

## LRB-FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 18, 2002 AGENDA

ITEM 14, FILE 020744

FINANCE & PERSONNEL COMMITTEE

JAMES CARROLL

File #020744 is a communication from the Comptroller's Office transmitting the Annual Financial Report of the City of Milwaukee for the year ended December 31, 2001.

### **Background**

The Comptroller annually submits the Annual Financial Report of the City of Milwaukee to the Common Council. The report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee.

### **Report Highlights**

#### ***Revenue***

1. Total revenue increased by approximately \$21.89 million or 3.47% from 2000 to 2001.
2. General Fund property and other tax revenue increased by \$32.5 million primarily due to an increase in the property tax rate.
3. An increase in building inspection permit fees was primarily responsible for a \$300,000 increase in Licenses and Permit Revenue.
4. Intergovernmental revenue increased by \$400,000 in 2001 and grant revenue decreased by \$200,000.
5. General Fund revenue increased by \$600,000. This was due to an increase in other State payments of \$1.2 million representing an increase in computer exemption aid from the State of Wisconsin. This was partially offset by a decrease in State Shared Revenues of \$800,000. Smaller changes in other programs accounted for the remainder of the increase.
6. Charges for services increased by approximately \$9.2 million. The increase is mainly attributable to \$7.4 million in fees received from the City's Employee Retirement System (ERS) for reimbursement for operating expenditures and \$1.3 million reimbursement from ERS for attorney's fees associated with the Global Pension Settlement.
7. Actual revenue collected for 2001 for the General and Special Revenue Funds was 99.9% of estimated revenue in the City's 2001 adopted budget.

#### ***Expenditures***

1. In 2001, General Government operating costs increased by \$5.1 million. The increase is a function of an \$8.1 million increase in worker's compensation, health care and other employee

benefit costs and a \$600,000 increase in salaries that were offset by a \$3.6 million decrease in interest expenditures.

2. The \$11.9 million decrease in public safety costs was primarily due to the amount for 2000 reflecting 2 years of labor contract settlements (1999 & 2000).
3. The \$14.3 million decrease in public works costs was attributable to the following:
  - A \$5.1 million transfer of the parking violations collection contract to the Parking Fund
  - A \$4.2 million transfer of certain sanitation costs to the Solid Waste Fund
  - A \$3.3 decrease in equipment purchases
  - \$600,000 decrease in salaries
  - Recognition of a \$1.1 million decrease in expenditures within the Special Reserve Fund as the safe drinking water program wound down.

### ***Fund Balance***

1. The 2001-year end balance in the Tax Stabilization Reserve was \$40.1 million. \$11 million is reserved for use in 2002 and \$29.1 million is available for reductions in future years' tax levies.
2. The 2001-year end balance in the Public Debt Amortization Fund (PDAF) was \$72.8 million. This compares to a balance of \$74 million at the end of 2000. The Public Debt Commission authorized a withdrawal of \$7 million from the PDAF for 2002 budget purposes.

### ***Debt***

1. Outstanding general obligation and special assessment debt as of December 31, 2001 totaled \$643.3 million.
2. The City's general obligation debt (excluding enterprise fund debt) per capita was \$951.16 at end of 2001. This approximately 10.2 percent higher than at end of 2001.
3. The City reached about 62% of its legal debt limit at end of 2001. At end of 2000, the City had reached 66% of its legal debt limit. The legal debt limit is 7% of equalized value, including Milwaukee Public School (MPS) debt, which is also issued by the City. Excluding the 2% limit on MPS debt, the City has a 5% legal debt limit.

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