

**City of Milwaukee**

**Comparative Revenue and Expenditure Report**



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Comptroller**

**2011**

## Table of Contents

|  | Page      |
|--|-----------|
| <b>I. Introduction .....</b>                   | <b>3</b>  |
| <b>II. Revenue Sources.....</b>                | <b>6</b>  |
| A. Property Taxes .....                        | 7         |
| B. Local Taxes .....                           | 8         |
| C. Intergovernmental Aids .....                | 9         |
| D. Charges for Services .....                  | 10        |
| <b>III. Expenditures by Purpose .....</b>      | <b>11</b> |
| A. Public Safety .....                         | 12        |
| B. Public Works.....                           | 13        |
| C. General Government.....                     | 14        |
| D. Conservation and Development.....           | 15        |
| E. Interest Expense .....                      | 16        |
| F. Culture and Recreation .....                | 17        |
| G. Health.....                                 | 18        |
| <b>IV. Capital Replacement Cycles.....</b>     | <b>19</b> |
| A. Local Streets in the City of Milwaukee..... | 20        |
| B. Sewers in the City of Milwaukee.....        | 21        |
| C. Bridges in the City of Milwaukee.....       | 22        |
| D. Alleys in the City of Milwaukee.....        | 23        |

**V. Appendices**

I. Per Capita Revenue and Expenditure Trends .....24

II. The Revenue Structure of Wisconsin Governments .....25

III. Data Sources and Limitations.....26

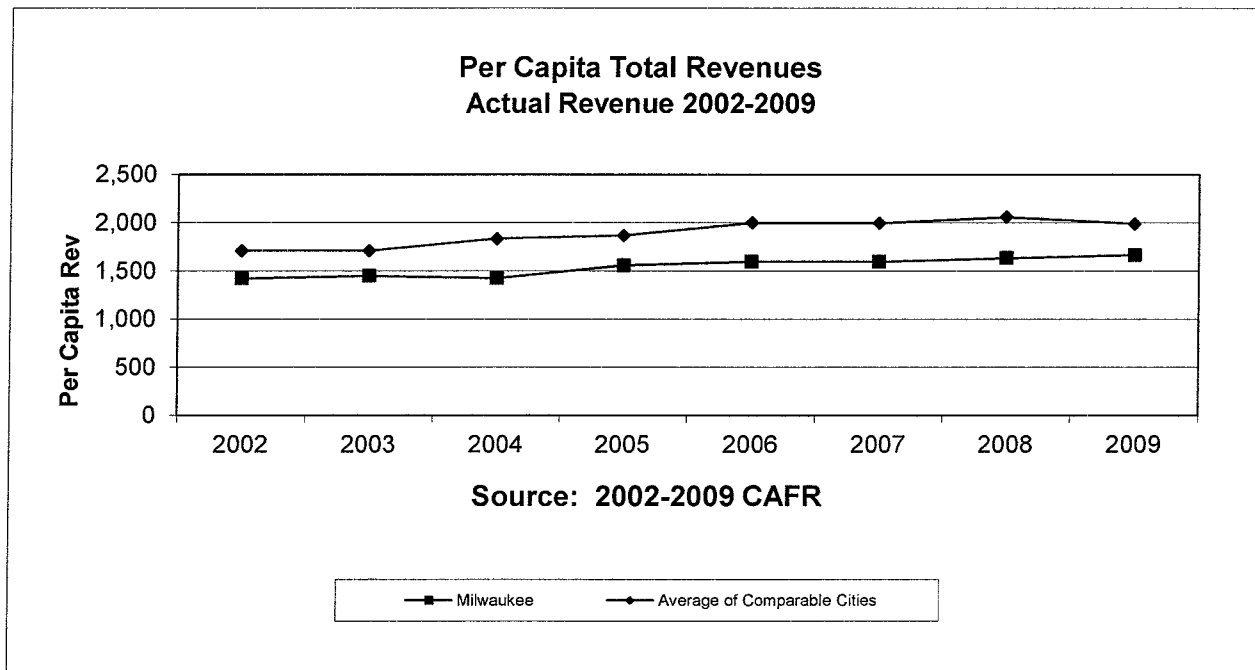
IV. Comparable City Methodology.....27

## I. Introduction

The discussion over whether taxes are too high often centers on the level of taxation, with little discussion or analysis of the service levels being provided, and how much these services should cost. When confronted with diminishing resources and increasing costs, the basic but 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 reduced or eliminated, and how to pay for the services that remain.

Thus the concept for this report was born. There is much information available 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 ask “relative to what?” This report attempts to provide some important facts for the reader’s consideration. The data presented in this report deals only with City government revenues and expenditures. The funding and cost of public schools, county government, vocational school and sewerage district services are outside the scope of this report.

In this sixth edition of the Comparative Revenue and Expenditure Report, trends continue to emerge. One trend is that the revenue stream for the City of Milwaukee continues to lag the revenue stream of its peer cities. The chart below indicates the variance between various sources of revenue for Milwaukee versus its peer cities.\*



\*This chart and the remaining charts in this report refer only to the City of Milwaukee municipal corporation, excluding other local governments (Milwaukee Public Schools, Milwaukee County, Milwaukee Metropolitan Sewerage District, and Milwaukee Area Technical College) taxing Milwaukee city residents. Comparison cities likewise exclude overlapping local governments.

With respect to local taxes, the City of Milwaukee continues to rank at the bottom of the list among its peer cities. As the chart below illustrates, the City of Milwaukee receives the lowest amount of local taxes when all taxes (property, sales, income, and other) are taken into consideration. In fact, the City of Milwaukee's 2009 per capita local taxes are approximately 42% lower than the ten city comparable average. This is mainly due to the City of Milwaukee receiving a relatively large portion of revenue from State aids, and continuing to spend less per capita than the average of comparable cities.

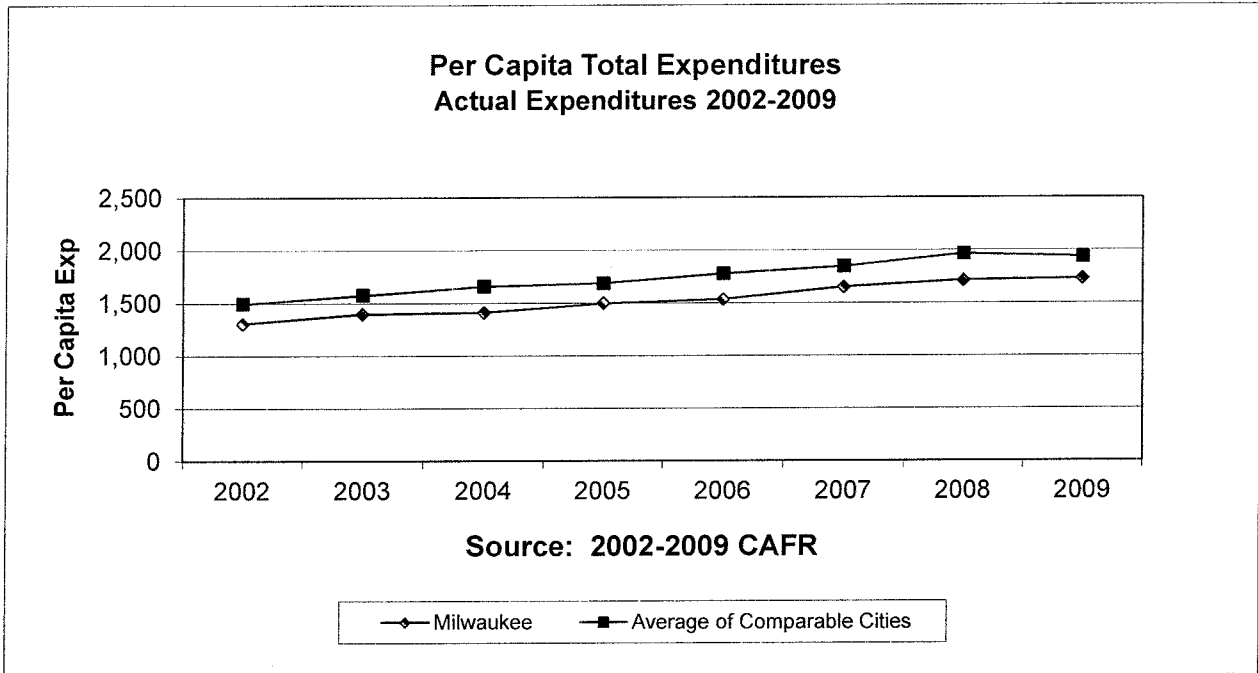
| 2009 Per Capita Revenues        |            |                    |
|---------------------------------|------------|--------------------|
| Local Taxes                     |            |                    |
|                                 | Amount     | Prior Year Ranking |
| Cincinnati, OH                  | \$ 1,250   | 1                  |
| Pittsburgh, PA                  | 1,061      | 2                  |
| Oklahoma City, OK               | 911        | 7                  |
| Charlotte, NC                   | 888        | 4                  |
| Portland, OR                    | 821        | 5                  |
| Cleveland, OH                   | 819        | 6                  |
| Columbus, OH                    | 809        | 3                  |
| Toledo, OH                      | 511        | 8                  |
| Sacramento, CA                  | 472        | 9                  |
| <b>Milwaukee, WI</b>            | <b>467</b> | <b>10</b>          |
| Average of 10 Comparable Cities | \$ 801     |                    |

Source: 2009 CAFR

Sales and use taxes, local income taxes, business taxes, and entertainment taxes are all part of the revenue mix to one degree or another in the peer cities to which Milwaukee is compared. These are real and substantial taxes but taxpayers aren't as "tuned in" to them as they are to the property tax bill.

