes at the State level. Unlike most other states, Wisconsin's tax system was designed to assess all sales and income taxes at the State level and redistribute these State tax collections back to local governments. The result of this tax structure is a limited ability to raise revenues at the local level. In total, locally generated 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 things like sales taxes imposed for specifically legislated Premier Resort Area Tax Districts or sports stadium districts. The reality is local governments in Wisconsin have the property tax as the only source of tax revenues. This is not to suggest that Wisconsin should change its state and local taxing structure, but rather to illustrate that State aids are a critical component of the City of Milwaukee's revenue structure, given the limited set of local revenue options.

Per Capita Municipal Revenues				
	City of Milwaukee	Average of Comparable Cities	Variance: Milwaukee vs . Average City	% Variance Milwaukee vs Average City
Property Taxes	\$377	\$276	\$101	37%
Other Local Taxes	0	488	(488)	
Total Local Taxes	\$377	\$764	(\$387)	-51%
Grants & Aids	\$565	\$391	\$174	45%
Total Local Taxes and Intergovernmental Aids	942	1,155	(213)	-18%
Charges for Services	405	646	(241)	-37%
Other Revenues	165	79	86	109%
Total	\$1,512	\$1,880	(\$368)	-20%

Local taxes in Milwaukee are \$387 (51%) less per capita than the average of comparable cities. When other local taxes and intergovernmental aids are combined with other revenue sources, per capita revenue for the City of Milwaukee totals \$1,512 or \$368 (20%) less than comparable cities.

A. Local Taxes

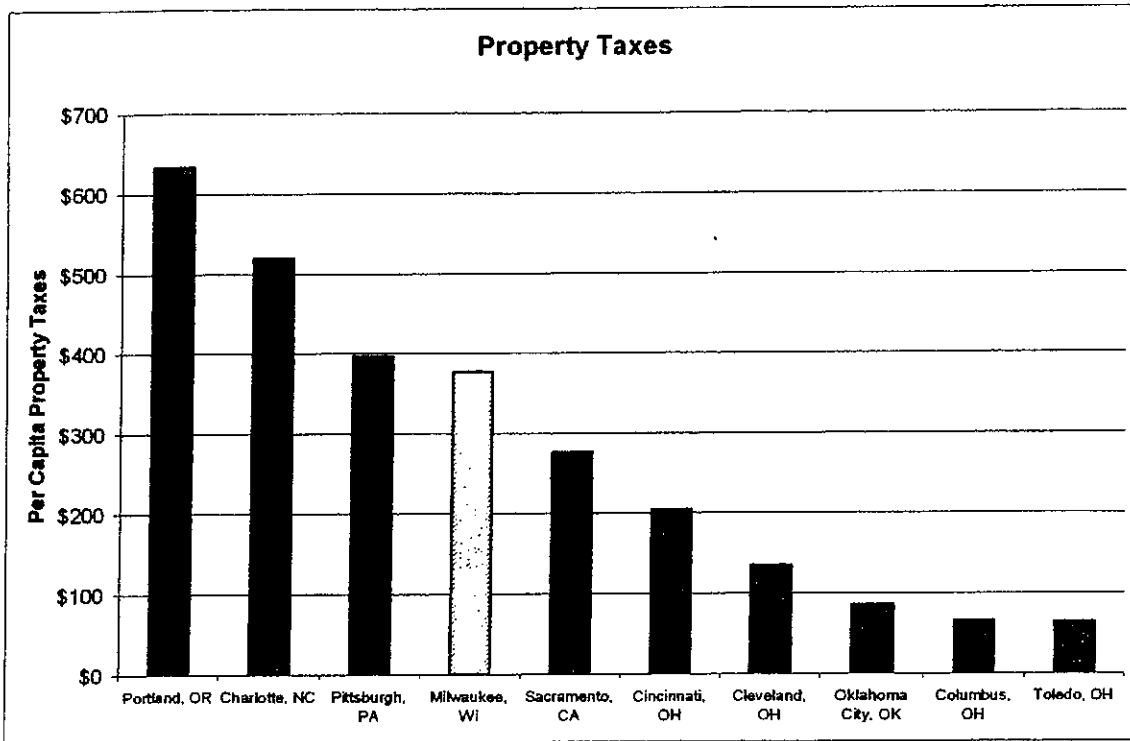
Local taxes include property, utility, motor vehicle, and sales and income taxes generated at the municipal level, as well as other taxes. The only tax the City of Milwaukee can levy is the property tax, while all of the peer cities have at least one additional local tax revenue option available to them. As a result, when all available taxes are considered, Milwaukee ranks last in per capita local taxes. The local taxes generated in Milwaukee are slightly less than half of the comparable cities' average. Milwaukee collects \$387 per capita less in local taxes than the average of comparable cities.



	Amount	Prior Year Ranking
Cincinnati, OH	\$ 1,327	1
Pittsburgh, PA	1,078	2
Charlotte, NC	835	3
Cleveland, OH	789	4
Columbus, OH	750	5
Oklahoma City, OK	710	6
Portland, OR	663	7
Toledo, OH	577	9
Sacramento, CA	530	8
Milwaukee, WI	377	10
Average of Comparable Cities	\$ 764	

