

City of Milwaukee

**Comparative Revenue and Expenditure
Report**



W. Martin Morics
Comptroller

July 2005

Table of Context

	Page
I. Introduction	2
II. Revenue Sources	3
III. Local Taxes	4
IV. Property Taxes.....	5
V. Intergovernmental Aids.....	6
VI. Charges for Services	7
VII. Expenditures by Purpose.....	8
VIII. Public Safety.....	9
IX. Public Works	10
X. General Government	11
XI. Conservation and Development.....	12
XII. Interest Expense	13
XIII. Culture and Recreation	14
XIV. Health	15
XV. Appendix I: The Revenue Structure of Wisconsin Governments.....	16
XVI. Appendix II: Data Source and Limitations.....	17
XVII. Appendix III: Comparable City Methodology	18

Introduction

This report was formulated in large part on testimony, which I provided the Wisconsin Legislative Joint Committee on Finance in March 2003. Since that time, I've received numerous requests for that data. In the discussion over whether taxes are too high, should be frozen, or cut, virtually the entire debate has centered on the level of taxation, with little discussion or analysis of what services are being provided, and whether they in fact cost too much.

In short, there is almost no debate over what services government should provide and whether the cost of these services is reasonable. This profoundly simple question of "What should government do and what should it cost?" may in part be due to a lack of reliable data. 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 freeze taxes is not the tough decision, but the question of what services to cut or eliminate remains, and that is indeed the tough question.

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?" While explanatory, the report attempts not to be critical or judgmental. That part is left to the reader. I am hopeful that this report will provide some factual basis for the reader's conclusions. The data presented in this report deals with city revenues and expenditures only. The funding and costs of public schools, county government, vocational schools and sewerage districts are not a part of this report, although I would encourage them 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 the tax dollars they are paying 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.

The report is divided into seventeen sections. The methodology utilized is explained on page 19 of the report. This is my second comparative revenue and expenditure report and I realize that changes may be made to make future reports even more meaningful. In that effort, I encourage the reader to contact me with any suggested changes for future reports.

Revenue Sources from State Aids, Local Taxes and Charges

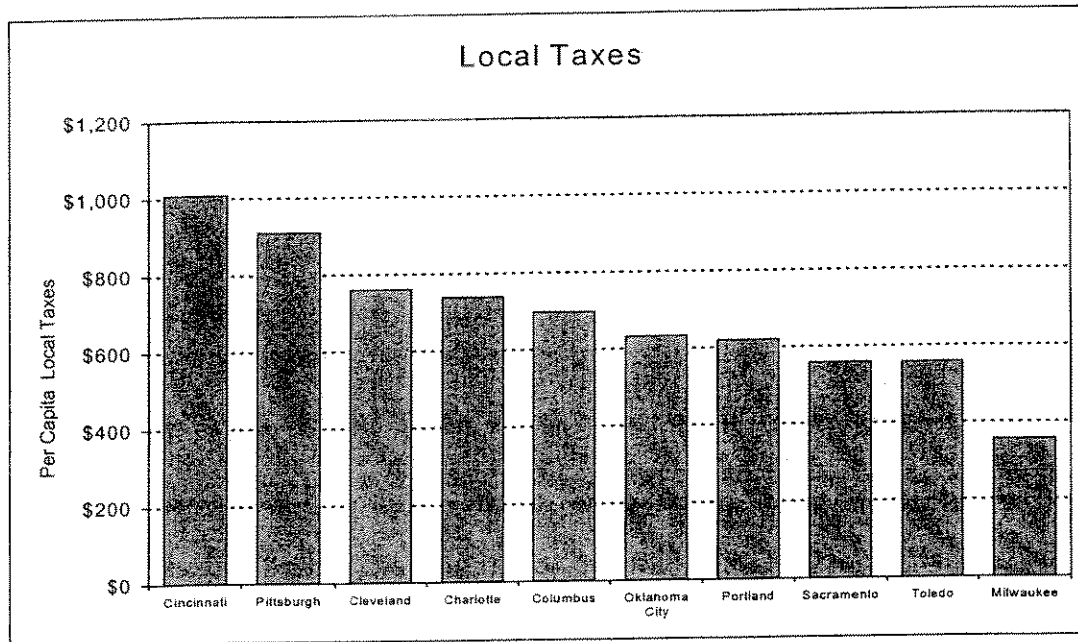
In recent years, during elections and the State of Wisconsin budget process, much of the discussion focused on the need to reduce state aids to local governments and control local property taxes. It should always be remembered that unlike most other states, Wisconsin's tax system was designed to collect sales and income taxes at the state level and redistribute these tax collections back to local governments. The higher level of state aids in Wisconsin has resulted in a lower level of locally generated tax revenues in Milwaukee than other comparable cities. This data is not presented to suggest Wisconsin should change its taxing structure to be more like other states. This data is presented to show State aids to the City of Milwaukee are critical to the City of Milwaukee due to a more limited set of local taxation options.