In the 2004 Report (2002 Comprehensive Annual Financial Report data), local taxes and governmental aids for the City of Milwaukee were 13% less than the comparable city average. For the 2011 Report (2009 CAFR data) that difference is approximately 11%. Charges for services by the City of Milwaukee continue to be nearly one-third below the average charges of its comparable municipal governments.

With respect to expenditures, the news is similar. As the graph on the following page illustrates, spending in the City of Milwaukee has lagged the average per capita spending of the comparable cities for the past eight years.



Audited comprehensive annual financial reports (CAFR) for Milwaukee and the nine comparable communities for calendar year 2009 or fiscal year 2009/2010 were used to compile this report. The report's methodology is further explained on page 27.

## II. Revenue Sources

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 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 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.

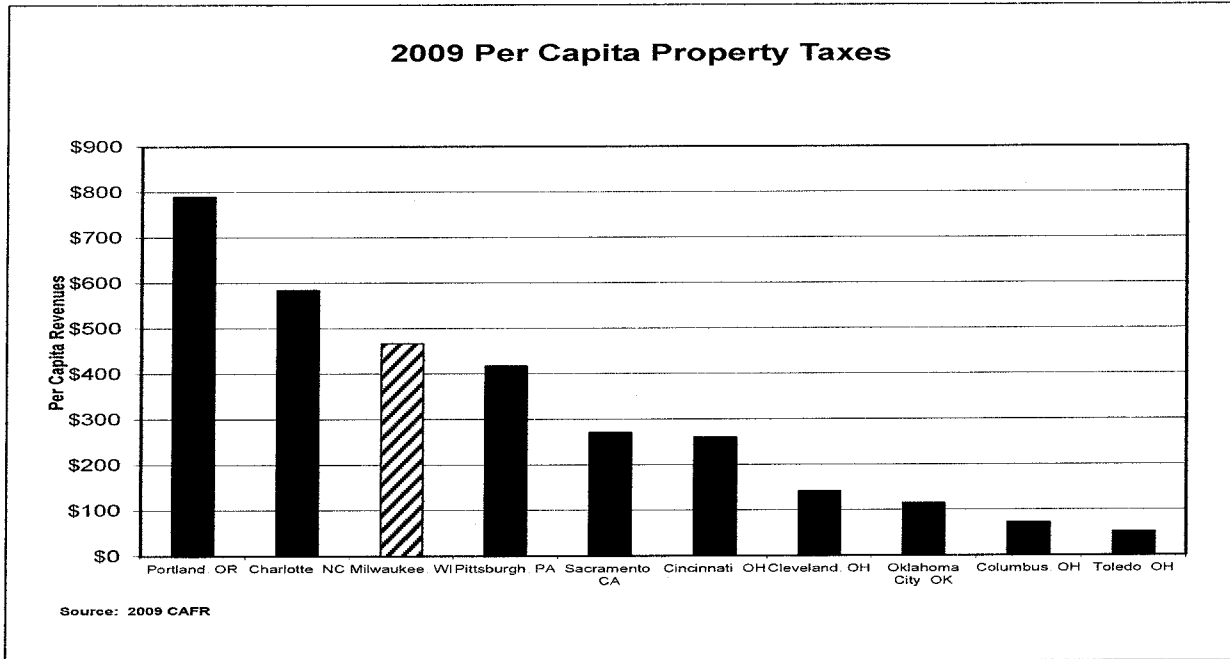
|                                   | <b>City of<br/>Milwaukee</b> | <b>Average of<br/>Comparable<br/>Cities</b> | <b>Variance<br/>Milwaukee versus<br/>Comparable City Average</b> |             |
|-----------------------------------|------------------------------|---|--|-------------|
| Property Taxes                    | \$467                        | \$317                                       | \$150  | 47%         |
| Other Local Taxes                 | 0                            | 484   | (484)  |             |
| <b>Total Local Taxes</b>          | <b>\$467</b>                 | <b>\$801</b>                                | <b>(\$334)</b>   | <b>-42%</b> |
| Intergovernmental Aids            | \$593                        | \$390                                       | \$203  | 52%         |
| <b>Total Local Taxes and Aids</b> | <b>1,060</b>                 | <b>1,191</b>                                | <b>(131)</b>   | <b>-11%</b> |
| Charges for Services              | 525                          | 736   | (211)  | -29%        |
| Other Revenues                    | 82                           | 65  | 17   | 26%         |
| <b>Total</b>                      | <b>\$1,667</b>               | <b>\$1,992</b>                              | <b>(\$325)</b>   | <b>-16%</b> |

Source: 2009 CAFR

Total local per capita taxes in Milwaukee are 42% less than the average of comparable cities. City of Milwaukee per capita local taxes combined with intergovernmental aids is 11% lower than the peer city average. Total per capita revenue for the City of Milwaukee is \$1,667, which is 16% less than the per capita total revenue of comparable cities.

## A. Property Taxes

The City of Milwaukee's only local tax is the property tax. Milwaukee's municipal property tax per capita is \$467, which is 47% higher than the peer city average. Since the City of Milwaukee cannot assess a local sales tax or a local income tax, it relies solely on the property tax for all of its local tax revenue.



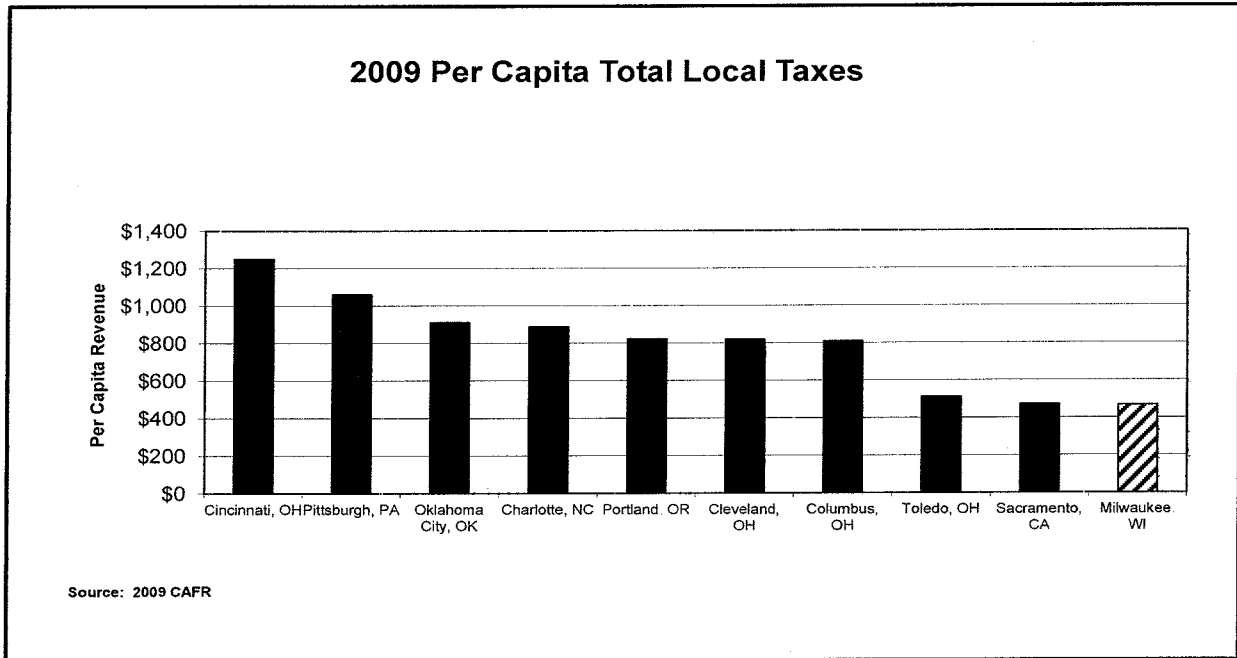
|                                 | Amount     | Prior Year<br>Ranking |
|---------------------------------|------------|-----------------------|
| Portland, OR                    | \$ 790     | 1                     |
| Charlotte, NC                   | 584        | 2                     |
| <b>Milwaukee, WI</b>            | <b>467</b> | <b>3</b>              |
| Pittsburgh, PA                  | 417        | 4                     |
| Sacramento, CA                  | 271        | 5                     |
| Cincinnati, OH                  | 260        | 6                     |
| Cleveland, OH                   | 141        | 7                     |
| Oklahoma City, OK               | 115        | 8                     |
| Columbus, OH                    | 72         | 9                     |
| Toledo, OH                      | 52         | 10                    |
| Average of 10 Comparable Cities | \$ 317     |                       |

Source: 2009 CAFR



## B. 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 \$467 per capita in total local taxes, which is 42% lower than the average of comparable cities.