B. Property Taxes

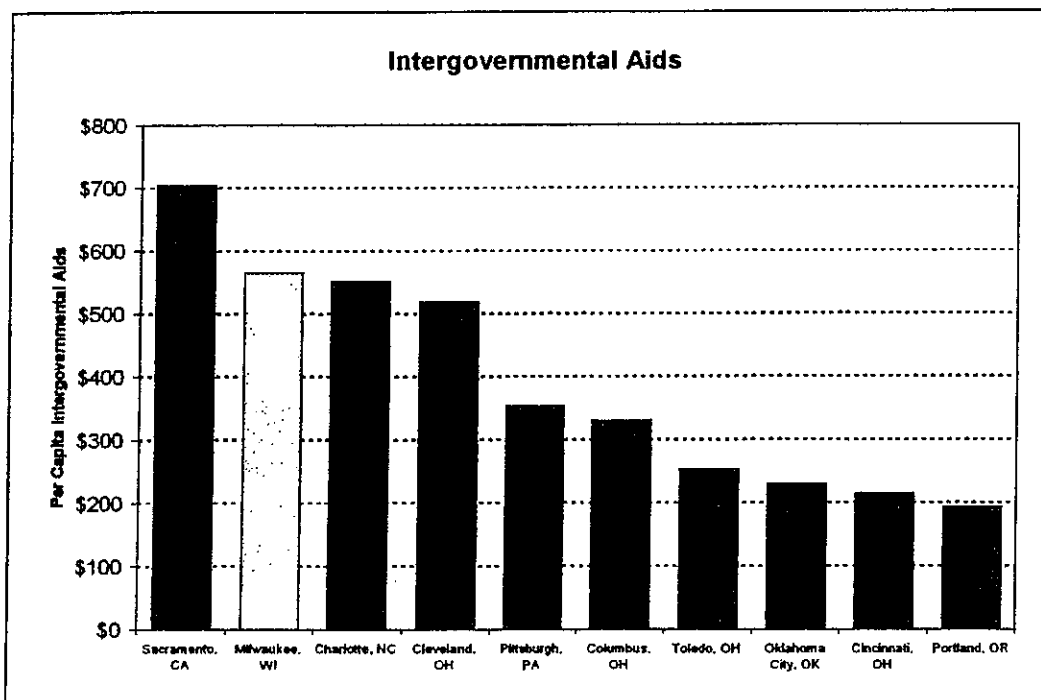
The City of Milwaukee's only local tax is the property tax. Milwaukee's municipal property tax per capita is \$101 (37%) higher than its peer city average. Since the City of Milwaukee assesses neither a local sales tax nor a local income tax it must rely on the property tax for all of its local tax revenue. This is the major reason for the greater reliance on the property tax for the City of Milwaukee.



	Amount	Prior Year Ranking
Portland, OR	\$ 633	1
Charlotte, NC	519	2
Pittsburgh, PA	396	3
Milwaukee, WI	377	4
Sacramento, CA	276	5
Cincinnati, OH	205	6
Cleveland, OH	135	7
Oklahoma City, OK	85	8
Columbus, OH	66	10
Toledo, OH	64	9
Average of Comparable Cities	\$ 276	

C. Intergovernmental Aids

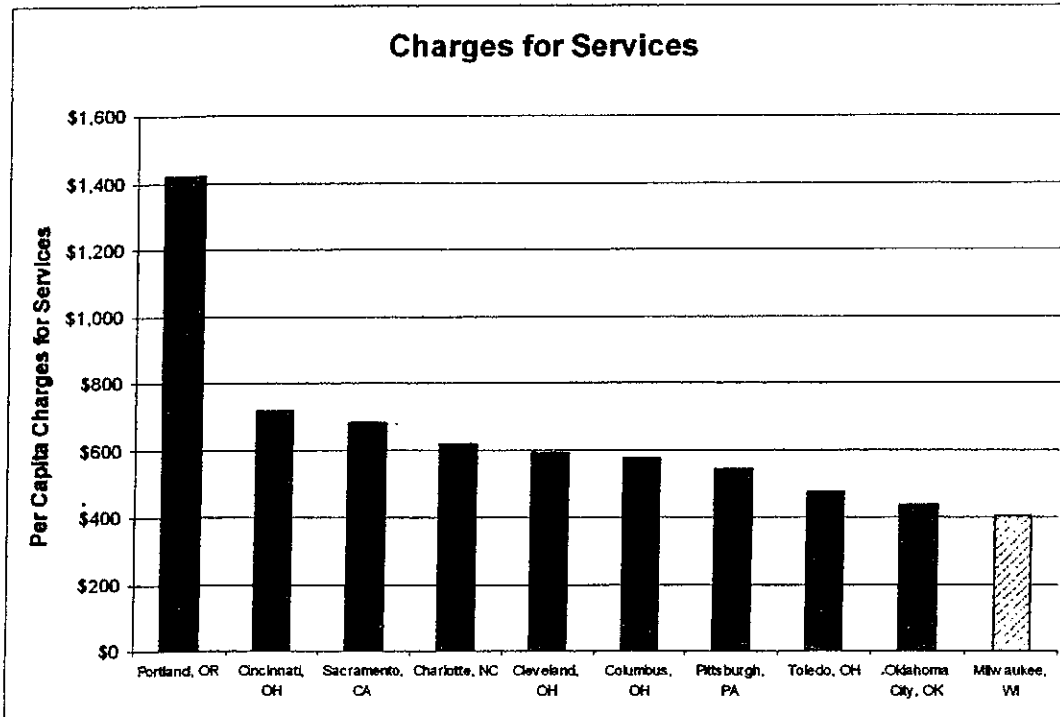
In Wisconsin, municipalities do not have the ability to institute sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be assessed and collected by the State, then redistributed back to municipalities. This is the main reason why Milwaukee ranks third highest in funding from intergovernmental revenues and 45% higher than the average of comparable cities. Unfortunately, in recent years, the State of Wisconsin has abandoned sharing the growth in sales and income taxes with municipalities, resulting in Milwaukee's greater reliance on property taxes to pay for city services.



	Amount	Prior Year Ranking
Sacramento, CA	\$ 704	1
Milwaukee, WI	565	3
Charlotte, NC	551	2
Cleveland, OH	519	4
Pittsburgh, PA	354	5
Columbus, OH	330	6
Toledo, OH	253	8
Oklahoma City, OK	230	7
Cincinnati, OH	215	9
Portland, OR	193	10
Average of Comparable Cities	\$ 391	

D. Charges for Services

City of Milwaukee's efforts to control the growth in property taxes and accommodate decreasing State aid has resulted in a need to look for alternative sources of revenue. In recent years the city has adopted a variety of user charges to provide local revenue alternatives to the property tax. However, in spite of these recently enacted revenue changes, Milwaukee's per capita charges for services still remain low compared to other cities. Milwaukee's per capita charges for services are \$241 (37%) less than the average of comparable cities.