Per Capita Municipal Revenues

	City of Milwaukee	Average of Comparable Cities	Variance: Milwaukee vs Average City	% Variance Milwaukee vs Average City
Property Taxes	\$357	\$259	\$98	38%
Other Local Taxes	0	425	(425)	
Total Local Taxes	\$357	\$684	(\$327)	-48%
Grants & Aids	\$601	\$414	\$187	45%
Local Taxes and Intergovernmental Aids	958	1,098	(140)	-13%
Charges for Services	396	551	(155)	-28%
Other Revenues	96	62	34	55%
Total	\$1,450	\$1,711	(\$261)	-15%

Local taxes in Milwaukee are \$327 (48%) less per capita than the average of comparable cities. When other local taxes and intergovernmental aids are combined, per capita revenue for the City of Milwaukee totals \$1,450, or \$261 (15%) less than comparable cities.

Local Taxes

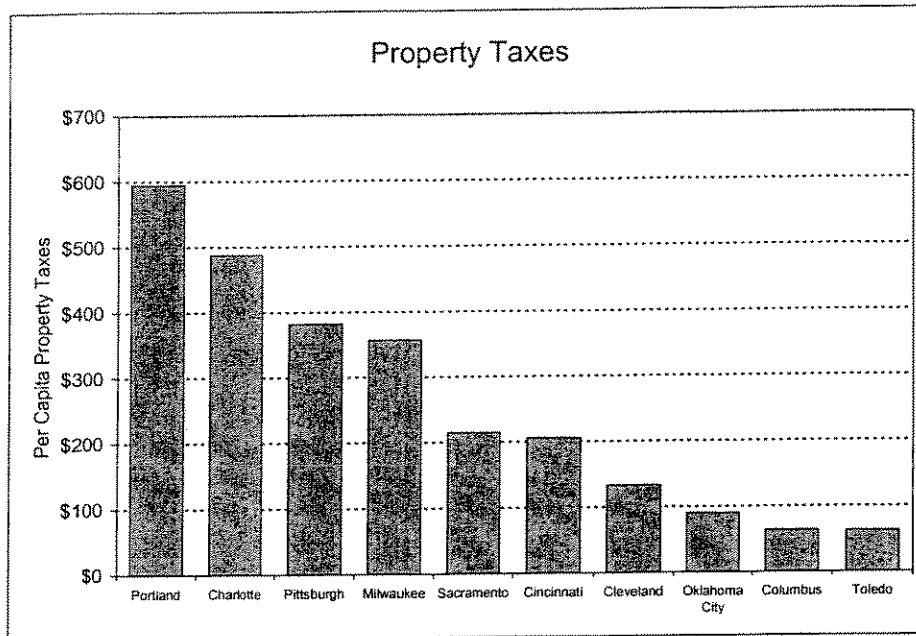


Since the City of Milwaukee does not have a local sales or income tax, Milwaukee's ranks last in per capita local taxes. The local taxes in Milwaukee are just over half the comparable cities' average. Milwaukee collects \$327 per capita less in local taxes than the average of comparable cities.

