



REPORT

LEGISLATIVE REFERENCE BUREAU

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6. Comptroller's Office, 2014

Proposed Plan and Executive Budget Review

6. Comptroller's Office

I. EXECUTIVE SUMMARY.

Table 6.1. Statement of Changes in Operating Budget, 2013 to 2014.

2012 Actual Expenditures	\$4,947,993
2013 Adopted Budget	\$5,201,535
Changes	
Personnel Costs	
Salaries & Wages	\$17,322
Fringe Benefits	(\$24,465)
Total Changes	(\$7,143)
Operating Expenses	(\$20,000)
Equipment Purchases	\$10,000
Total Changes	(\$10,000)
2014 Proposed Budget	\$5,184,392

1. Organizational review. An independent, \$161,400 organizational review of the Comptroller's Office is currently being conducted to evaluate the department operations and make recommendations for improvement. The final report is expected by December, 2013.

2. Retirements continue. After multiple, senior-level retirements in 2011 and 2012, the possible retirement of the new Deputy Comptroller might pose a challenge to the department's capacity to manage its substantial City responsibilities.

3. \$20.3 million 41.3% drop in Grant & Aids Funding. Although not a significant issue for the Comptroller, the steep decline in this funding will have a major effect on how and what services are provided to certain City residents, and who will pay for these services.

4. Continuing role in pooled cash investments. While the Comptroller is no longer responsible for managing pooled cash investments, the Comptroller's borrowing authority is critical for the success of long-term pooled cash investments.

II. INITIATIVES AND PROGRAMS.

1. Organizational Review.

An independent, \$161,400 organizational review of the Comptroller's Office is currently being conducted by McConnell Jones Lanier & Murphy to evaluate department operations and make recommendations for improvement. The review began in August, 2013, and a final report is expected by December, 2013.

The review is funded through \$127,000 in carryover funds and \$34,400 budgeted in 2013 for Professional Services.

2. Retirement.

A total of 8 staff members retired in 2011-2012 including the Comptroller, Deputy Comptroller and Audit Manager. In addition, 2 senior staff members—the Financial Services Director and a Lead Auditor—departed for other career opportunities.

Fourteen persons in the Comptroller's Office – more than 20% on total staff – will be eligible to retire in 2014. The department expects 3-6 retirements in 2014, possibly including the new Deputy Comptroller.

See also ISSUES TO CONSIDER, Section IX.

3. Pooled Cash Investments.

While the Comptroller is no longer responsible for managing the City's pooled cash investments—the City program for investing cash reserves that are not needed to meet immediate expense obligations – the department is critical for the success of the long-term portion of these cash investments.

Long-term investments of pooled cash reserves, which by definition may from time to time be needed to pay immediate expenses, are only possible if the City borrows funds to bridge temporary short-term cash need shortfalls, so long-term investments are not invaded, and this strategy can only be successful if the City's borrowing costs are less than the yield on its long-term pooled cash investments.

It is critical that the Comptroller precisely identifies which City borrowing is the result of cash-flow shortages caused by maintaining the City's long-term pooled cash investments, and then informs the Treasurer of these borrowing costs as required by City ordinance.

4. Audit Program.

Performing internal audits is a critical task for the Comptroller and the department believes it is fully staffed to keep pace with the City's needs despite several senior-level retirements in 2012.

The department has completed 10 audits or reviews and 2 annual reports (audit follow-ups) so far in 2013 and expects to complete 7 more audits by year-end 2013, for a total of 19 reports. Thirteen audits and 2 annual reports were completed in 2012, including 2 audits of IT security. Ten audits were completed in 2011.

5. Care of Prisoners Fund

No funding for the Care of Prisoners Fund, which reimburses Milwaukee County for transport and housing of City prisoners in the County House of Corrections, has been budgeted for 2012, 2013 or 2014. The reimbursement policy has been in dispute since 1991, and the City stopped making any reimbursement since November, 2008, when the County changed its billing format making it impossible for the City to calculate the amount the City believes it owes.

Continued failure to budget for this fund means the City has an unfunded liability of unknown amount which will become due if a settlement is ever reached between the City and Milwaukee County.

III. EXPENDITURES.**Table 6.2. Changes in Expenditure Amounts by Account.**

Expenditure Account	2012 Actual	2013 Adopted Budget	% Change	2014 Proposed Budget	% Change
Salaries and Wages	\$3,088,554	\$3,260,564	5.6%	\$3,277,886	0.5%
Fringe Benefits	\$1,544,277	\$1,565,071	1.3%	\$1,540,606	-1.6%
Operating Expend.	\$300,220	\$360,900	20.2%	\$340,900	-5.5%
Equipment Purchases	\$14,942	\$15,000	0.4%	\$25,000	66.7%
Special Funds	\$0	\$0	---	\$0	---
Total Operating Budget	\$4,947,993	\$5,201,535	5.1%	\$5,184,392	-0.3%

1. Budget Summary.

The Proposed 2014 Budget of \$5,184,392 is virtually unchanged from the 2013 Adopted Budget of \$5,201,535, down \$17,143, or 0.3%.