Per Capita Revenues Charges for Services		
	Amount	Prior Year Ranking
Portland, OR	\$ 1,420	1
Cincinnati, OH	716	2
Sacramento, CA	682	3
Charlotte, NC	616	6
Cleveland, OH	589	4
Columbus, OH	572	5
Pittsburgh, PA	544	7
Toledo, OH	474	10
Oklahoma City, OK	437	9
Milwaukee, WI	405	8
Average of Comparable Cities	\$ 646	

III. 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 citizen needs and expectations. Maintaining city services at an adequate level to provide for a safe, clean environment is critical to the long term vitality of a city.

	City of Milwaukee	Average of Comparable Cities	Variance Between Milwaukee and City Average	Milwaukee's Percentage Variance from City Average
Public Safety	\$567	\$597	(\$30)	-5%
Public Works	535	636	(101)	-16%
General Government	120	157	(37)	-24%
Conservation and Development **	97	114	(17)	-15%
Interest Expenses	38	63	(25)	-40%
Culture and Recreation	42	86	(44)	-51%
Health *	55	37	18	49%
Total Expenditures	\$1,454	\$1,690	(\$236)	-14%

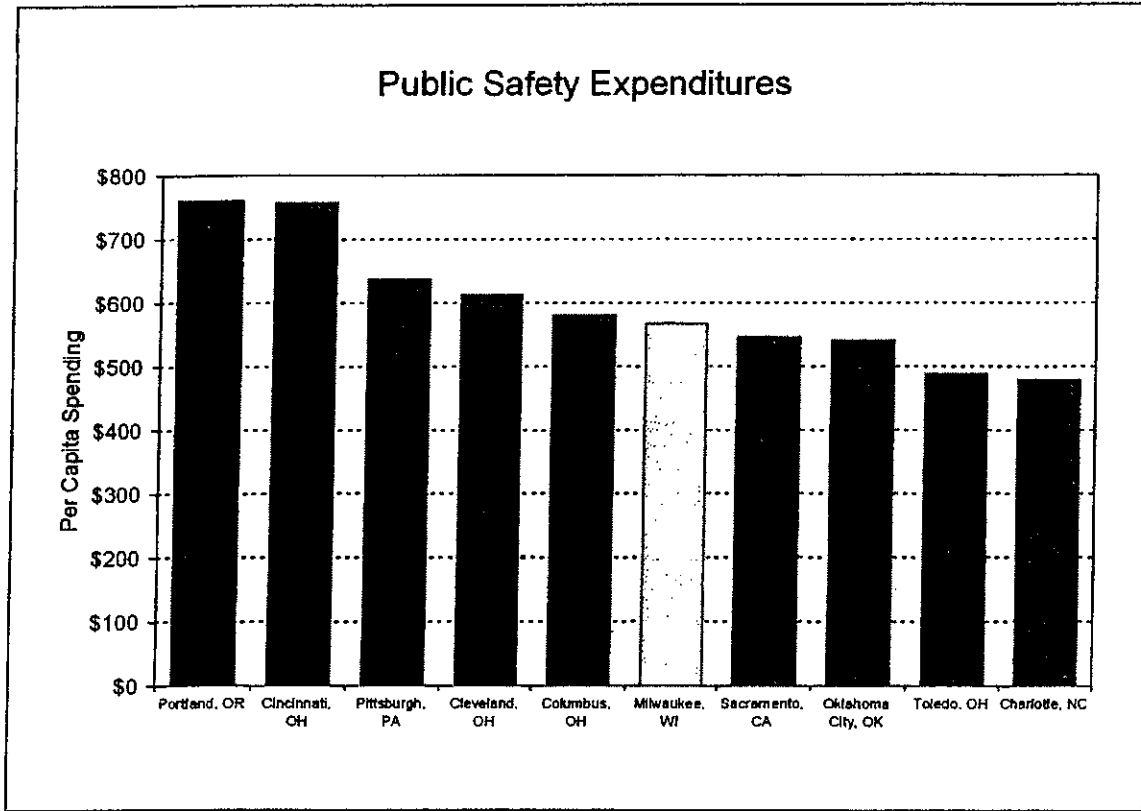
* Only five cities including the City of Milwaukee report health expenditures.
 ** Nine cities including the City of Milwaukee report Conservation & Development expenditures

In total, Milwaukee spends \$236 per capita (14%) less than the average of comparable cities. In the categories of General Government, Public Works, Conservation and Development, Culture and Recreation, and Interest Expense the City of Milwaukee spends less than 85% of the average of comparable cities. For example, Milwaukee's spending on General Government is 76% of the average of comparable cities (\$120 vs. \$157). Only in the category of Health Services is Milwaukee's spending above the comparable cities' per capita average.

	Amount	Prior Year Ranking
Portland, OR	\$ 2,376	1
Cincinnati, OH	2,167	2
Pittsburgh, PA	1,875	3
Cleveland, OH	1,818	5
Sacramento, CA	1,678	4
Columbus, OH	1,568	6
Charlotte, NC	1,537	7
Milwaukee, WI	1,454	8
Oklahoma City, OK	1,236	10
Toledo, OH	1,197	9
Average of Comparable Cities	\$ 1,690	