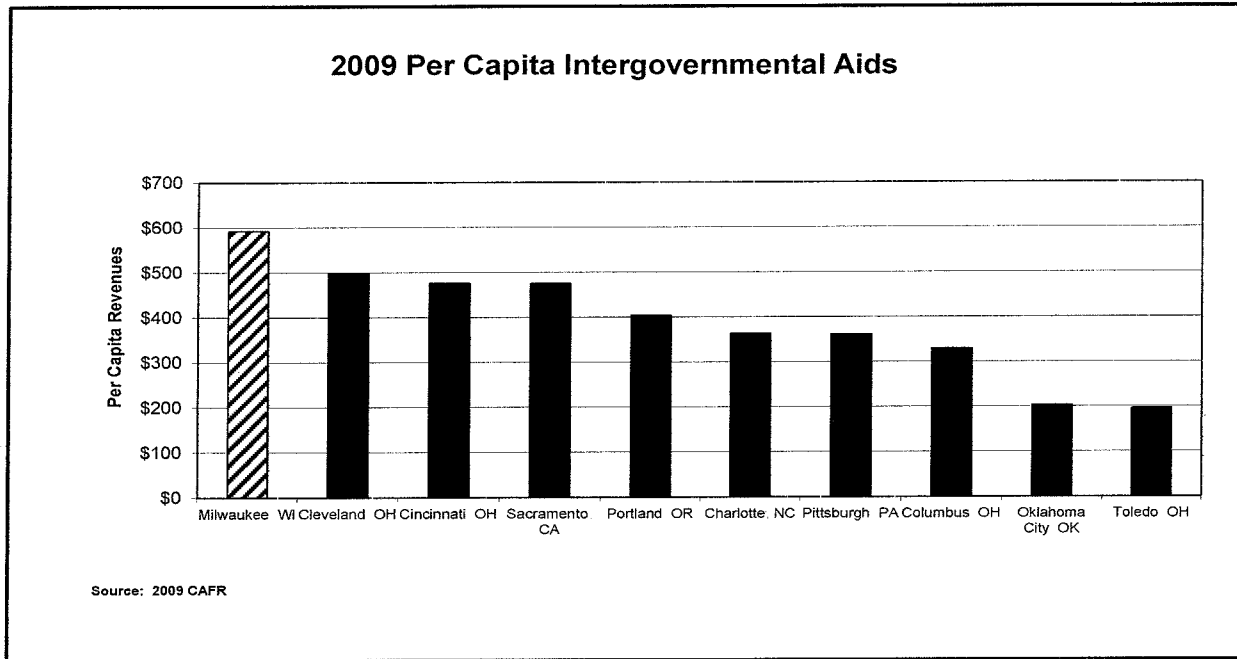


| <b>2009 Per Capita Revenues</b> |               |                           |
|---------------------------------|---------------|---------------------------|
| <b>Local Taxes</b>              |               |                           |
|                                 | <b>Amount</b> | <b>Prior Year Ranking</b> |
| Cincinnati, OH                  | \$ 1,250      | 1                         |
| Pittsburgh, PA                  | 1,061         | 2                         |
| Oklahoma City, OK               | 911           | 7                         |
| Charlotte, NC                   | 888           | 4                         |
| Portland, OR                    | 821           | 5                         |
| Cleveland, OH                   | 819           | 6                         |
| Columbus, OH                    | 809           | 3                         |
| Toledo, OH                      | 511           | 8                         |
| Sacramento, CA                  | 472           | 9                         |
| <b>Milwaukee, WI</b>            | <b>467</b>    | <b>10</b>                 |
| Average of 10 Comparable Cities | \$ 801        |                           |

Source: 2009 CAFR

### 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, with a portion redistributed back to municipalities in the form of State Shared Revenue payments. This is the primary reason why Milwaukee ranks first in funding from intergovernmental revenues, 52% higher than the average of comparable cities. However, the dollar amount available to the City of Milwaukee has declined over the years.

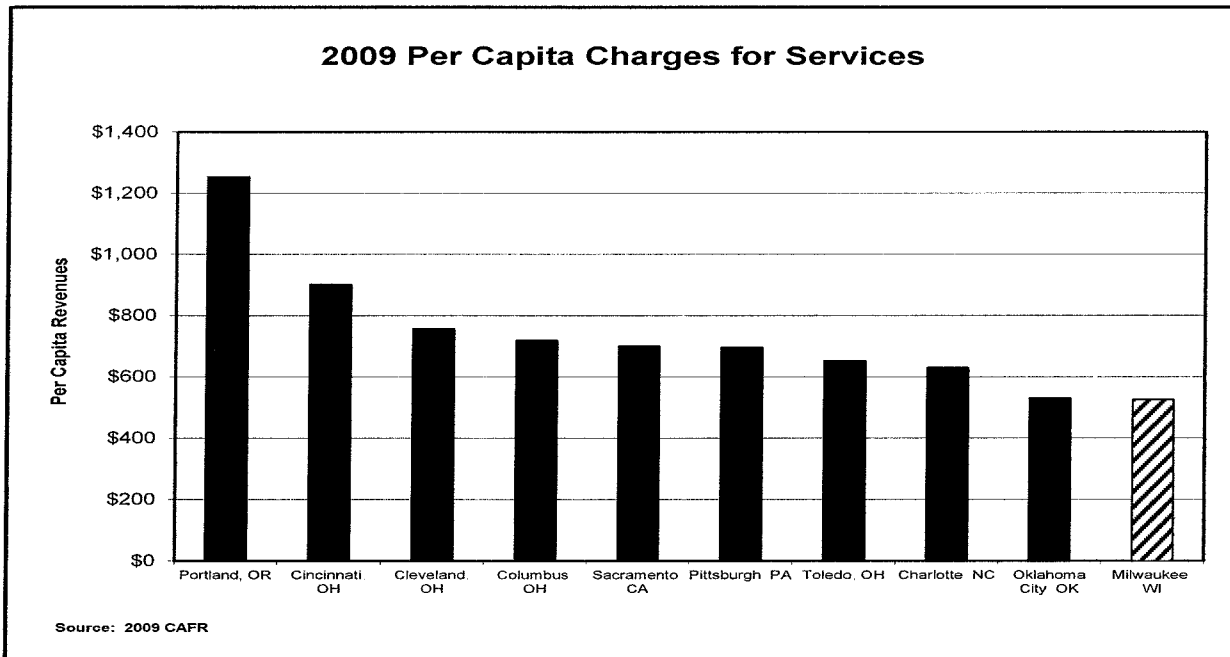


| <b>2009 Per Capita Revenues<br/>Intergovernmental Aids</b> |               |                               |
|--|---------------|-------------------------------|
|  | <b>Amount</b> | <b>Prior Year<br/>Ranking</b> |
| <b>Milwaukee, WI</b>                                       | <b>\$ 593</b> | <b>2</b>                      |
| Cleveland, OH  | 498           | 4                             |
| Cincinnati, OH   | 476           | 5                             |
| Sacramento, CA   | 475           | 3                             |
| Portland, OR   | 404           | 9                             |
| Charlotte, NC  | 363           | 1                             |
| Pittsburgh, PA   | 361           | 7                             |
| Columbus, OH   | 329           | 6                             |
| Oklahoma City, OK  | 203           | 8                             |
| Toledo, OH   | 196           | 10                            |
| Average of 10 Comparable Cities                            | \$ 390        |                               |

Source: 2009 CAFR

### D. Charges for Services

The 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. These recently enacted revenue changes notwithstanding, Milwaukee's \$525 per capita charges for services is 29% less than the average of comparable cities.



|                                 | Amount     | Prior Year<br>Ranking |
|---------------------------------|------------|-----------------------|
| Portland, OR                    | \$ 1,254   | 1                     |
| Cincinnati, OH                  | 902        | 2                     |
| Cleveland, OH                   | 757        | 3                     |
| Columbus, OH                    | 719        | 4                     |
| Sacramento, CA                  | 700        | 5                     |
| Pittsburgh, PA                  | 696        | 6                     |
| Toledo, OH                      | 652        | 7                     |
| Charlotte, NC                   | 630        | 8                     |
| Oklahoma City, OK               | 530        | 10                    |
| <b>Milwaukee, WI</b>            | <b>525</b> | <b>9</b>              |
| Average of 10 Comparable Cities | \$ 736     |                       |

Source: 2009 CAFR

### 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 service sufficient to provide for a safe, clean environment is critical to the long term vitality of a city.