Per Capita Municipal Revenues Local Taxes

	Amount	Prior Year Ranking
Cincinnati	\$1,008	1
Pittsburgh	911	2
Cleveland	761	3
Charlotte	740	4
Columbus	698	5
Oklahoma City	632	6
Portland	620	9
Sacramento	559	8
Toledo	558	7
Milwaukee	357	10
Average of Comparable Cities	\$684	

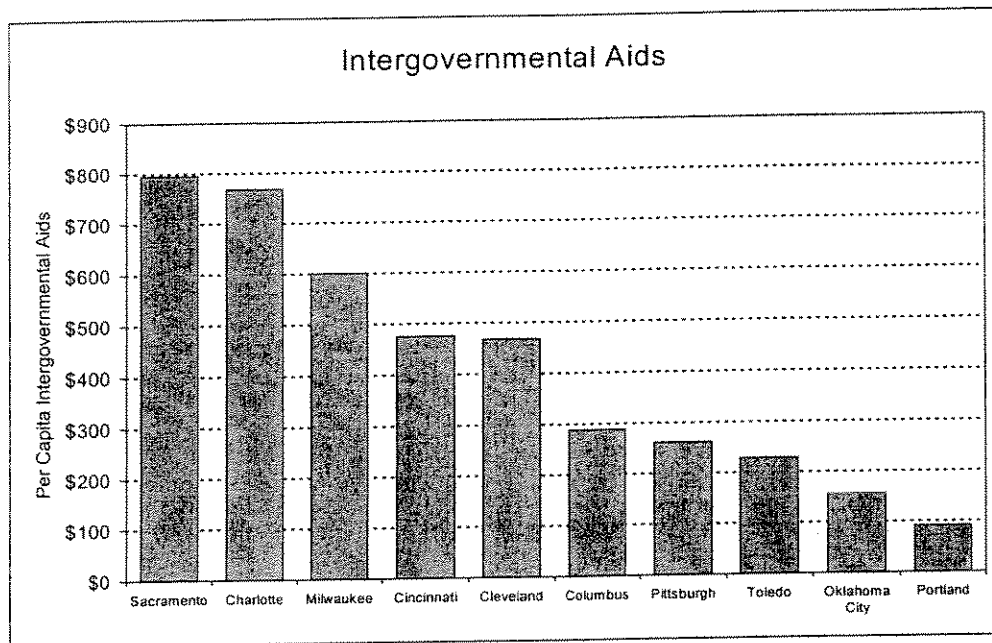
Property Taxes



The City of Milwaukee's only local tax is the property tax. Milwaukee's municipal property tax per capita is \$98 (38%) higher than the average of comparable cities. Since the City of Milwaukee assesses neither a local sales nor income tax it must rely on the property tax for all of its local tax revenue. This is a major reason for the greater reliance on the property tax for the City of Milwaukee compared to its peer cities.

	Amount	Prior Year Ranking
Portland	\$595	1
Charlotte	487	2
Pittsburgh	382	3
Milwaukee	357	4
Sacramento	214	5
Cincinnati	205	6
Cleveland	133	8
Oklahoma City	90	9
Columbus	64	10
Toledo	63	7
Average of Comparable Cities	\$259	