E. Public Safety

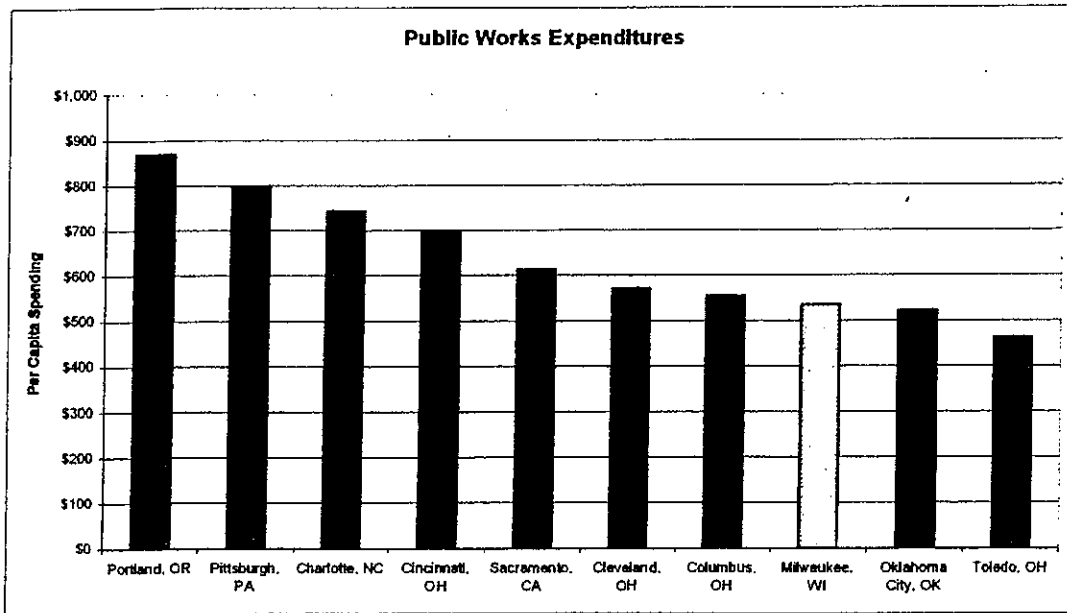
Public safety expenditures protect people and property within a city. These services are essential to the health, safety, and well being of city residents. Public safety includes police, fire, and building inspection services. Milwaukee spends about \$30 per capita (5%) less than the average of comparable cities on public safety.



	Amount	Prior Year Ranking
Portland, OR	\$ 761	3
Cincinnati, OH	757	2
Pittsburgh, PA	637	1
Cleveland, OH	613	4
Columbus, OH	580	5
Milwaukee, WI	567	7
Sacramento, CA	546	10
Oklahoma City, OK	541	6
Toledo, OH	488	8
Charlotte, NC	478	9
Average of Comparable Cities	\$ 597	

F. Public Works

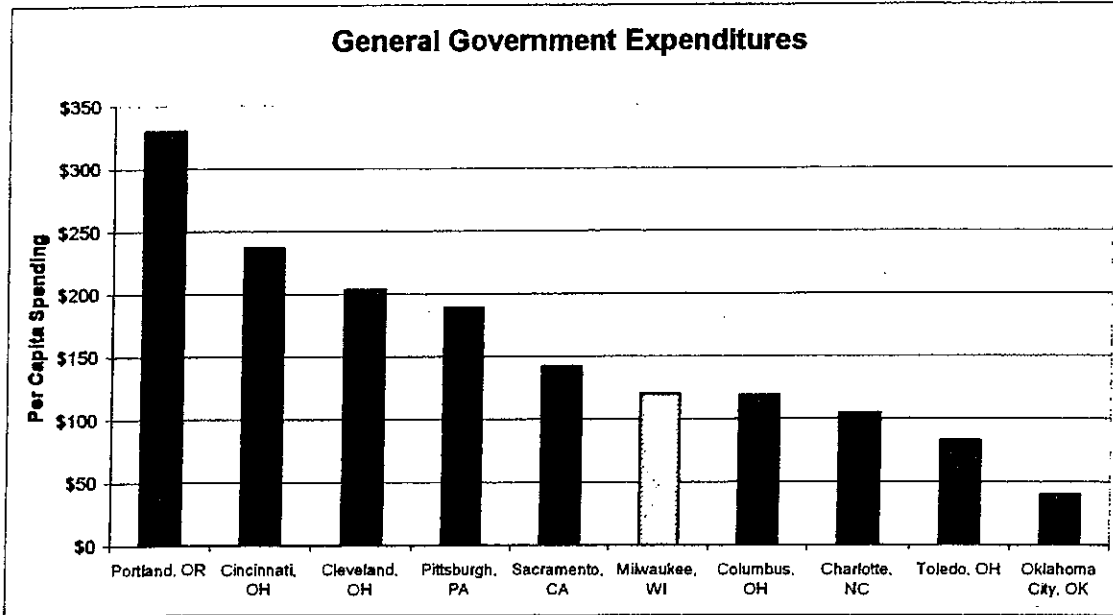
An efficient and well-maintained infrastructure is important to the economic vitality and attractiveness of a city. Maintaining safe and efficient sewers, streets, and other public ways furnish residents with access to employment, goods, and services while also providing businesses with an effective way to transport their products to customers. Milwaukee spends \$101 per capita (16%) less than the average of comparable cities on streets, sewers, and other public works' expenditures.



	Amount	Prior Year Ranking
Portland, OR	\$ 869	1
Pittsburgh, PA	798	2
Charlotte, NC	743	3
Cincinnati, OH	697	4
Sacramento, CA	613	5
Cleveland, OH	571	6
Columbus, OH	555	7
Milwaukee, WI	535	8
Oklahoma City, OK	521	9
Toledo, OH	462	10
Average of Comparable Cities	\$ 636	

G. General Government

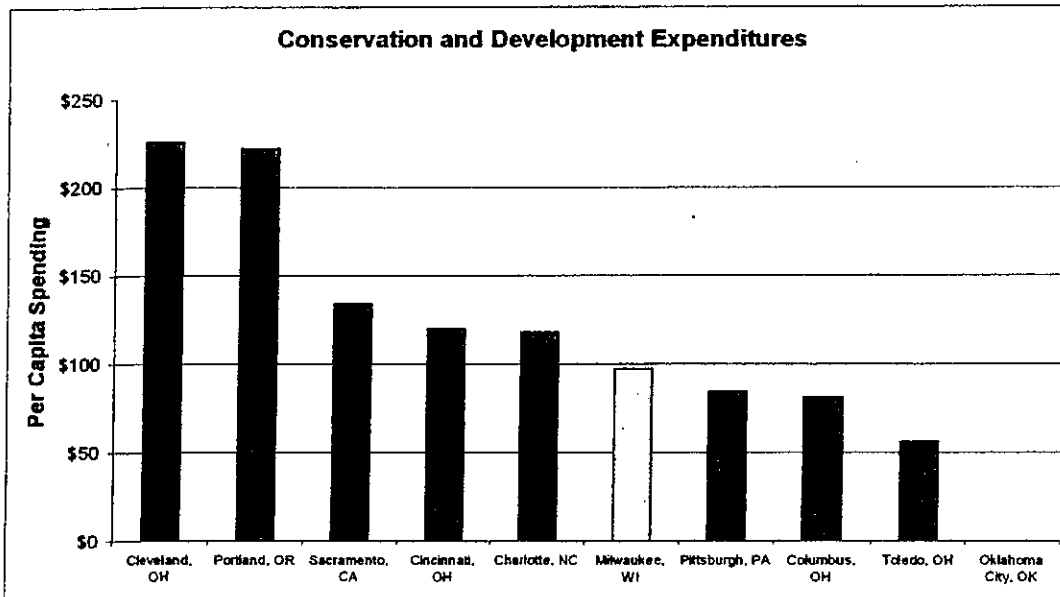
General government and administration costs are necessary for the operation of any organization. Milwaukee's general government and administration costs are comparable to those of its peer cities. These include expenditures for the Mayor's Office, Common Council, Municipal Court, legal and financial services, elections, property assessments, employee relations, and other city management overhead. Milwaukee spends about \$37 per capita (24%) less than the average of comparable cities on general government or administrative functions.