|                                | <b>City of Milwaukee</b> | <b>Average of Comparable Cities</b> | <b>Variance Milwaukee versus Comparable City Average</b> |             |
|--------------------------------|--------------------------|-------------------------------------|--|-------------|
| Public Safety                  | \$725                    | \$697                               | \$28   | 4%          |
| Public Works                   | 638                      | 738                                 | (100)  | -14%        |
| General Government             | 143                      | 154                                 | (11)   | -7%         |
| Conservation and Development * | 90                       | 136                                 | (46)   | -34%        |
| Interest Expenses              | 41                       | 69                                  | (28)   | -41%        |
| Culture and Recreation         | 49                       | 104                                 | (55)   | -53%        |
| Health **                      | 46                       | 40                                  | 6  | 15%         |
| <b>Total Expenditures</b>      | <b>\$1,732</b>           | <b>\$1,938</b>                      | <b>(\$206)</b>   | <b>-11%</b> |

\* Nine cities including the City of Milwaukee report Conservation & Development expenditures.  
 \*\*Five cities including the City of Milwaukee report health expenditures.  
 Source: 2009 CAFR

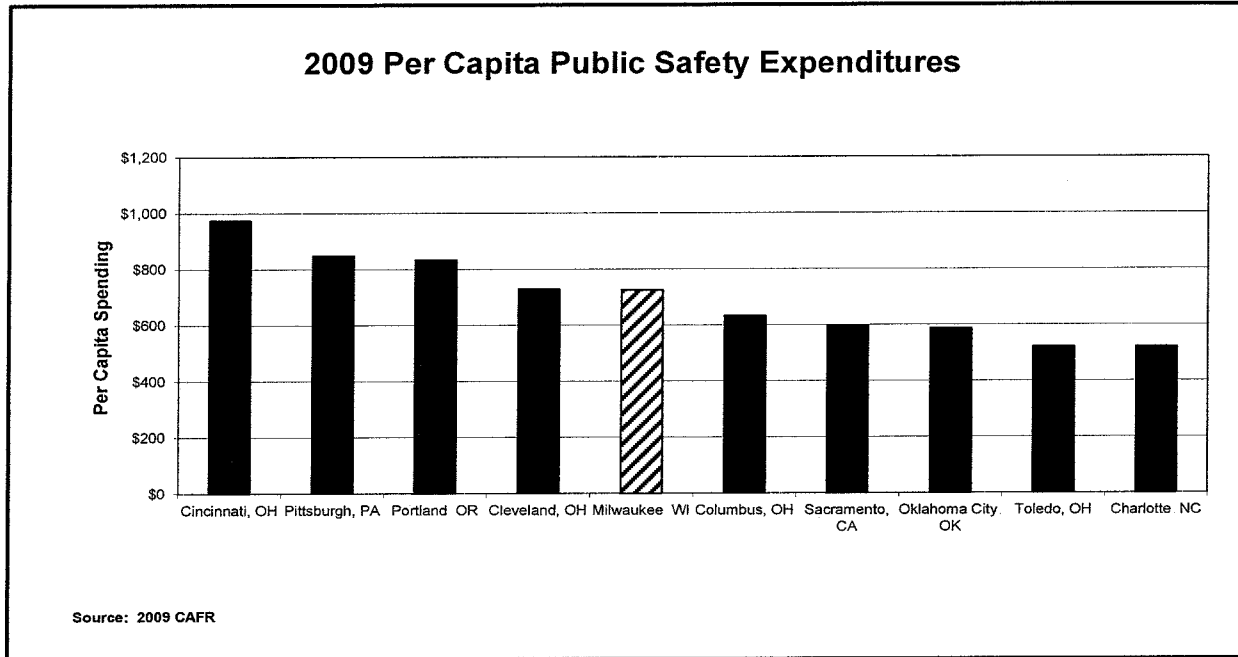
Total expenditures in 2009 for the City of Milwaukee are \$1,732 per capita. This is 11% less than the \$1,938 ten-city per capita average. Milwaukee spends less per capita than the average of comparable cities in all categories except for Health Services and Public Safety. Milwaukee's lower than average per capita expenditures range from 7% less in the General Government category to 53% less in the Culture and Recreation category. Milwaukee's per capita spending is 4% higher than the comparable cities' average in the Public Safety category, and 15% above the per capita average in the Health Services category.

|                                 | <b>Amount</b> | <b>Prior Year Ranking</b> |
|---------------------------------|---------------|---------------------------|
| Portland, OR                    | \$ 2,679      | 1                         |
| Cincinnati, OH                  | 2,670         | 2                         |
| Cleveland, OH                   | 2,199         | 3                         |
| Pittsburgh, PA                  | 2,178         | 4                         |
| Columbus, OH                    | 1,790         | 5                         |
| <b>Milwaukee, WI</b>            | <b>1,732</b>  | <b>7</b>                  |
| Sacramento, CA                  | 1,670         | 6                         |
| Charlotte, NC                   | 1,669         | 8                         |
| Oklahoma City, OK               | 1,453         | 10                        |
| Toledo, OH                      | 1,341         | 9                         |
| Average of 10 Comparable Cities | \$ 1,938      |                           |

Source: 2009 CAFR

## A. Public Safety

Public safety services 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 \$725 per capita on Public Safety, which is 4% higher than the comparable cities' per capita average.

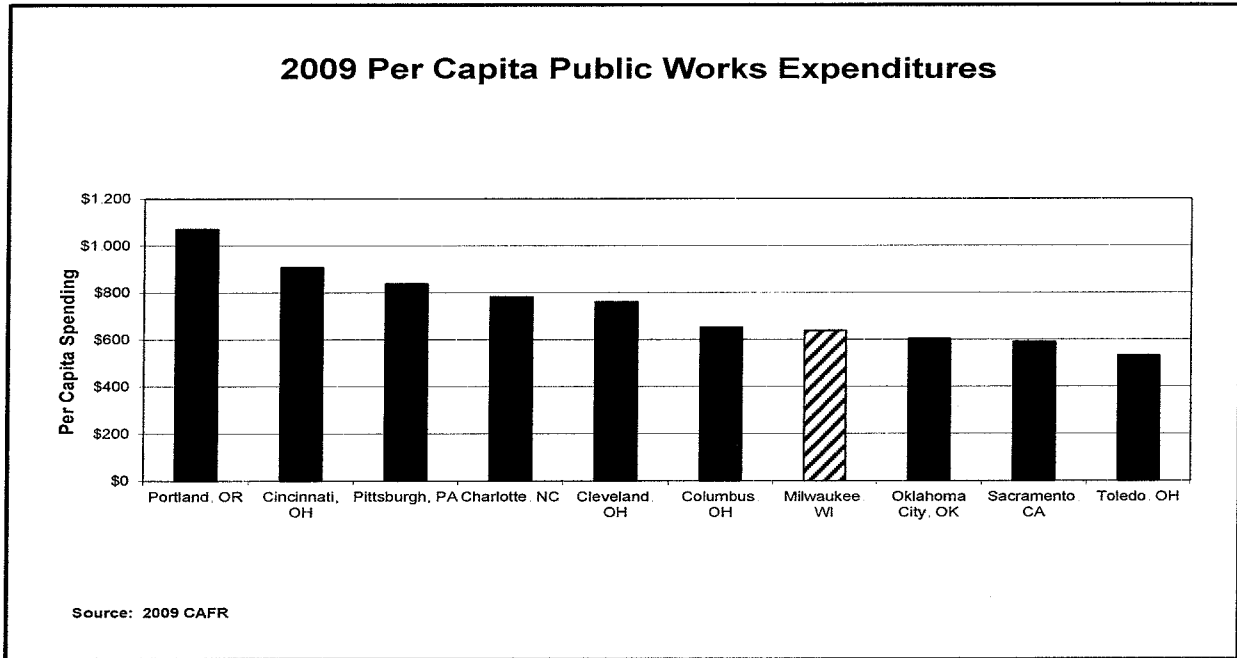


|                                 | Amount     | Prior Year<br>Ranking |
|---------------------------------|------------|-----------------------|
| Cincinnati, OH                  | \$ 974     | 1                     |
| Pittsburgh, PA                  | 849        | 4                     |
| Portland, OR                    | 834        | 2                     |
| Cleveland, OH                   | 729        | 3                     |
| <b>Milwaukee, WI</b>            | <b>725</b> | <b>5</b>              |
| Columbus, OH                    | 633        | 6                     |
| Sacramento, CA                  | 598        | 7                     |
| Oklahoma City, OK               | 587        | 8                     |
| Toledo, OH                      | 521        | 9                     |
| Charlotte, NC                   | 521        | 10                    |
| Average of 10 Comparable Cities | \$ 697     |                       |

Source: 2009 CAFR

## B. 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 \$638 per capita, approximately 14% less, than the average of comparable cities on streets, sewers, and other public works' expenditures.

