

Executive Summary

1. The 2010 Proposed Budget for the City Treasurer's Office is \$2,951,830, a decrease of \$7,426 (-0.3%) from the 2009 Budget. (Page 1)
2. An audit of the City Treasurer was conducted in March of 2009, with the objective to determine whether the enhanced cash controls were adequate, cash receipts were properly and timely secured and deposited, and whether daily cash transactions were accurately and timely recorded in the City's Financial Management Information System. The audit found that the cash controls were adequate and recommended that staff conduct bank account reconciliations on a monthly basis. Funding for temporary help to assist with the monthly reconciliations was eliminated from the department's 2009 requested budget. The 2010 Proposed Budget further reduces temporary staff in the department, but the creation of the Investments and Financial Services Specialist position will allow the office to meet this recommendation. (Page 2)
3. The Treasurer's Office currently researches any property tax refunds over \$500. In order to deal with reduced staffing levels in 2010, the Treasurer's Office will increase the trigger point for this research to \$1,000. While this change will save staff time, it does raise the City's risk of issuing property tax refunds that are in error or in cases where the property owner owes taxes on another tax account. (Page 2)
4. A one-third reduction of temporary staffing hours from 6,588 hours in 2009 to 4,466 in 2010 is proposed. This reduction in temporary staffing will result in less staff support during peak work periods and less relief for permanent staff sick leave and vacation. It is expected that these changes will result in longer wait times for customer service both by telephone and in person, as well as some delays in preparation of daily reports. These losses will be most noticed by the public during the tax collection period of December through February and during the week before and after the 1st of each month. (Page 2)
5. The Treasurer's Office 2010 Proposed Budget does not include any equipment purchases or capital projects. (Page 3)
6. In order to prevent serial bankruptcy filers from avoiding foreclosure on their tax delinquent accounts, the Proposed Budget includes funding for a second *In Rem* foreclosure file in 2010. (Page 4)

Prepared by: Rich Watt
Legislative Fiscal Analyst
LRB
286-2253

2010 PROPOSED BUDGET – CITY TREASURER’S OFFICE

Summary by Legislative Reference Bureau – Research & Analysis Section

| Expense Category | 2008 Actual | 2009 Budget | Change | 2010 Proposed | Change |
|-------------------------|--------------------|--------------------|---------------|----------------------|---------------|
| Personnel Costs | \$2,261,850 | \$2,240,451 | -0.9% | \$2,203,830 | -1.6% |
| Operating Expend. | \$647,231 | \$677,255 | 4.6% | \$713,000 | 5.3% |
| Equipment Purchases | \$5,569 | \$3,500 | -37.2% | \$0 | -100% |
| Special Funds | \$42,344 | \$38,050 | -10.1% | \$35,000 | -8.0% |
| TOTAL | \$2,956,994 | \$2,959,256 | 0.1% | \$2,951,830 | -0.3% |
| Capital | \$0 | \$0 | 0 | \$0 | 0 |
| Positions | 58 | 58 | 0 | 59 | +1 |
| FTE: O&M Supported | 26.94 | 30.25 | 12.3% | 28.25 | -6.6% |

Department Function

Under authority provided by Wisconsin State Statutes and the Milwaukee City Charter, the Office of the City Treasurer receives and accounts for all monies paid to the City, makes disbursements vouchered for payment by the Comptroller, invests city funds that are not needed to meet current expenditures, collects current property taxes and delinquencies for all six tax levies within the City of Milwaukee, settles property tax collections on a prorated basis, and remits to each taxing jurisdiction their share of the monies collected.

Departmental Mission

The mission of the City Treasurer’s Office is to fulfill the duties and responsibilities of the independently elected City Treasurer, who serves as the chief investment and revenue collection officer of the City of Milwaukee.

2010 BUDGET HIGHLIGHTS AND ISSUES

Audit of City Treasurer Cash Controls

An audit of the City Treasurer's Office was conducted in March of 2009, with the objective to determine whether the enhanced cash controls were adequate, cash receipts were properly and timely secured and deposited, and whether daily cash transactions were accurately and timely recorded in the City's Financial Management Information System. The audit found that the cash controls were adequate and recommended that staff conduct bank account reconciliations on a monthly basis. The Treasurer's Office staff has attempted to meet this goal with some success, but limited resources prevent this from being accomplished on a consistent basis. Funding for temporary help to assist with the monthly reconciliations was eliminated from the department's 2009 requested budget. The 2010 Proposed Budget further reduces temporary staff in the department, but the creation of the Investments and Financial Services Specialist position (salary grade 6) will allow the office to meet this recommendation, as well as address an increasing workload for the division resulting from changes in various financial rules and regulations and increased use of electronic and credit card payments, and will allow the department to begin training a qualified individual to provide a succession plan for the division.