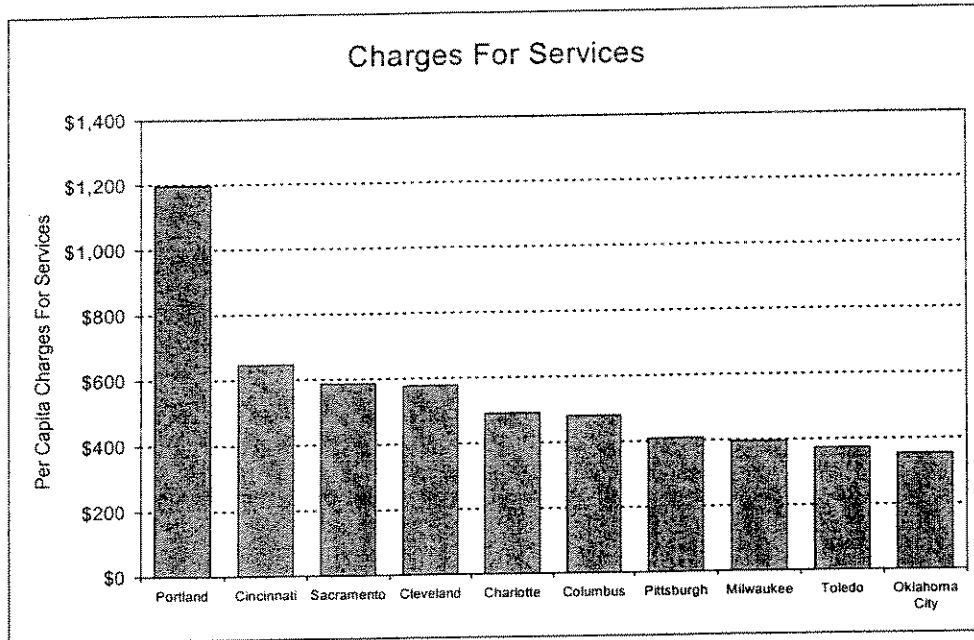
Intergovernmental Aids



In Wisconsin, municipalities do not collect sales or income taxes. Instead, the Wisconsin tax system was designed for these taxes to be collected by the State then redistributed to municipalities. This is the main reason why Milwaukee ranks third highest in funding from intergovernmental revenues – 45% higher than the average of comparable cities. Unfortunately, in recent years, the State of Wisconsin has both abandoned sharing the growth in sales and income taxes with municipalities, as well as decreased the funding for its major aid program to municipalities – the State Shared Revenue Program. This results in a greater reliance on property taxes for city services in Milwaukee than comparable cities.

Per Capita Revenues Intergovernmental Aids		
	Amount	Prior Year Ranking
Sacramento	\$796	1
Charlotte	768	2
Milwaukee	601	3
Cincinnati	476	5
Cleveland	469	4
Columbus	289	6
Pittsburgh	262	8
Toledo	229	7
Oklahoma City	156	9
Portland	91	10
Average of Comparable Cities	\$414	

Charges for Services



City of Milwaukee efforts to control the growth in property taxes and decreasing state shared revenue has resulted in a need to look for alternative funding sources. As a result, 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 \$155 (28%) less than the average of comparable cities.

Per Capita Revenues Charges for Services		
	Amount	Prior Year Ranking
Portland	\$1,197	1
Cincinnati	647	3
Sacramento	587	4
Cleveland	578	2
Charlotte	491	6
Columbus	481	5
Pittsburgh	408	7
Milwaukee	396	8
Toledo	374	10
Oklahoma City	354	9
Average of Comparable Cities	\$551	

Expenditures by Purpose

Like all cities, the City of Milwaukee provides a variety of services to its citizens, businesses, and visitors. City services are critical to ensuring the quality of life in our city will meet or exceed citizen's needs and expectations. Maintaining city services at an adequate level to provide for a safe and clean environment is critical to the long-term health of a city.

Per Capita Expenditures by Purpose

	City of Milwaukee	Average of Comparable Cities	Variance by Between Milwaukee and City Average	Milwaukee's Percentage Variance from City Average
Public Safety	\$538	\$544	(\$6)	-1%
Public Works	495	547	(52)	-10%
General Government	127	156	(29)	-19%
Conservation and Development **	109	153	(44)	-29%
Interest Expenses	45	66	(21)	-32%
Culture and Recreation	40	77	(37)	-48%
Health *	46	34	12	35%
Total Expenditures	\$1,400	\$1,577	(\$177)	-11%

* Only five cities including the City of Milwaukee report health expenditures.

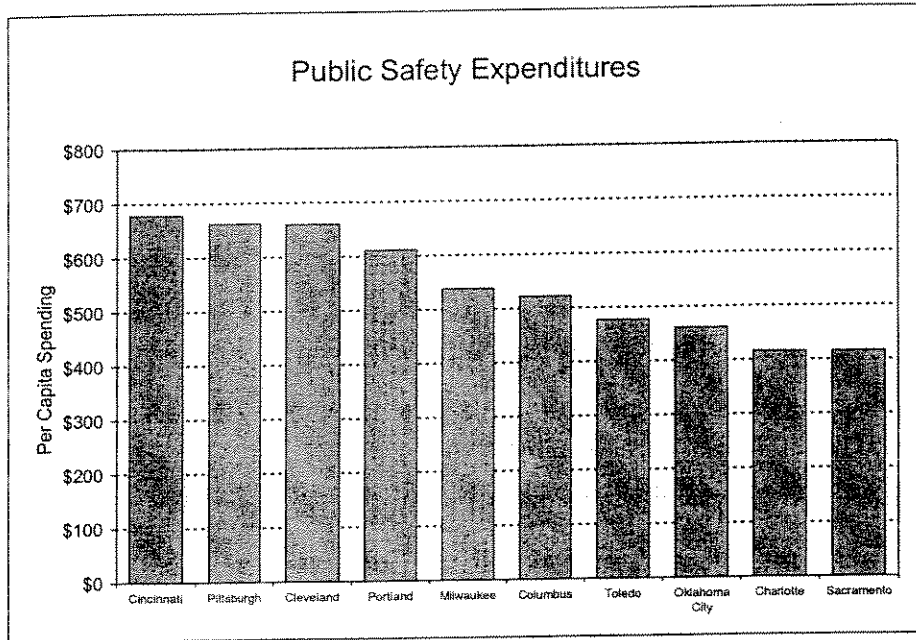
** Nine cities including the City of Milwaukee report Conservation & Development expenditures