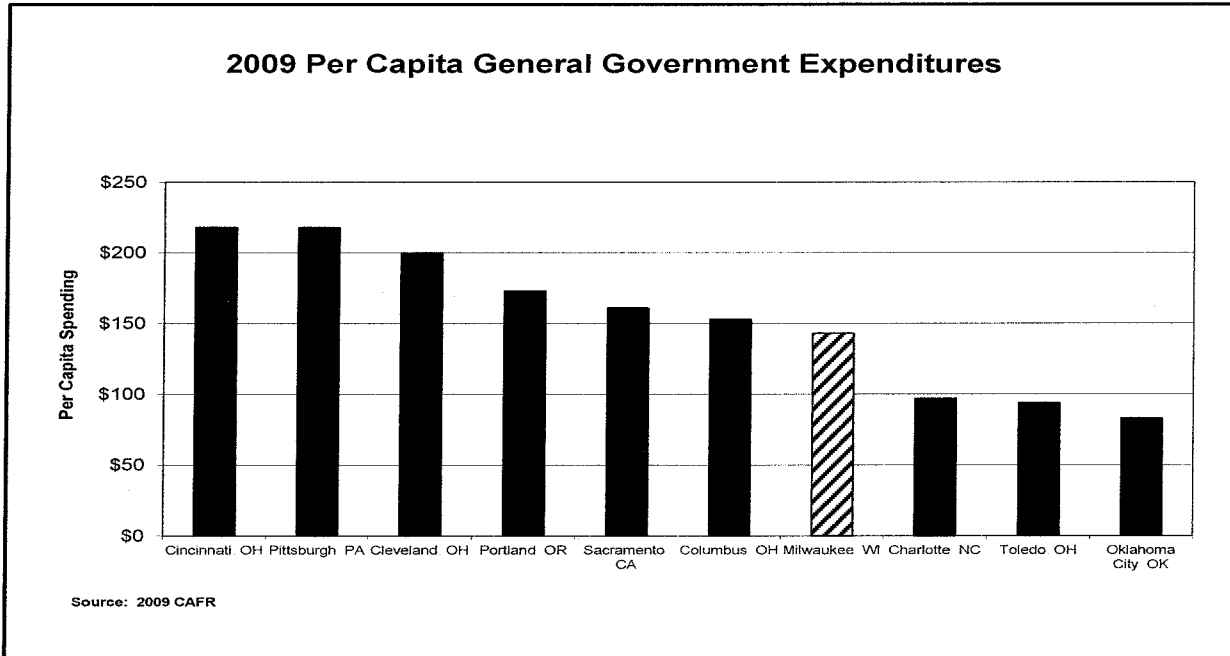


| <b>2009 Per Capita Expenditures<br/>Public Works</b> |               |                               |
|--|---------------|-------------------------------|
|  | <b>Amount</b> | <b>Prior Year<br/>Ranking</b> |
| Portland, OR   | \$ 1,071      | 1                             |
| Cincinnati, OH                                       | 907           | 2                             |
| Pittsburgh, PA                                       | 838           | 3                             |
| Charlotte, NC  | 782           | 4                             |
| Cleveland, OH  | 761           | 5                             |
| Columbus, OH   | 653           | 6                             |
| <b>Milwaukee, WI</b>                                 | <b>638</b>    | <b>8</b>                      |
| Oklahoma City, OK                                    | 603           | 9                             |
| Sacramento, CA                                       | 591           | 7                             |
| Toledo, OH   | 532           | 10                            |
| Average of 10 Comparable Cities                      | \$ 738        |                               |

Source: 2009 CAFR

### C. 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 \$143 per capita, which is approximately 7% less, than the average of comparable cities on general government or administrative functions.

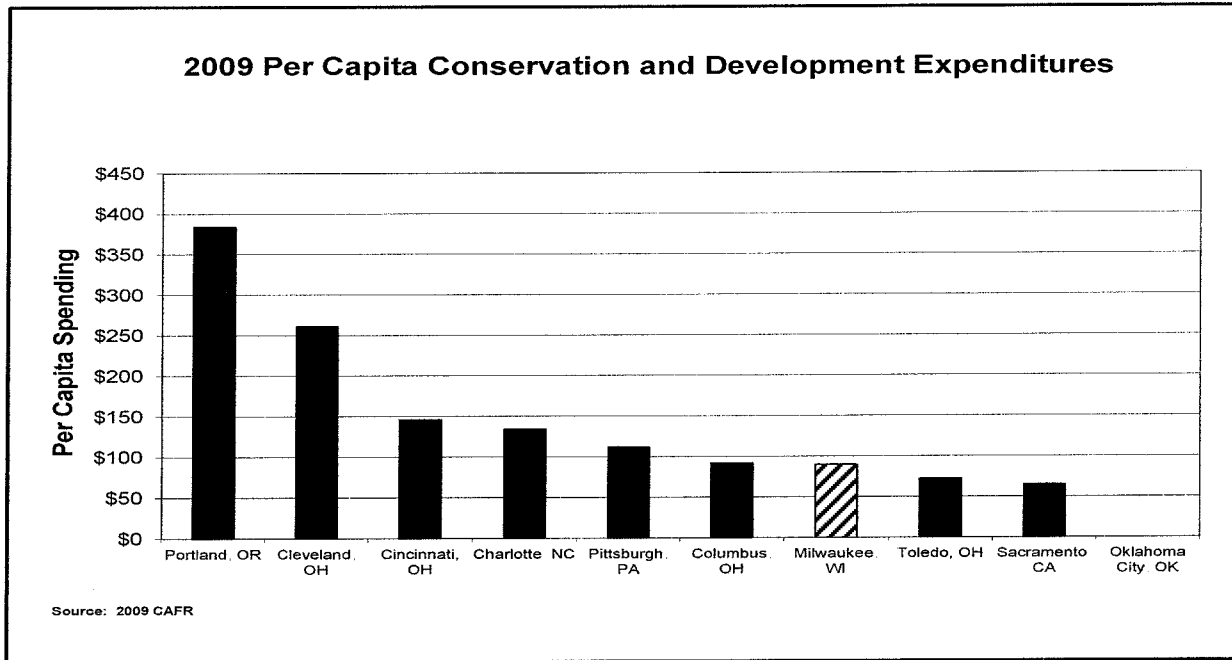


| 2009 Per Capita Expenditures<br>General Government |            |                    |
|--|------------|--------------------|
|  | Amount     | Prior Year Ranking |
| Cincinnati, OH                                     | 218        | 2                  |
| Pittsburgh, PA                                     | 218        | 3                  |
| Cleveland, OH                                      | 200        | 4                  |
| Portland, OR                                       | 173        | 1                  |
| Sacramento, CA                                     | 161        | 6                  |
| Columbus, OH                                       | 153        | 5                  |
| <b>Milwaukee, WI</b>                               | <b>143</b> | <b>7</b>           |
| Charlotte, NC                                      | 97         | 8                  |
| Toledo, OH   | 94         | 9                  |
| Oklahoma City, OK                                  | 83         | 10                 |
| Average of 10 Comparable Cities                    | \$ 154     |                    |

Source: 2009 CAFR

### D. 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 34% less than the ten city average. Oklahoma City does not report any expenditures under primary government Conservation and Development activities.



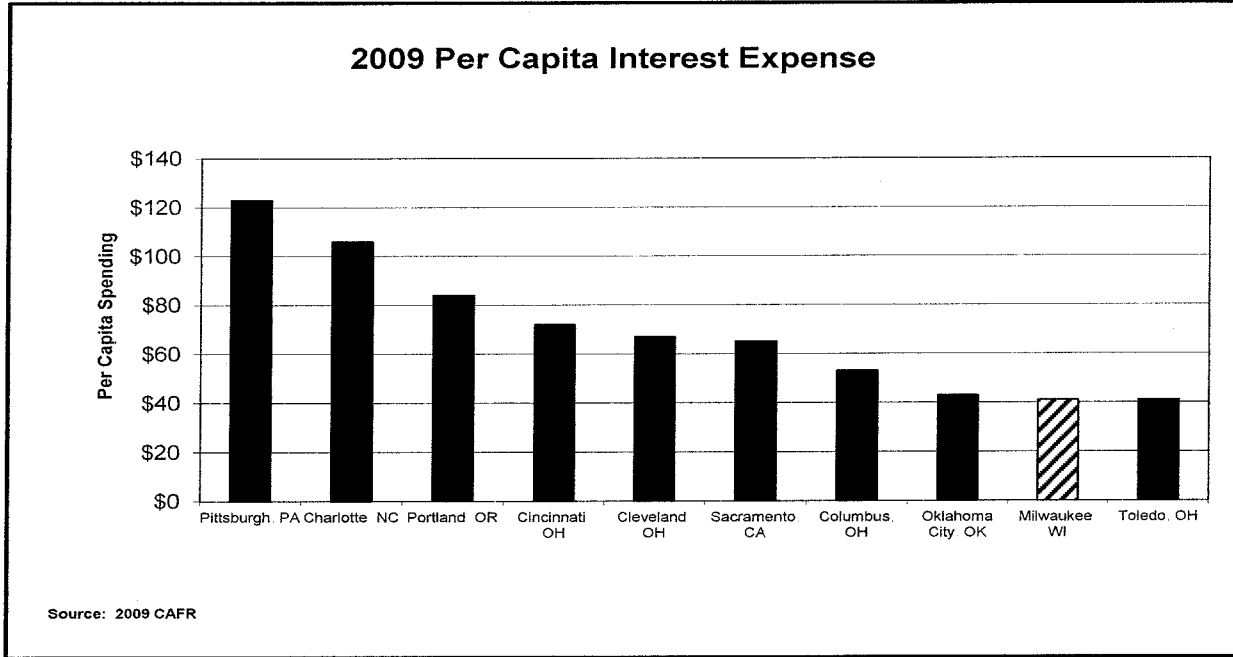
|                                 | Amount    | Prior Year Ranking |
|---------------------------------|-----------|--------------------|
| Portland, OR                    | \$ 384    | 2                  |
| Cleveland, OH                   | 261       | 1                  |
| Cincinnati, OH                  | 146       | 3                  |
| Charlotte, NC                   | 134       | 4                  |
| Pittsburgh, PA                  | 112       | 6                  |
| Columbus, OH                    | 92        | 7                  |
| <b>Milwaukee, WI</b>            | <b>90</b> | <b>5</b>           |
| Toledo, OH                      | 72        | 9                  |
| Sacramento, CA                  | 65        | 8                  |
| Oklahoma City, OK               | -         | 10                 |
| Average of 10 Comparable Cities | \$ 136    |                    |