	Amount	Prior Year Ranking
Portland, OR	\$ 330	1
Cincinnati, OH	237	3
Cleveland, OH	204	4
Pittsburgh, PA	189	2
Sacramento, CA	142	6
Milwaukee, WI	120	5
Columbus, OH	119	7
Charlotte, NC	105	8
Toledo, OH	83	9
Oklahoma City, OK	40	10
Average of Comparable Cities	\$ 157	

H. Conservation and Development

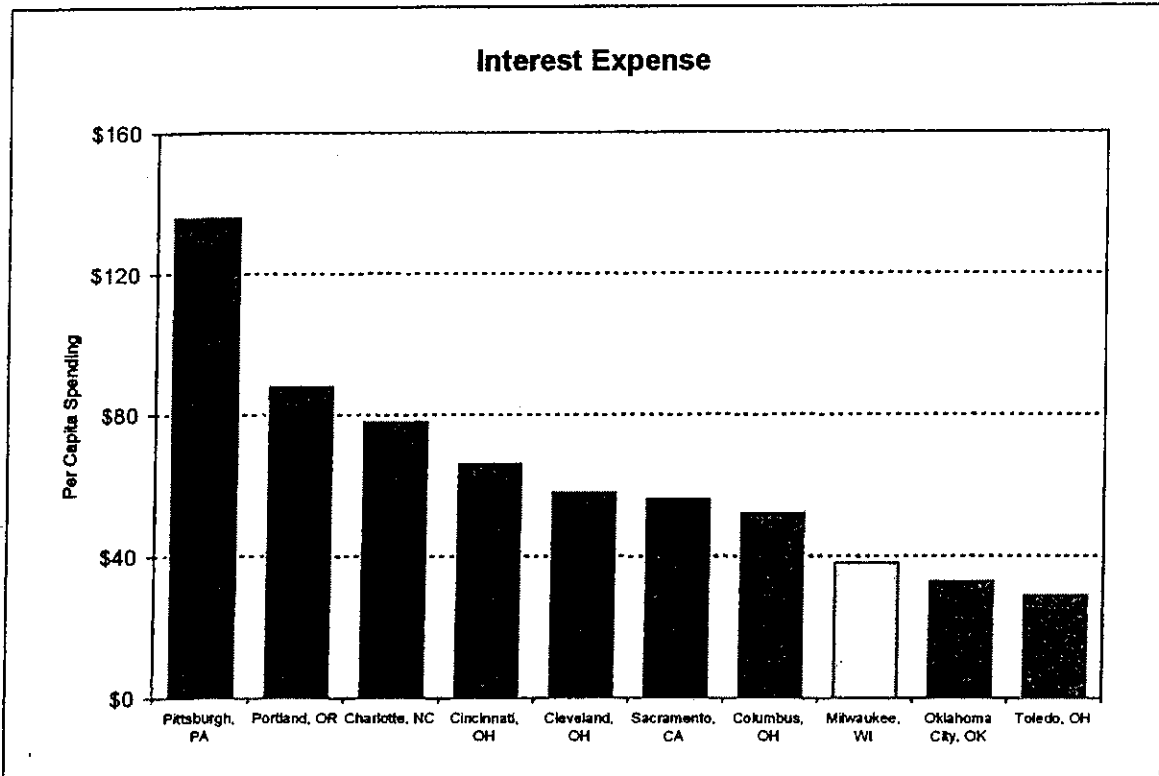
The promotion of economic development and job creation is provided under this category of expenditures. These expenditures include planning, economic and community development activities. The City of Milwaukee's per capita expenditures for conservation and development are \$17 per capita (15%) less than the average of comparable cities.



	Amount	Prior Year Ranking
Cleveland, OH	\$ 226	2
Portland, OR	222	3
Sacramento, CA	134	1
Cincinnati, OH	120	4
Charlotte, NC	118	5
Milwaukee, WI	97	6
Pittsburgh, PA	84	8
Columbus, OH	81	7
Toledo, OH	56	9
Oklahoma City, OK	-	
Average of Comparable Cities	\$ 114	

I. 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 an annual per capita interest expense \$25 (40%) below the average of comparable cities. One factor related to interest expense is the credit quality. The credit rating for each municipality is reported below. Moody's "investment grade" ratings range from Aaa, the highest rating, to Baa. In addition, Moody's assigns "1", "2" or "3" based on the strength of the issue within each category, with "Aa1" the strongest group of Aa securities and "Aa3" the weakest of Aa securities.