Milwaukee spends \$177 per capita (11%) less per capita than the average of comparable cities. The City of Milwaukee spends less than ninety percent of the average comparable cities on general government, public works, conservation and development, culture and recreation, and interest expense. In only one category, health, Milwaukee's spending is above the comparable cities per capita average because only half of the cities report health service expenditures.

Per Capita Expenditures Total Expenditures

	Amount	Prior Year Ranking
Cincinnati	\$2,021	1
Portland	1,965	3
Cleveland	1,898	2
Sacramento	1,720	5
Pittsburgh	1,693	4
Columbus	1,413	6
Milwaukee	1,400	7
Charlotte	1,390	10
Toledo	1,155	8
Oklahoma City	1,118	9
Average of Comparable Cities	\$1,577	

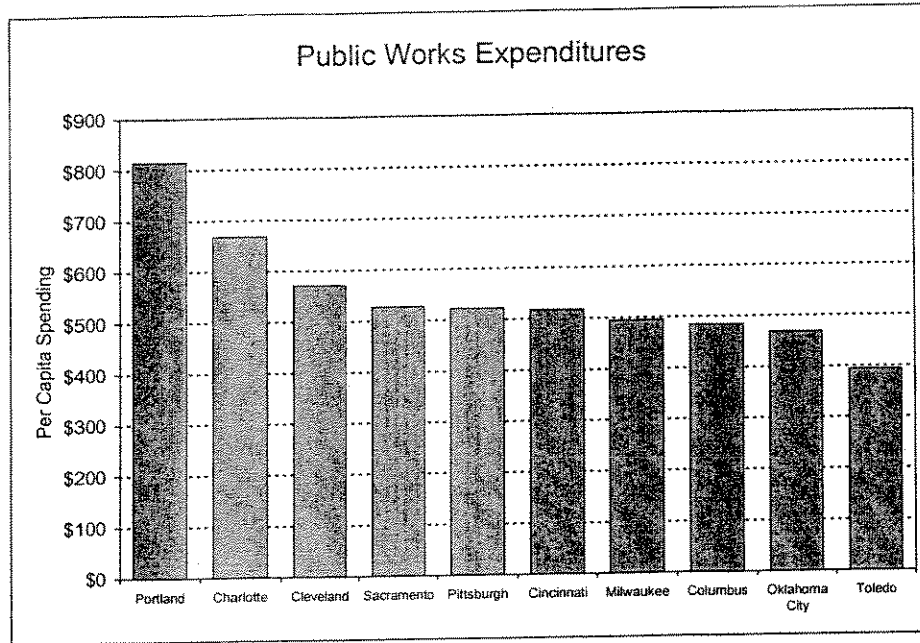
Public Safety



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 on a per capita basis spends about \$6 per capita (1%) less than the average of comparable cities on public safety.