Source: 2009 CAFR



### E. 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 \$28 below the average of comparable cities. One factor affecting the amount of 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.

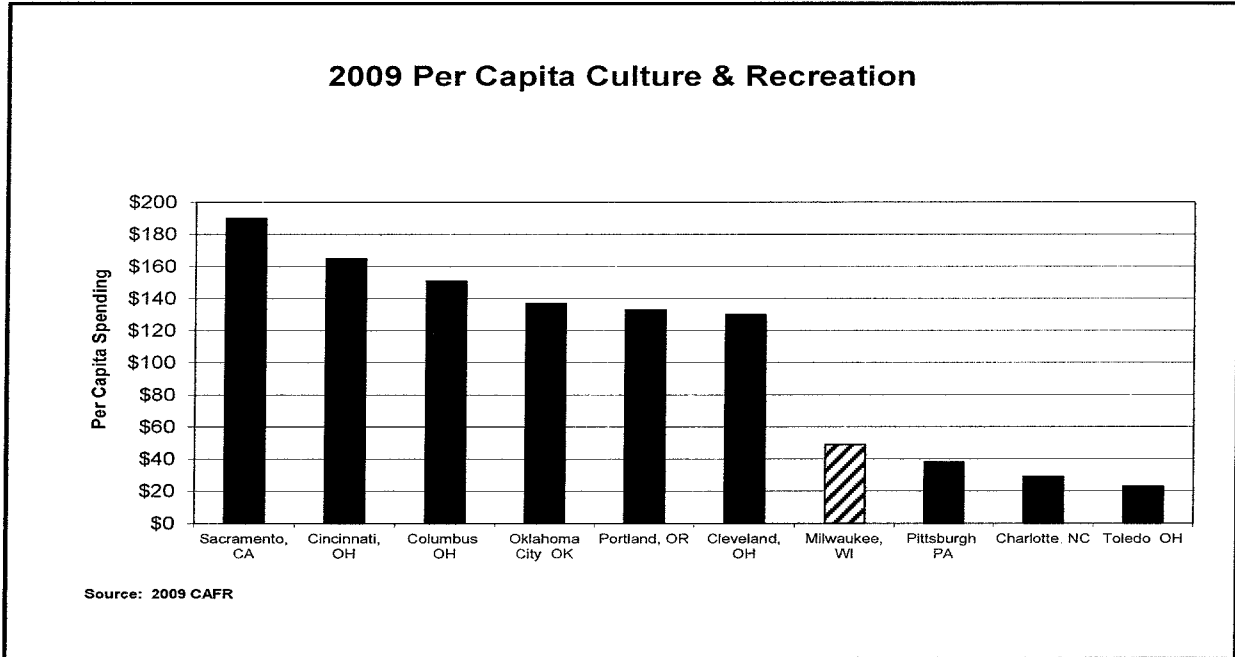


| 2009 Per Capita Expenditures<br>Interest Expense |                |                |                    |
|--|----------------|----------------|--------------------|
|  | Current Rating | Current Amount | Prior Year Ranking |
| Pittsburgh, PA                                   | A1             | \$ 123         | 1                  |
| Charlotte, NC                                    | Aaa            | 106            | 3                  |
| Portland, OR                                     | Aaa            | 84             | 2                  |
| Cincinnati, OH                                   | Aa1            | 72             | 5                  |
| Cleveland, OH                                    | A1             | 67             | 4                  |
| Sacramento, CA                                   | Aa2            | 65             | 6                  |
| Columbus, OH                                     | Aaa            | 53             | 7                  |
| Oklahoma City, OK                                | Aaa            | 43             | 10                 |
| <b>Milwaukee, WI</b>                             | <b>Aa1</b>     | <b>41</b>      | <b>8</b>           |
| Toledo, OH                                       | A2             | 41             | 9                  |
| Average of 10 Comparable Cities                  |                | \$ 69          |                    |

Source: Moody's Investors Service and 2009 CAFR

## F. Culture and Recreation

The services provided in the Culture and Recreation 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 peer cities.



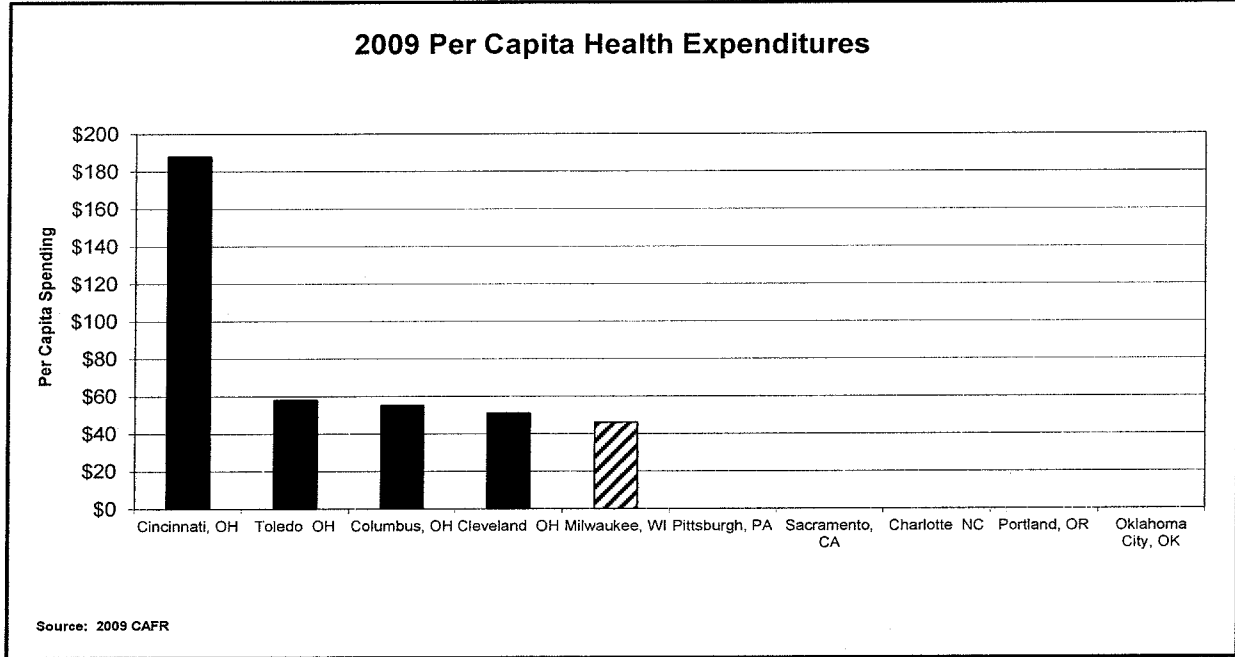
**2009 Per Capita Expenditures  
Culture and Recreation**

|                                 | Amount    | Prior Year Ranking |
|---------------------------------|-----------|--------------------|
| Sacramento, CA                  | \$ 190    | 1                  |
| Cincinnati, OH                  | 165       | 2                  |
| Columbus, OH                    | 151       | 4                  |
| Oklahoma City, OK               | 137       | 5                  |
| Portland, OR                    | 133       | 3                  |
| Cleveland, OH                   | 130       | 6                  |
| <b>Milwaukee, WI</b>            | <b>49</b> | <b>7</b>           |
| Pittsburgh, PA                  | 38        | 8                  |
| Charlotte, NC                   | 29        | 10                 |
| Toledo, OH                      | 23        | 9                  |
| Average of 10 Comparable Cities | \$ 104    |                    |

Source: 2009 CAFR

### G. 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.



**2009 Per Capita Expenditures  
Health**

|                              | Amount    | Prior Year Ranking |
|------------------------------|-----------|--------------------|
| Cincinnati, OH               | \$ 188    | 1                  |
| Toledo, OH                   | 58        | 2                  |
| Columbus, OH                 | 55        | 3                  |
| Cleveland, OH                | 51        | 4                  |
| <b>Milwaukee, WI</b>         | <b>46</b> | <b>5</b>           |
| Pittsburgh, PA               | -         |                    |
| Sacramento, CA               | -         |                    |
| Charlotte, NC                | -         |                    |
| Portland, OR                 | -         |                    |
| Oklahoma City, OK            | -         |                    |
| Average of Comparable Cities | \$ 40     |                    |

Source: 2009 CAFR

## IV. Capital Replacement Cycles

As mentioned earlier in this report, 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 (page 13) 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 section has been added to the report to address 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 illustrate the average time period elapsed between the construction of an infrastructure asset and its replacement, 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. This year's report has added sewers to the capital assets analyzed, with an estimated useful life of 90 years.