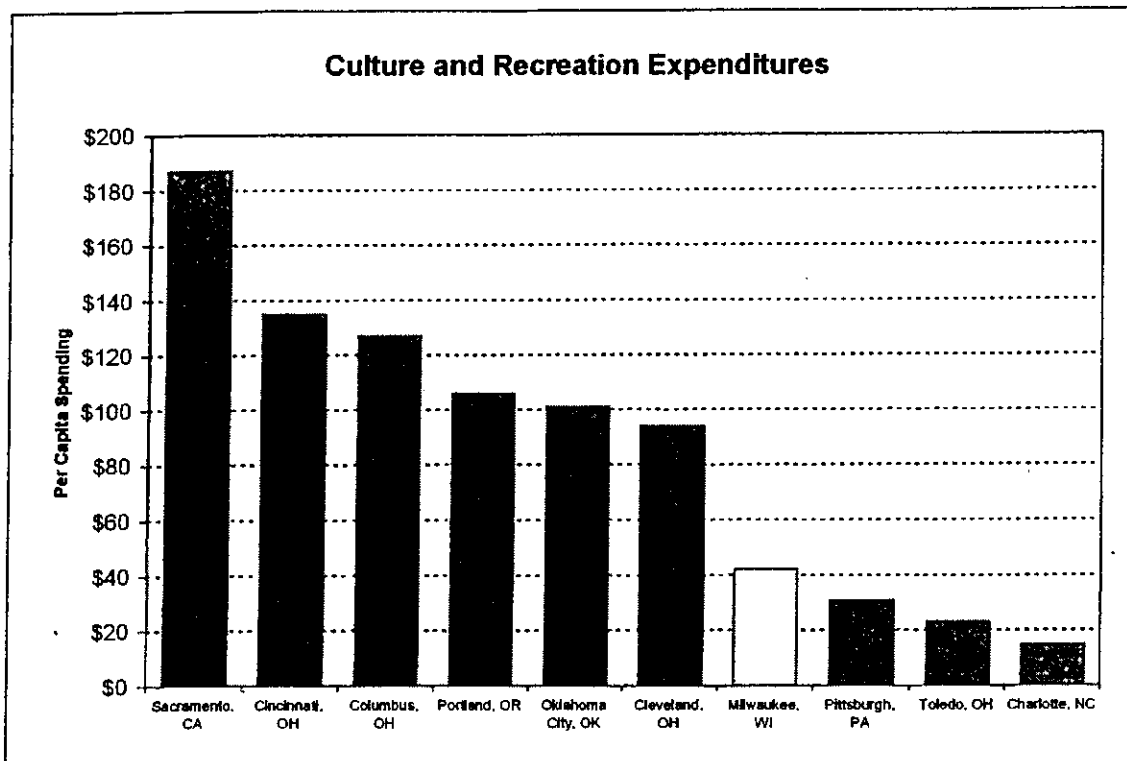


Per Capita Expenditures Interest Expense			
	Credit Rating	Amount	Prior Year Ranking
Pittsburgh, PA	Baa2	\$ 136	1
Portland, OR	Aaa	88	3
Charlotte, NC	Aaa	78	2
Cincinnati, OH	Aa1	66	6
Cleveland, OH	A2	58	5
Sacramento, CA	Aa2	56	4
Columbus, OH	Aaa	52	7
Milwaukee, WI	Aa2	38	8
Oklahoma City, OK	Aa1	33	9
Toledo, OH	A3	29	10
Average of Comparable Cities		\$ 63	

Ratings: Moody's Investors Service

J. Culture and Recreation

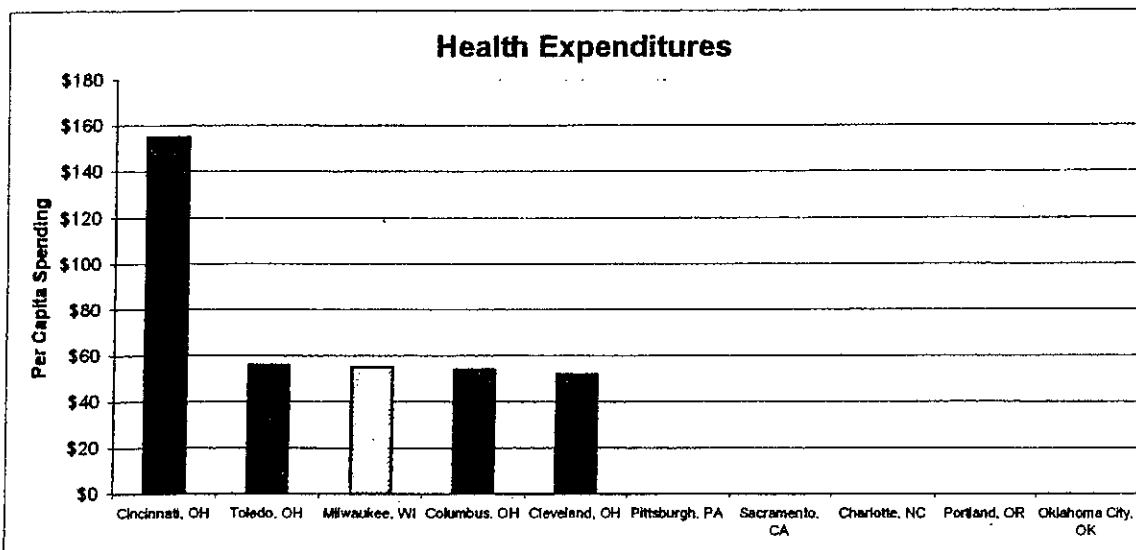
The services provided in this category vary significantly by city. Milwaukee is one of only five cities that report library services. Parks, which in Milwaukee are maintained by Milwaukee County, have reported expenditures in six of the comparable cities.



Per Capita Expenditures Culture and Recreation		
	Amount	Prior Year Ranking
Sacramento, CA	\$ 187	1
Cincinnati, OH	135	2
Columbus, OH	127	3
Portland, OR	106	4
Oklahoma City, OK	101	6
Cleveland, OH	94	5
Milwaukee, WI	42	7
Pittsburgh, PA	31	8
Toledo, OH	23	9
Charlotte, NC	15	10
Average of Comparable Cities	\$ 86	

K. Health

Health services provided to individuals and families promote and safeguard the health of a community. The range of health services provided at different levels of government varies by community. Five of the ten comparable cities do not report any health service expenditures.