Refund Research

The Treasurer's Office currently researches any property tax refunds over \$500. This process aims to identify refunds that should not be issued due to error, or situations where the property owner owes taxes on another tax account. In order to deal with reduced staffing levels in 2010, the Treasurer's Office will increase the trigger point for this research to \$1,000. While this change will save staff time, it does raise the City's risk of: issuing property tax refunds that are in error, or failing to intercept a refund and apply it to another tax account with a balance owing.

Personnel

The 2010 Proposed Budget provides \$2,203,830 in funding for salaries, wages and fringe benefits, a 1.6% decrease from the 2009 Budget. One position of Investments and Financial Services Specialist is proposed to be added, as described above, with the total number of employees totaling 59. Two Customer Service Representative II positions are not funded in the Proposed Budget. Laying off these two individuals will result in longer wait times for customers and present difficulties in scheduling and vacations. No retirements are anticipated for 2010.

A one-third reduction of temporary staffing hours from 6,588 hours in 2009 to 4,466 in 2010 is proposed. This reduction in temporary staffing will result in less staff support during peak work periods and less relief for permanent staff sick leave and vacation. It is expected that these changes will result in longer wait times for customer service both by telephone and in person, as well as some delays in preparation of daily reports. These service reductions will be most noticed by the public during the tax collection period of December through February and during the week before and after the 1st of each month.

Operating Budget

The 2010 Proposed Budget provides \$713,000 for Operating Expenditures, a 5.3% increase from the 2009 budget. This increase results from:

- \$15,495 increase in general office expenses
- \$1,855 increase in professional services
- \$19,605 increase in IT services

Equipment

The 2010 Proposed Budget does not include any equipment purchases.

Special Funds

There are two Special Funds within the Office of the City Treasurer:

- Information Systems Support: The department intends to replace cashier Workstations (\$15,600) and replace \$1,200 worth of hardware and \$1,200 worth of software.
- Property Tax Collection Forms: The proposed amount for this fund, \$17,000, represents a small increase from the \$15,315 allocated in 2009, due to rising paper costs.

Capital Projects

The 2010 Proposed Budget contains no capital project funding for the City Treasurer’s Office.

Investment of City Funds

A critical function of the City Treasurer’s Office is the investment of “idle” City funds that are not immediately needed to meet current expenditures. Examples may include property taxes and State Shared Revenue payments. Based on market conditions, the City Treasurer will invest these funds in investment vehicles that provide the highest rate of return, while maintaining portfolio diversification, safety, and liquidity. Typical investment vehicles include U.S. Treasury Securities, Certificates of Time Deposit, the State Local Government Investment Pool, and Commercial Paper.

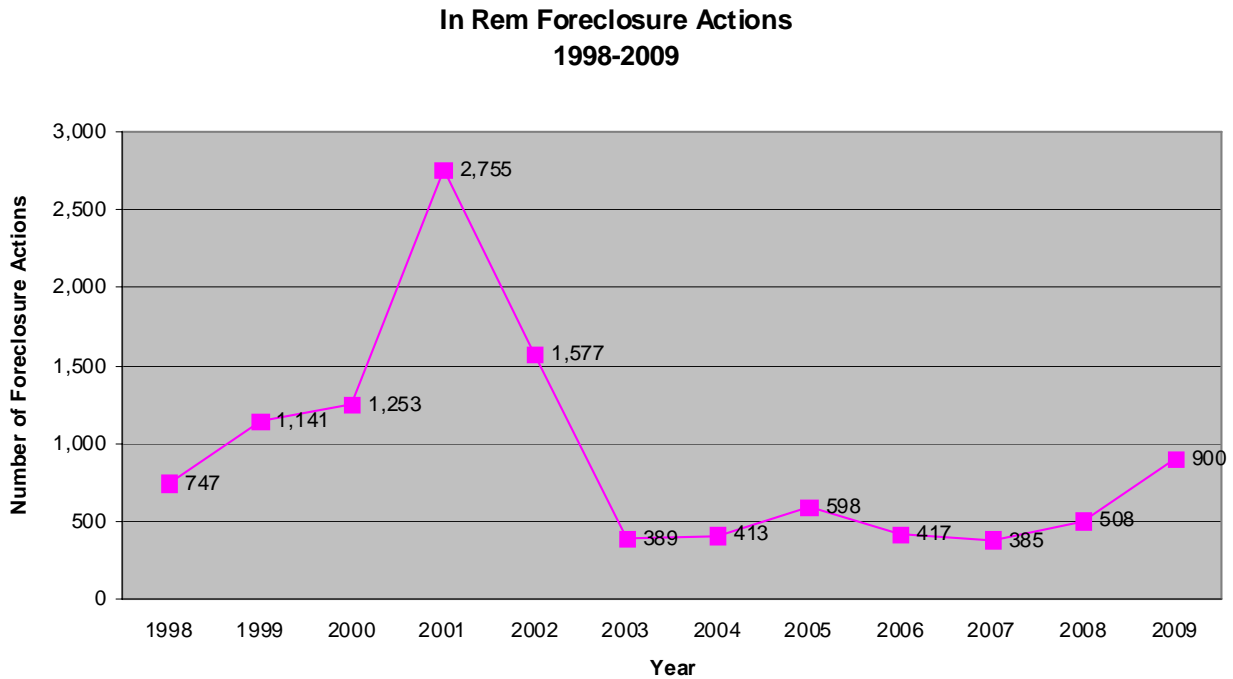
Pursuant to s. 67.101, Wis. Stats., one third of all interest revenue is credited to the Public Debt Amortization Fund (“PDAF”). The remainder is credited to the City’s General Fund. The table below depicts General Fund investment earnings between 2004 and 2008.