For the City of Milwaukee, the actual City capital replacement cycle for streets, sewers, bridges and alleys exceeds the estimated useful life of these assets. Historically there simply have not been sufficient dollars made 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 as functional performance declines. Replacement cycles in this report are determined based on three and five year averages of the City's capital contracts. This year's report includes four infrastructure types – the City's local street, sewer, bridge and alley infrastructure. The replacement cycles calculated in this section are not intended to represent the actual time it takes to replace city streets, alleys and bridges. Rather, these replacement cycles are indicators of how well the City is able to keep pace with its infrastructure needs.

### A. Local Streets in the City of Milwaukee

For the 987 mile local street system, the annual miles resurfaced and replaced ranged from 3.4 miles in 2007 to 15 miles in 2009. The 3-year average replacement cycle is 105 years. The assumed life expectancy of regular streets is 45 to 60 years. Based on a 3-year average, the cost per mile of local streets replaced and resurfaced is approximately \$800,000.

|  |                        |                        |
|--|------------------------|------------------------|
| <b>Miles of Streets</b>                    | <b>987.0</b>           |                        |
| <b>Asset Value @ 12/31/2009*</b>           | <b>\$665,193,708</b>   |                        |
| <b>Estimated Useful Life (Years)</b>       | <b>60.0</b>            |                        |
|  | <b><u>5 YR AVG</u></b> | <b><u>3 YR AVG</u></b> |
| <b>Average Preservation Effort (Miles)</b> | 8.6                    | 9.4                    |
| <b>Estimated Cost per Mile</b>             | \$848,656              | \$818,632              |
| <b>Replacement Cycle (Years)</b>           | 115.3                  | 105.0                  |
| <b>Ratio Replacement to Useful Life</b>    | 1.9                    | 1.8                    |

| <u>Year</u> | <u>Annual Miles Replaced/ Resurfaced</u> | <u>Annual Cost</u> | <u>Cost/Mile</u> |
|-------------|--|--------------------|------------------|
| 2005        | 8.7                                      | \$7,561,027        | \$869,084        |
| 2006        | 5.9                                      | \$5,676,028        | \$962,039        |
| 2007        | 3.4                                      | \$5,565,475        | \$1,636,904      |
| 2008        | 9.8                                      | \$8,149,714        | \$831,604        |
| 2009        | 15                                       | \$9,370,226        | \$624,682        |

\*Asset value represents construction cost (excluding depreciation) of local streets as included in the Capital Infrastructure category of the City's annual financial report.

## B. Sewers in the City of Milwaukee

For sewers, the miles replaced and lined ranged from a low of approximately 11 miles in 2006 to a high of approximately 29 miles in 2009. The 3-year average replacement cycle is approximately 116 years. The assumed life expectancy of sewers is 90 years. Based on a 3-year average, the cost per mile of sewers relayed and lined is approximately \$1.3 million.

|  |                        |                        |
|--|------------------------|------------------------|
| <b>Miles of Sewers</b>                     | <b>2447</b>            |                        |
| <b>Asset Value @ 12/31/2009*</b>           | <b>\$341,318,000</b>   |                        |
| <b>Estimated Useful Life (Years)</b>       | <b>90</b>              |                        |
|  | <b><u>5 YR AVG</u></b> | <b><u>3 YR AVG</u></b> |
| <b>Average Preservation Effort (Miles)</b> | 17.6                   | 21.1                   |
| <b>Estimated Cost per Mile</b>             | \$1,419,866            | \$1,259,583            |
| <b>Replacement Cycle (Years)</b>           | 139.4                  | 116.0                  |
| <b>Ratio Replacement to Useful Life</b>    | 1.5                    | 1.3                    |

| <u>Year</u> | <b>Annual Miles</b> |              | <u>Annual Cost</u> | <u>Cost/Mile</u> |
|-------------|---------------------|--------------|--------------------|------------------|
|             | <u>Replaced/</u>    | <u>Lined</u> |                    |                  |
| 2005        | 13.4                |              | \$27,226,489       | \$2,031,828      |
| 2006        | 11.1                |              | \$17,706,173       | \$1,595,151      |
| 2007        | 16.4                |              | \$20,835,536       | \$1,270,460      |
| 2008        | 17.4                |              | \$26,419,416       | \$1,518,357      |
| 2009        | 29.5                |              | \$32,476,630       | \$1,100,903      |

\* Asset value represents construction cost (excluding depreciation) of sewers as included in the Sewer Maintenance Infrastructure category of the City's annual financial report.

### C. Bridges in the City of Milwaukee

For bridges, the square feet replaced/maintained ranged from a low of 17,073 in 2009 to a high of 121,220 in 2005. The assumed life expectancy of a bridge structure is 50 years. The 3-year average replacement cycle for bridge structures is approximately 55 years. The cost to the City per square foot of bridge replaced is approximately \$71 based on a 3-year average. This estimated cost per square foot reflects only the City's share of project costs. Project expenditures made by the State, funded with Federal grants, are not included in the estimated cost per square foot.

|  |                        |                        |
|--|------------------------|------------------------|
| <b>Number of City Maintained Bridges</b>   | <b>179</b>             |                        |
| <b>Total Square Feet</b>                   | <b>2,635,263</b>       |                        |
| <b>Asset Value @ 12/31/2009*</b>           | <b>\$219,338,394</b>   |                        |
| <b>Estimated Useful Life (Years)</b>       | <b>50</b>              |                        |
|  | <b><u>5 YR AVG</u></b> | <b><u>3 YR AVG</u></b> |
| <b>Average Preservation Effort (Sq Ft)</b> | 58,820                 | 47,672                 |
| <b>Estimated City Cost per Square Ft</b>   | \$58.12                | \$71.11                |
| <b>Replacement Cycle (Years)**</b>         | 44.8                   | 55.3                   |
| <b>Ratio Replacement to Useful Life</b>    | 0.9                    | 1.1                    |

| <u>Year</u> | <u>Sq Feet Replaced/Resurfaced</u> | <u>Annual Cost</u> | <u>City Cost per Square Ft</u> |
|-------------|------------------------------------|--------------------|--------------------------------|
| 2005        | 121,220                            | \$4,274,056        | \$35.26                        |
| 2006        | 29,865                             | \$2,649,078        | \$88.70                        |
| 2007        | 66,713                             | \$2,154,259        | \$32.29                        |
| 2008        | 59,231                             | \$5,495,893        | \$92.79                        |
| 2009        | 17,073                             | \$2,519,133        | \$147.55                       |

\*Asset value represents construction cost (excluding depreciation) of bridges as included in the Capital Infrastructure category of the City's annual financial report.

\*\*Periodic large bridge projects may cause significant differences between the 3 and 5 year average replacement cycle.

### D. Alleys in the City of Milwaukee

For alleys, the miles replaced ranged from a low of 0.4 miles in 2008 to a high of 3.4 miles in 2005. As a result, the 3-year average replacement cycle is 731 years, or more than 10 times the life expectancy of alleys. The assumed life expectancy of alleys is 60 years, but DPW notes that useful life of alleys could be as high as 80 years. Based on a 3-year average, the cost per mile of alleys replaced is approximately \$900,000.

|  |                        |                        |
|--|------------------------|------------------------|
| <b>Miles of Alleys</b>                     | <b>414.2</b>           |                        |
| <b>Asset Value @ 12/31/2009*</b>           | <b>\$13,027,599</b>    |                        |
| <b>Estimated Useful Life (Years)</b>       | <b>60</b>              |                        |
|  | <b><u>5 YR AVG</u></b> | <b><u>3 YR AVG</u></b> |
| <b>Average Preservation Effort (Miles)</b> | 1.3                    | 0.6                    |
| <b>Estimated Cost per Mile</b>             | \$730,450              | \$910,652              |
| <b>Replacement Cycle (Years)</b>           | 328.7                  | 730.9                  |
| <b>Ratio Replacement to Useful Life</b>    | 5.5                    | 12.2                   |

| <u>Year</u> | <u>Annual Miles Replaced/ Resurfaced</u> | <u>Annual Cost</u> | <u>Cost/Mile</u> |
|-------------|--|--------------------|------------------|
| 2005        | 3.4                                      | \$1,946,574        | \$572,522        |
| 2006        | 1.2                                      | \$1,107,152        | \$922,627        |
| 2007        | 0.5                                      | \$745,911          | \$1,491,822      |
| 2008        | 0.4                                      | \$380,207          | \$950,518        |
| 2009        | 0.8                                      | \$421,990          | \$527,488        |

\*Asset value represents construction cost (excluding depreciation) of alleys as included in the Capital Infrastructure category of the City's annual financial report.