Per Capita Expenditures Health		
	Amount	Prior Year Ranking
Cincinnati, OH	\$ 155	1
Toledo, OH	56	2
Milwaukee, WI	55	4
Columbus, OH	54	3
Cleveland, OH	52	5
Pittsburgh, PA		
Sacramento, CA		
Charlotte, NC		
Portland, OR		
Oklahoma City, OK		

IV. Capital Replacement Cycles

On page 10 of this report, it is pointed out that an efficient and well-maintained infrastructure is important to the vitality and attractiveness of a city. Maintaining safe and efficient sewers, usable streets and roadways and other public infrastructure enables access to employment and goods and services, while providing businesses with an effective way to transport their products to consumers.

While comparing Milwaukee's per capita public works expenditures to its peers is one indicator of Milwaukee's overall capital maintenance effort, this comparison does not determine whether infrastructure is actually being maintained at appropriate levels. For this reason, this year's report includes a section on capital replacement cycles.

Maintaining the tremendous public investment that has been made in transportation infrastructure requires a large investment of money and manpower. The term "capital replacement cycle" is used to discuss the amount of time between the creation of an infrastructure asset and need for it to be replaced, understanding that there is periodic maintenance performed to help to prolong its useful life. Ideally, this "life cycle" would correspond with the estimated engineering life of the asset. While there are no standards for calculating the useful lives of the many types of infrastructure assets, Milwaukee's former Capital Improvements Committee (CIC) estimated the useful life of streets to average 40 to 50 years and the useful life of alleys to average 50 to 60 years. Adjusting the CIC street estimate for the removal of major arterial and collector streets, the estimated useful life for the remaining local streets is 45 to 60 years.

In the case of the City of Milwaukee, the estimated useful life of City streets and alleys is far exceeded by the actual City capital replacement cycle for these assets. The reality is that there simply aren't enough dollars or construction firms available to keep up with all City infrastructure needs. As a result, the City prioritizes its infrastructure funding in order to meet its most pressing needs first.

The purpose of this section is to promote more meaningful capital reporting and accountability through the reporting of capital replacement cycles. Capital replacement cycles longer than the estimated useful life of an asset indicate a deferral of maintenance and replacement, which, if left unaddressed, increases the City's future liability for infrastructure maintenance. We calculated replacement cycles based on one, three and five year averages of the City's past capital spending. This year's report includes two infrastructure types – the city's local street and alley infrastructure. It is anticipated that each year additional infrastructure types will be added, such as sewers, bridges and major streets, so that a more robust, stand-alone report might eventually be developed.

In preparing these replacement cycles, our Office obtained contract information from the Department of Public Works (DPW) and reconciled DPW contracts to the City's Financial Management Information System.

L. LOCAL STREETS IN THE CITY OF MILWAUKEE

For local streets, the annual miles resurfaced and replaced ranged from 2.6 miles in 2003 to 8.7 miles in 2005. As a result, the replacement cycle (3-year average) is 163 years, or 2.7 times the life expectancy of local streets. As described on page 16, Milwaukee's former Capital Improvements Committee estimated the useful life of streets to average 40 to 60 years. DPW notes that as repaving and resurfacing is now being done with asphalt rather than concrete, life expectancy of local streets which are asphalted is likely to be in the range of 25-35 years. The average cost per mile of local streets replaced and resurfaced is slightly more than \$1 million (3-year average).

Miles of Streets	942.1		
Original Value	\$797,791,810		
Accumulated Depreciation	<u>\$562,958,486</u>		
Net Book Value	<u>\$234,835,324</u>		
Estimated Useful Life (Years)	60.0		
	<u>5 YR AVG</u>	<u>3 YR AVG</u>	<u>1 YR AVG</u>
Estimated Replacement Value	\$1,035,680,208	\$973,786,222	\$815,673,976
Annual Preservation Effort	\$5,679,104	\$5,962,984	\$7,561,027
Estimated Cost per Mile	\$1,099,332	\$1,033,634	\$865,804
Replacement Cycle (Years)	182.4	163.3	107.9
Ratio Replacement Cycle to Useful Life	3.0	2.7	1.8

<u>Year</u>	<u>Miles Replaced/ Resurfaced</u>	<u>Annual Cost</u>	<u>Cost/Mile</u>
2001	4.4	\$5,377,434	\$1,236,084
2002	4.4	\$5,129,135	\$1,159,673
2003	2.6	\$3,490,824	\$1,358,658
2004	7.8	\$6,837,101	\$876,439
2005	8.7	\$7,561,027	\$865,804

M. ALLEYS IN THE CITY OF MILWAUKEE

For alleys, the miles replaced ranged from a low of 1.1 miles in 2004 to a high of 3.4 miles in 2005. As a result, the replacement cycle (3-year average) is 272 years, or 4.5 times the life expectancy of alleys. As described on page 16, Milwaukee's former Capital Improvements Committee estimated the useful life of alleys to average 50 to 60 years, but DPW notes that the useful life of alleys could be as high as 80 years. Average cost per mile of alleys replaced is approximately \$1.2 million (3-year average).

Miles of Alleys	416.0		
Book Value	\$11,178,096		
Accumulated Depreciation	<u>\$4,328,503</u>		
Net Book Value	\$6,849,594		
Estimated Useful Life (Years)	60.0		
	<u>5 YR AVG</u>	<u>3 YR AVG</u>	<u>1 YR AVG</u>
Estimated Replacement Value	\$414,959,579	\$495,753,504	\$235,921,831
Annual Preservation Effort	\$1,578,851	\$1,821,715	\$1,946,574
Estimated Cost per Mile	\$997,499	\$1,191,715	\$567,120
Replacement Cycle (Years)	262.8	272.1	121.2
Ratio Replacement Cycle to Useful Life	4.4	4.5	2.0

<u>Year</u>	<u>Miles Replaced/ Resurfaced</u>	<u>Annual Cost</u>	<u>Cost/Mile</u>
2001	1.6	\$1,092,187	\$703,691
2002	1.9	\$1,336,922	\$708,659
2003	1.3	\$1,122,238	\$863,512
2004	1.1	\$2,396,332	\$2,144,514
2005	3.4	\$1,946,574	\$567,120

Appendix I

Per Capita Revenue and Expenditure Trends

(Reports Issued 2004 through 2007

Actuals for 2002, 2003, 2004, and 2005)