	Amount	Prior Year Ranking
Cincinnati	\$678	1
Pittsburgh	662	3
Cleveland	660	2
Portland	611	5
Milwaukee	538	6
Columbus	522	4
Toledo	477	7
Oklahoma City	461	8
Charlotte	416	9
Sacramento	415	10
Average of Comparable Cities	\$544	

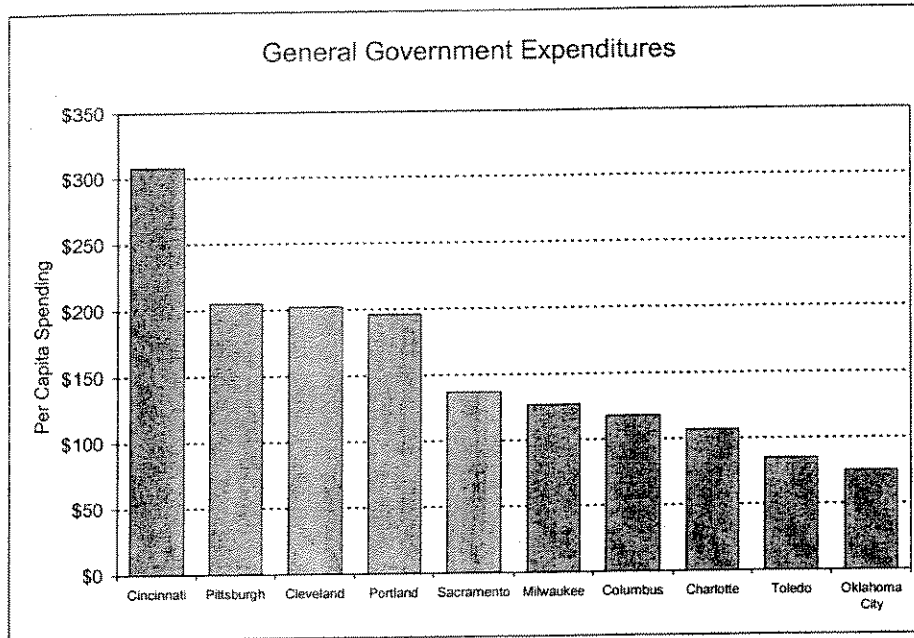
Public Works



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 \$52 per capita (10%) less than the average of comparable cities on streets, sewers, and other public works' expenditures.

Per Capita Expenditures Public Works		
	Amount	Prior Year Ranking
Portland	\$815	1
Charlotte	669	8
Cleveland	571	3
Sacramento	528	2
Pittsburgh	523	4
Cincinnati	518	6
Milwaukee	495	7
Columbus	485	5
Oklahoma City	469	10
Toledo	394	9
Average of Comparable Cities	\$547	

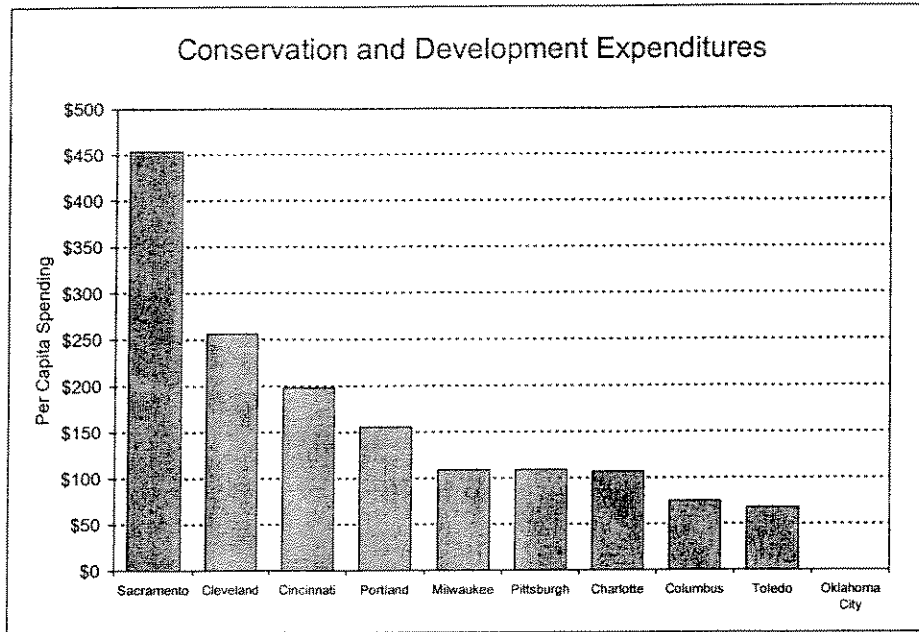
General Government



Administration costs are necessary for the operations of any organization. Milwaukee appears to control these costs better than many other cities. These include expenditures for the Mayor, Common Council, municipal court, legal and financial services, elections, property assessments, employee relations, and other city management overhead. Milwaukee spends about \$29 per capita (19%) less than the average of comparable cities on general government or administrative functions.