2. Personnel Costs.

Roughly 42%, or \$7,143 of the \$17,143 decrease in the 2014 Proposed Budget, comes from personnel costs as summarized in Table 6.3.

Table 6.3. 2014 Salary and Benefit Changes.

Payroll Category	Change
Wages & Salaries	(\$47,170)
Grants & Aids Deduction	\$64,000
Misc. Adjustments	\$492
Total Salary Changes	\$17,322
Fringe Benefits	(\$24,465)
Total Changes	(\$7,143)

Base salaries are down by \$47,170 (-1.2%) due to staffing changes, but this savings is more than offset by a \$64,000 loss in Grants & Aids funding, resulting in a \$17,322 increase in payroll costs, which is in turn more than eliminated by a \$24,465 reduction in projected fringe benefit costs from lowering the fringe benefit rate multiplier from 48% in 2013 to 47% in 2014 to reflect reductions in the City's share of healthcare costs.

The \$64,000, or 13.5%, decrease in Grant & Aids funding is consistent with the sharp decline in Grants and Aids funding cited in Section VII, Revenues. This loss of grant funding is not expected to adversely affect Comptroller operations because there will be a commensurate reduction in Grants & Aids administration workload.

3. Operating Expenditures.

Operating expenditures for 2014 of \$340,900 are projected down \$20,000, or -5.5%, from the 2012 Adopted Budget due to a reduction in projected Other Operating Services expenses. Over the last 4-5 years, printing and other miscellaneous expenses have been trending downward and this \$20,000 reduction brings the expense category more in line with actual needs. Actual 2012 expenditures in this area were \$33,721 despite a \$79,000 approved budget.

4. Equipment Purchases.

Equipment purchases for 2014 are up 67%, or \$10,000, to \$25,000 from \$15,000 projected in the 2013 Adopted Budget for office furniture purchases. The department expects \$25,000 to be the annual budget for technology, equipment and furnishings purchases in the foreseeable future.

5. Special Funds.

The Comptroller's sole Special Fund has been used exclusively in the past to fund the department's Tax Dollar brochure insert, but the department has discontinued use of this funding mechanism. No Special Funds were budgeted in 2012 or 2013, and none are budgeted for 2011. The department will now, and in the future, include the cost of this brochure in the Operating Expenditures section of its annual budget.

IV. PERSONNEL.

Table 6.4. Changes in Full-Time Equivalent (FTE) and Authorized Positions.

Position Category	2012 Actual	2013 Adopted Budget	Change	2014 Proposed Budget	Change
O&M FTE's	50.16	49.16	-1.0	49.16	0
Non-O&M FTE's	9.34	9.34	0	9.34	0
Total Authorized Positions	59.50	58.50	-1.0	58.50	0

1. Personnel Changes.

The Department is authorized for 67 positions in 2014, the same as in 2013, but 2 auxiliary auditors and one Executive Administrative Assistant in the Administration Division are unfunded.

2. Vacancies.

Only 2 positions – an Information System Auditor and a Payroll Assistant – will be vacant after the department hires the second of 2 Accounting Specialists in mid-October, 2013.

The Comptroller plans to wait to fill these 2 positions until 2014, after the department's independent organizational review is completed in December, 2013.

V. SPECIAL PURPOSE ACCOUNTS (SPA).

SPAs are budgeted outside of departmental operating accounts, and control over SPAs is provided to departments by resolution. The 2014 Proposed Budget includes funding for the SPAs identified in Table 6.8.

Table 6.8. Changes in Special Purpose Accounts by Account.

Special Purpose Account	2012 Actual	2013 Adopted Budget	% Chng.	2014 Proposed Budget	% Chng.
Reserve for 27th Payroll	\$1,359,571	\$1,500,000	10.3%	\$1,500,000	0%
Annual Payment to DNR	\$7,034	\$7,100	0.9%	\$7,100	0%
Boards & Commissions Reimbursements	\$15,977	\$16,000	0.1%	\$17,000	6.3%
Contribution Fund	\$2,681,834	\$2,900,000	8.1%	\$2,900,000	0%
Fireman's Relief Fund	\$137,532	\$142,500	3.6%	\$145,000	1.8%
MMSD Charge Pass-through	\$43,804,534	\$45,140,893	3.1%	\$44,790,095	-0.8%
Care of Prisoners Fund	\$0	\$0	---	\$0	---
Total Operating Budget	\$48,006,482	\$49,706,493	3.5%	\$49,359,195	-0.7%

1. Reserve for 27th Payroll, \$1,500,000.

Accrual of payroll liability for an extra 27th employee pay period which occurs every 11 years. The next 27-pay-period year will be 2016.