REVENUES

	2004 Report	2005 Report	2006 Report	2007 Report	2004-2007 % Change
Property Taxes					
Milwaukee	348	357	365	377	8.3%
Average of Comparable Cities	249	259	267	276	10.8%
Other Local Taxes					
Milwaukee	0	0	0	0	N/A
Average of Comparable Cities	430	425	472	488	13.5%
Grants & Aids					
Milwaukee	590	601	564	565	-4.2%
Average of Comparable Cities	399	414	430	391	-2.0%
Local Taxes and Intergovernmental Aids					
Milwaukee	938	958	929	942	0.4%
Average of Comparable Cities	1,078	1,098	1,169	1,155	7.1%
Charges for Services					
Milwaukee	387	396	399	405	4.7%
Average of Comparable Cities	558	551	590	646	15.8%
Other Revenue					
Milwaukee	98	96	96	165	68.4%
Average of Comparable Cities	76	62	77	79	3.9%
Total Revenue					
Milwaukee	1,423	1,450	1,424	1,512	6.3%
Average of Comparable Cities	1,712	1,711	1,836	1,880	9.8%

EXPENDITURES

	2004 Report	2005 Report	2006 Report	2007 Report	2004-2007 % Change
Public Safety					
Milwaukee	487	538	511	567	16.4%
Average of Comparable Cities	506	544	567	597	18.0%
Public Works					
Milwaukee	478	495	509	535	11.9%
Average of Comparable Cities	524	547	609	636	21.4%
General Government					
Milwaukee	115	127	147	120	4.3%
Average of Comparable Cities	161	156	148	157	-2.5%
Conservation and Development					
Milwaukee	87	109	98	97	11.5%
Average of Comparable Cities	115	153	158	114	-0.9%
Interest Expense					
Milwaukee	50	45	40	38	-24.0%
Average of Comparable Cities	67	66	64	63	-6.0%
Culture, Recreation and Health					
Milwaukee	90	86	107	97	7.8%
Average of Comparable Cities	123	111	114	123	0.0%
Total Expenditures					
Milwaukee	1,307	1,400	1,412	1,454	11.2%
Average of Comparable Cities	1,496	1,577	1,660	1,690	13.0%

Appendix II

**The Revenue Structure of Wisconsin Municipal Governments
Versus U.S. Average**

Comparing City of Milwaukee revenues and expenditures to those of nine similar municipalities throughout the country, shows Milwaukee collects lower taxes and other revenue, and incurs lower expenditures than its peer cities. However, Milwaukee's property tax is higher than the average of comparable cities. This is due to the fact that Wisconsin local governments rely on the property tax as its primary local revenue source. Local governments outside Wisconsin utilize local sales, income and other non-property taxes to supplement the property tax. The limited taxing authority for local governments in Wisconsin has resulted in a greater reliance on property taxes and state aids.

Towns, Cities, Villages and Special Districts Per Capita Revenues By Type				
	US Average	Wisconsin	Disparity Between US Average and Wisconsin	% Above (Below) US Average
Property Taxes	\$311	\$324	\$13	4%
State Aids	276	285	9	3%
Other Taxes	241	33	(208)	-86%
Subtotal: Local Taxes & State Aids	\$827	\$641	(\$186)	-23%
Charges for Services	328	205	(123)	-38%
Other Revenues	197	148	(50)	-25%
Federal Aids	113	46	(67)	-59%
Total Revenues	\$1,466	\$1,040	(\$426)	-29%

Source: US Census Bureau State & Local Government Finances -- 2002 Census of Governments Table 2

Based on Census information, municipal governments and special districts in Wisconsin have significantly less revenue, \$1,040 per capita versus \$1,466 for the national average. This finding coincides with the comparative cities analysis findings on Page 3 that shows the City of Milwaukee's revenues were also lower than its peer cities. Like Milwaukee's peer city analysis, other taxes and charges for services lag the national average. Also, state aids do not fully compensate municipal governments in Wisconsin for the limits on using other taxes to support municipal services. Local taxes and state aids for municipal services in Wisconsin are \$186 per capita (-23%) less than the national average.

The Wisconsin tax system was designed to centrally collect most sales taxes and all income taxes. However, in recent years the State of Wisconsin has redistributed a declining share of this revenue to municipal governments, significantly limiting the funds needed to provide municipal services in Wisconsin compared to that of other states.

The Census of Governments is produced by the U.S. Bureau of the Census every 5 years since 1957, in years ending in "2" and "7" and provides periodic and comprehensive statistics about governments and governmental activities for all state and local governments. Subsequent reports will include updated census information as it becomes available.

Appendix III

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 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 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 are health services and the Port of Milwaukee.

The population data to calculate per capita values is from the 2000 census.

Appendix IV

Comparable City Methodology

In selecting comparable cities to Milwaukee all US cities with 2000 census populations between 300,000 and 900,000 were chosen. Of these cities, those that are not central cities within their respected MSAs were discarded.

The remaining 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 has a population of 596,974 and a MSA population of 1,648,199. This means that the city's population comprises 36% of the MSA population. Five of the closest "snowbelt" cities and four of the closest "sunbelt" cities in terms of city to MSA population were chosen. The cities of Denver and Baltimore were excluded from this selection process, because these cities have municipal governments with combined county and city functions, which would not provide good spending comparisons to the City of Milwaukee.

A couple of years ago, financial statements prepared under the new reporting model, as required by GASB 34, were not available for the cities of Kansas City, New Orleans, and Las Vegas. These cities were replaced with Charlotte, Oklahoma City and Toledo, which were the next closest in terms of city to MSA population percentage. To provide consistency with prior reports, no change was made in comparable cities. The Comptroller's Office plans to review the methodology used to determine comparable cities every five years.

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. (i.e. The list excludes combined city/county governments.)

The comparable cities to the City of Milwaukee included in this report are as follows: Pittsburgh, PA; Cincinnati, OH; Portland, OR; Columbus, OH; Charlotte, NC; Sacramento, CA; Oklahoma City, OK; Toledo, OH; Cleveland, OH.