Per Capita Expenditures General Government		
	Amount	Prior Year Ranking
Cincinnati	\$308	1
Pittsburgh	205	3
Cleveland	202	2
Portland	196	5
Sacramento	137	4
Milwaukee	127	7
Columbus	118	6
Charlotte	107	9
Toledo	85	8
Oklahoma City	75	10
Average of Comparable Cities	\$156	

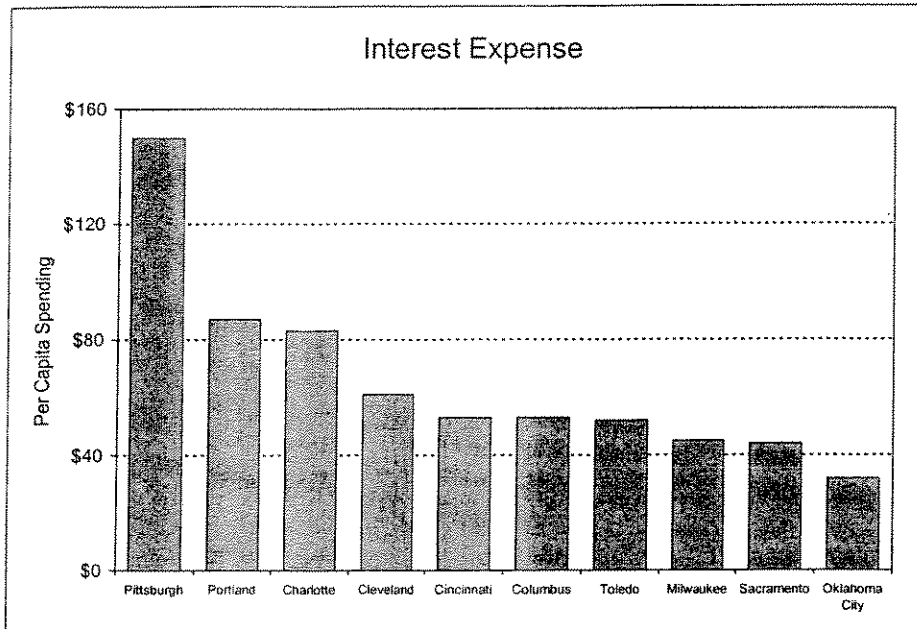
Conservation and Development



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 \$44 per capita (29%) less than the average of comparable cities.

Per Capita Expenditures Conservation and Development		
	Amount	Prior Year Ranking
Sacramento	\$454	2
Cleveland	256	1
Cincinnati	198	4
Portland	156	3
Milwaukee	109	5
Pittsburgh	109	9
Charlotte	107	8
Columbus	75	7
Toledo	68	6
Oklahoma City	0	
Average of Comparable Cities	\$153	