2. Annual Payment to DNR. \$7,100.

Refund of the Wisconsin Department of Natural Resources' payment-in-lieu-of-taxes for the operation and maintenance of the Havenwoods property.

3. Boards and Commissions Reimbursement Exp., \$17,000.

Reimbursement of expenses incurred by City board and commission members. Reimbursement is \$20/meeting, with a maximum of 12 meetings a year. Board of Assessment and Administrative Review Board members receive \$60 and \$180 per meeting, respectively.

4. Contribution Fund-General, \$2,900,000.

This is the expenditure authority for anticipated contribution made to the City. It is offset by the actual contribution revenue and has no Tax Levy impact. Actual 2011 contributions received were \$2,914,930.

5. Firemen's Relief Fund, \$145,000.

Contribution to the Fire Department Relief Association set by s. 20-18 of the City Charter at 1/8 of the State Aids for Fire Insurance Premiums. The association provides assistance to injured firefighters or the families of killed firefighters.

6. MMSD-Sewer User Charge Pass Through, \$44,790,950.

Provides authority to administer MMSD sewer user charge billing, passing-through the collections to the utility.

7. Care of Prisoners Fund, \$0.

Reimbursements to the County for transporting and housing persons convicted of City violations and sentenced to the House of Corrections. Unfunded based on an ongoing dispute over billings, See Section II, Initiatives and Programs.

VII. REVENUES.

Revenues of \$480,000 are projected for 2014, up \$50,000, or 11.6%, from 2013's Adopted Budget of \$430,000. These revenues, listed in Table 6.9, come from services rendered to Milwaukee Water Works and in conjunction with the recovery of delinquent taxes.

Table 6.9. Changes in Revenue by Category.

Revenue Category	2012 Actual	2013 Adopted Budget	% Change	2014 Proposed Budget	% Change
Charges for Services	\$507,255	\$430,000	-15.2%	\$480,000	11.6%

In addition, the Comptroller's Office, which is responsible for estimating revenues for general City purposes, projects revenues will be \$588,448,058, up \$7.19 million, or 1.2%, from \$581,334,872 for the 2013 Adopted Budget.

For the 5-year period from 2008-2012, the Comptroller underestimated revenues on average only 1.73%. Table 6.10 compares actual 2012 revenues with the Comptroller's projections for 2013 and 2014 by category.

Table 6.10. Changes in Estimated Revenue by Category.

Revenue Category	2012 Actual	2013 Adopted Budget	% Chng.	2014 Proposed Budget	% Chng.
Taxes & PILOT Payments	\$16,697,663	\$16,519,800	-1.1%	\$17,931,000	8.5%
Licenses & Permits	\$14,411,188	\$13,799,360	-4.2%	\$13,879,600	0.6%
State Shared Revenue (Gen)	\$218,729,727	\$218,694,000	0.0%	\$218,752,000	0%
Intergovernmental Revenue	\$41,411,709	\$40,881,900	-1.3%	\$40,991,700	0.3%
Charges for Services	\$113,880,757	\$112,222,821	-1.5%	\$115,002,303	2.5%
Fines & Forfeitures	\$5,041,542	\$5,129,000	1.7%	\$4,755,400	-7.3%
Miscellaneous	\$45,762,419	\$38,244,400	-16.4%	\$36,495,400	-4.6%
Fringe Benefit Reimburse	\$25,575,166	\$24,000,000	-6.2%	\$24,300,000	1.3%
Total Gen Fund Revenue	\$481,510,171	\$469,491,281	-2.5%	\$472,107,403	0.6%
Property Tax	\$109,910,738	\$96,871,169	-11.9%	\$96,340,655	-0.5%
TSF Withdrawal	\$13,767,000	\$14,900,000	8.2%	\$20,000,000	34.2%
TL Gen Purpose Revenues	\$605,187,909	\$581,262,450	-4.0%	\$588,448,058	1.2%

Grants and Aids Projections.

Although not strictly revenues, a steep decline in projected 2014 Grants & Aids of \$20.3 million, or 41.3%, from \$69.4 million projected for 2013 to \$49.1 million projected for 2014 signals a substantial curtailment in services provided by the City but funded by federal, state and other agencies. The budgets of affected departments must be consulted to discover if this funding shortfall is being made up by the City without a change in services, or if services cuts have been instituted.

VIII. CAPITAL PROJECTS.

None.

IX. ISSUES TO CONSIDER.

1. The impact of continued, senior-level retirements like the possible retirement of the Deputy will affect the department's productivity and work-product quality.
2. The impact of the \$20.3 million, 41.3% drop in Grants & Aids will have on City services and budgeting, and what steps might be taken to regain this lost funding.

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