Appendix I

**Per Capita Revenue and Expenditure Trends**

(Reports 2004 through 2011, Data from 2002 through 2009)

| <b>REVENUES</b>                                       |                       |                       |                       |                        |                        |                        |                       |                       |                              |
|---|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|------------------------------|
|   | 2004<br><u>Report</u> | 2005<br><u>Report</u> | 2006<br><u>Report</u> | 2007*<br><u>Report</u> | 2008*<br><u>Report</u> | 2009*<br><u>Report</u> | 2010<br><u>Report</u> | 2011<br><u>Report</u> | 2004-2011<br><u>% Change</u> |
| <b>Property Taxes</b>                                 |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 348                   | 357                   | 365                   | 389                    | 408                    | 421                    | 444                   | 467                   | 34.2%                        |
| Average of Comparable Cities                          | 249                   | 259                   | 267                   | 272                    | 294                    | 304                    | 308                   | 317                   | 27.3%                        |
| <b>Other Local Taxes (other taxes, sales, income)</b> |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 0                     | 0                     | 0                     | 0                      | 0                      | 0                      | 0                     | 0                     | N/A                          |
| Average of Comparable Cities                          | 430                   | 425                   | 472                   | 494                    | 487                    | 502                    | 494                   | 484                   | 12.6%                        |
| <b>Intergovernmental Aids</b>                         |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 590                   | 601                   | 564                   | 582                    | 598                    | 572                    | 582                   | 593                   | 0.5%                         |
| Average of Comparable Cities                          | 399                   | 414                   | 430                   | 385                    | 435                    | 412                    | 427                   | 390                   | -2.3%                        |
| <b>Local Taxes and Intergovernmental Aids</b>         |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 938                   | 958                   | 929                   | 971                    | 1,006                  | 993                    | 1,026                 | 1,060                 | 13.0%                        |
| Average of Comparable Cities                          | 1,078                 | 1,098                 | 1,169                 | 1,151                  | 1,216                  | 1,218                  | 1,229                 | 1,191                 | 10.5%                        |
| <b>Charges for Services</b>                           |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 387                   | 396                   | 399                   | 418                    | 438                    | 456                    | 501                   | 525                   | 35.7%                        |
| Average of Comparable Cities                          | 558                   | 551                   | 590                   | 641                    | 675                    | 681                    | 741                   | 736                   | 31.9%                        |
| <b>Other Revenue</b>                                  |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 98                    | 96                    | 96                    | 170                    | 155                    | 149                    | 109                   | 82                    | -16.3%                       |
| Average of Comparable Cities                          | 76                    | 62                    | 77                    | 78                     | 111                    | 100                    | 92                    | 65                    | -14.5%                       |
| <b>Total Revenue</b>                                  |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 1,423                 | 1,450                 | 1,424                 | 1,559                  | 1,599                  | 1,598                  | 1,636                 | 1,667                 | 17.1%                        |
| Average of Comparable Cities                          | 1,712                 | 1,711                 | 1,836                 | 1,870                  | 2,002                  | 1,999                  | 2,062                 | 1,992                 | 16.4%                        |
| <b>EXPENDITURES</b>                                   |                       |                       |                       |                        |                        |                        |                       |                       |                              |
|   | 2004<br><u>Report</u> | 2005<br><u>Report</u> | 2006<br><u>Report</u> | 2007*<br><u>Report</u> | 2008*<br><u>Report</u> | 2009*<br><u>Report</u> | 2010<br><u>Report</u> | 2011<br><u>Report</u> | 2004-2011<br><u>% Change</u> |
| <b>Public Safety</b>                                  |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 487                   | 538                   | 511                   | 585                    | 594                    | 646                    | 687                   | 725                   | 48.9%                        |
| Average of Comparable Cities                          | 506                   | 544                   | 567                   | 597                    | 620                    | 661                    | 687                   | 697                   | 37.7%                        |
| <b>Public Works</b>                                   |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 478                   | 495                   | 509                   | 552                    | 554                    | 573                    | 630                   | 638                   | 33.5%                        |
| Average of Comparable Cities                          | 524                   | 547                   | 609                   | 633                    | 667                    | 684                    | 732                   | 738                   | 40.8%                        |
| <b>General Government</b>                             |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 115                   | 127                   | 147                   | 123                    | 115                    | 166                    | 153                   | 143                   | 24.3%                        |
| Average of Comparable Cities                          | 161                   | 156                   | 148                   | 158                    | 167                    | 172                    | 180                   | 154                   | -4.3%                        |
| <b>Conservation and Development</b>                   |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 87                    | 109                   | 98                    | 100                    | 116                    | 122                    | 108                   | 90                    | 3.4%                         |
| Average of Comparable Cities                          | 115                   | 153                   | 158                   | 114                    | 127                    | 124                    | 126                   | 136                   | 18.3%                        |
| <b>Interest Expense</b>                               |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 50                    | 45                    | 40                    | 39                     | 56                     | 53                     | 49                    | 41                    | -18.0%                       |
| Average of Comparable Cities                          | 67                    | 66                    | 64                    | 63                     | 67                     | 69                     | 71                    | 69                    | 3.0%                         |
| <b>Culture, Recreation and Health</b>                 |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 90                    | 86                    | 107                   | 100                    | 101                    | 92                     | 89                    | 95                    | 5.6%                         |
| Average of Comparable Cities                          | 123                   | 111                   | 114                   | 124                    | 131                    | 139                    | 146                   | 144                   | 17.1%                        |
| <b>Total Expenditures</b>                             |                       |                       |                       |                        |                        |                        |                       |                       |                              |
| Milwaukee   | 1,307                 | 1,400                 | 1,412                 | 1,499                  | 1,536                  | 1,652                  | 1,716                 | 1,732                 | 32.5%                        |
| Average of Comparable Cities                          | 1,496                 | 1,577                 | 1,660                 | 1,689                  | 1,779                  | 1,849                  | 1,942                 | 1,938                 | 29.5%                        |

\*2007-2009 per capita figures reflect updated census population estimates and therefore are adjusted from figures previously reported.

## 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 on average 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

|   | USA             |                 | Disparity Between<br>US Average &<br>Wisconsin |              | % Above or<br>% Below<br>US Average |
|---|-----------------|-----------------|--|--------------|-------------------------------------|
|   | Average         | Wisconsin       |  |              |                                     |
| Property Taxes                                | \$ 410          | \$ 410          | \$   | -            | 0%                                  |
| State Aids                                    | 324             | 287             | \$   | (37)         | -11%                                |
| Other Taxes                                   | 341             | 46              | \$   | (295)        | -87%                                |
| <b>Subtotal: Local Taxes &amp; State Aids</b> | <b>\$ 1,075</b> | <b>\$ 743</b>   | <b>\$</b>                                      | <b>(332)</b> | <b>-31%</b>                         |
| Charges for Services                          | 432             | 222             | \$   | (210)        | -49%                                |
| Other Revenues                                | 265             | 179             | \$   | (86)         | -32%                                |
| Federal Aids                                  | 142             | 43              | \$   | (99)         | -70%                                |
| <b>Total Revenues:</b>                        | <b>\$ 1,914</b> | <b>\$ 1,187</b> | <b>\$</b>                                      | <b>(727)</b> | <b>-38%</b>                         |

Source: US Census Bureau State & Local Government Finance - 2007 Census of Governments Table 2

Based on Census information, municipal governments and special districts in Wisconsin have significantly less revenue, \$1,187 per capita versus \$1,914 for the national average. This finding largely supports the comparative cities analysis finding on Page 6 which shows the City of Milwaukee's revenues lower than its peer cities. As with Milwaukee's peer city analysis, Wisconsin's 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 \$332 per capita less than the national average.

The Wisconsin tax system was designed to centrally collect sales taxes and income taxes and then redistribute these monies to local units of government. However, the State of Wisconsin is redistributing 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.

## 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 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 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 2005 population figures to calculate per capita values for 2009. The population data is from the U.S. Census Bureau's County and City Data Book: 2007.

## 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 2000 census 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.

When this report commenced, financial statements prepared under the new reporting model 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 for the next issue of the Comparative Revenue and Expenditure Report, utilizing 2010 Census data.

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.