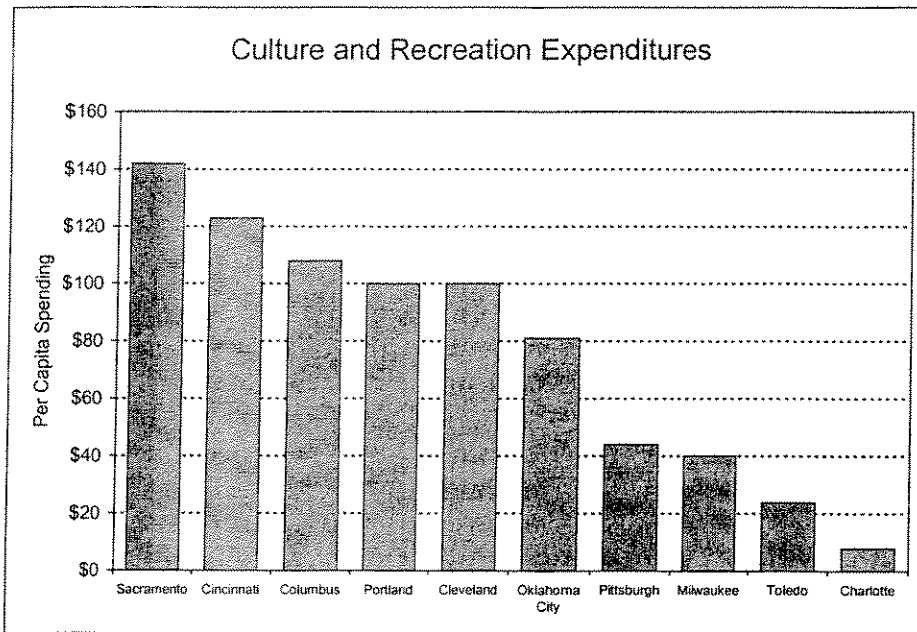
Interest Expense



Milwaukee has long been recognized by bond rating agencies for its effective debt management programs. Milwaukee currently has a manageable debt burden and has an annual per capita interest expense \$21 (32%) below the average of comparable cities.

Per Capita Expenditures Interest Expense		
	Amount	Prior Year Ranking
Pittsburgh	\$150	1
Portland	87	2
Charlotte	83	4
Cleveland	61	3
Cincinnati	53	6
Columbus	53	5
Toledo	52	8
Milwaukee	45	7
Sacramento	44	9
Oklahoma City	32	10
Average of Comparable Cities	\$66	

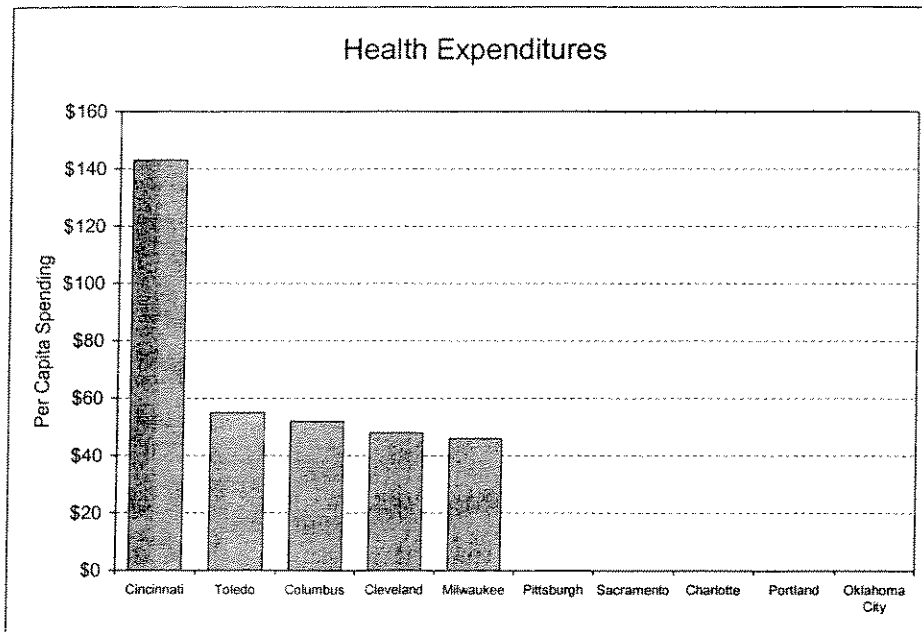
Culture and Recreation



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	\$142	2
Cincinnati	123	3
Columbus	108	4
Portland	100	6
Cleveland	100	5
Oklahoma City	81	1
Pittsburgh	44	8
Milwaukee	40	7
Toledo	24	9
Charlotte	8	10
Average of Comparable Cities	\$77	

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.

	Amount	Prior Year Ranking
Cincinnati	\$143	1
Toledo	55	3
Columbus	52	2
Cleveland	48	4
Milwaukee	46	5
Pittsburgh		
Sacramento		
Charlotte		
Portland		
Oklahoma City		
Average of Comparable Cities	\$34	

Appendix I

The Revenue Structure of Wisconsin Municipal Governments Versus US 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, \$1040 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 current 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.

Appendix II

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 III

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” or “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.

Last year, 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 last year’s report, no change was made in comparable cities used for last year’s report. 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.