GENERAL FUND INVESTMENT EARNINGS

| YEAR | AVERAGE DAILY INVESTMENT BALANCE | AVERAGE ANNUAL RATE OF RETURN | INVESTMENT REVENUE |
|------|----------------------------------|-------------------------------|--------------------|
| 2004 | \$253,100,000 | 1.51% | \$2,545,900 |
| 2005 | \$239,330,000 | 3.05% | \$4,864,100 |
| 2006 | \$275,318,000 | 4.78% | \$8,769,100 |
| 2007 | \$244,191,000 | 5.10% | \$8,294,800 |
| 2008 | \$218,201,000 | 2.74% | \$3,990,300 |
| | 5 Year Average | 3.44% | \$5,692,840 |

Collection of Property Taxes

Since 1998, the Office of the City Treasurer collected over 99% of the tax levy in every year where the tax enforcement cycle has run its course. In order to prevent serial bankruptcy filers from avoiding foreclosure on their tax delinquent accounts, the Proposed Budget includes funding for a second *In Rem* foreclosure file in 2010.



Please note that the City only acquires, on average, less than 1/3 of the parcels upon which a foreclosure action was filed.

Property Tax Payment Options

Since 2000, the City of Milwaukee has expanded the methods by which taxpayers may choose to pay their property taxes to include:

- *Electronic Fund Transfer (“EFT”) installment plan:* Initiated in 2000, this is a ten payment, interest free option in which monthly payments are taken directly out of checking or savings on the 25th of every month via the Automated Clearing House (“ACH”) Network. For 2008 real property tax payments, an average of 2,207 tax payments per month for a total of \$13,990,477.51 were paid using the electronic fund transfer option.
- *e-Check:* An e-payment option to pay-in-full, begun in 2001, where a taxpayer authorizes an ACH debit directly from their checking or savings account. There is no convenience fee for the ACH option. For 2008 real property tax payments, 1,153 tax payments for a total of \$5,282,195.50 were paid using the electronic check option.
- *Credit Card:* Beginning with the 2007 tax levy, taxpayers could choose to pay-in-full via the Internet using a credit card. There is a 2.5% convenience fee for the credit card option. For 2008 real property tax payments, 131 tax payments for a total of \$418,471.33 were paid using the credit card option.

Historical Information

Property Tax Collection of Delinquent Accounts:

- This process aims to maximize tax collections, while minimizing delinquent tax parcel acquisition. This tax collection timetable can be summarized as follows:
 - A series of four collection letters from the City Treasurer
 - Two collection letters under the signature of an Assistant City Attorney
 - Referral of delinquent tax accounts to the City of Milwaukee collection agent for a period of six months. The collection agent, the Kohn Law Firm, works the accounts, makes payment arrangements, pursues inpersonam judgments where deemed advisable under the City Attorney's guidelines, and pursues post judgment remedies when necessary.
 - Finally, as a last resort, the City pursues inrem foreclosure.

Cashier System Upgrade:

- The 2005 Budget provided \$232,160 in capital improvement funding to upgrade the City Treasurer's Office cashier system from 'Cashier for Windows' to 'iNovah'. Technical support for Cashier for Windows had become increasingly difficult to obtain, and the conversion to iNovah accommodates additional software upgrades. The iNovah web-based cashier system became operational in October 2005.

Cashiering Controls:

- In June 2008, the Office of the Comptroller released an 'Audit of City Treasurer Cashiering Controls'. The 2008 audit recommended no additional internal controls, concluding that the 2005 audit recommendations had been adequately addressed. It is noted that this audit disclosed that approximately \$2.3 billion in cash transactions were processed by the City Treasurer's Office in 2006, including \$399 million by tellers.

Prepared by: **Rich Watt**
Legislative Fiscal Analyst
LRB
286-2253