

Reply to Common Council File No. 010136
From DOA-Budget and Management Division

May 14, 2001

Ref: 01002(04)

Common Council file 010136 contains a report from the Comptroller's Office entitled Audit of City of Milwaukee Investment Revenue Estimation.

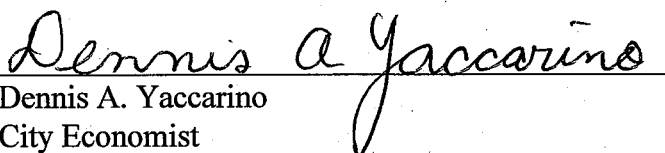
The report refers to the two critical factors in estimating investment revenues. These factors are interest rate and investable balance. Clearly, the investable balance factor has caused most of the variation between the actual earnings and the projections.

A six-step approach involving an analysis of historic trends in the cash balances of all major funds is recommended. It involves not only historic data but also updates the historical data based on any anticipated administration patterns. Administration patterns would include such things as the timing on issuing capital borrowings.

In 2001, interest earnings are budgeted to be \$6.3 million. Interest earnings have ranged from \$11 to \$6.1 million over the last two years. Variations from the actual amount received verses budget from negative 37.6% to a positive 49.9%. This equates to \$5.5 million to \$2.5 million.

Because of the importance of interest earnings revenue, our office will work with the Comptroller and the Treasurer to improve the estimation of this revenue.

RECOMMENDATION: PLACE COMMON COUNCIL FILE 010136 CONTAINING A REPORT FROM THE COMPTROLLER'S OFFICE ENTITLED AUDIT OF CITY OF MILWAUKEE INVESTMENT REVENUE ESTIMATION ON FILE.


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