

**Date: October 7, 2011**

**To: Alderman Nic Kovac**

**From: Jennifer Gonda, Intergovernmental Relations Division**

**Re: Common Council File #110745; a substitute resolution relating to the information to be included with the tax bills provided to City property owners and appropriating funds for this purpose.**

Note: This memorandum was developed in consultation with the following city staff:

Nancy Olson (ITMD), Mark Nicolini, Jennifer Meyer and Dennis Yaccarino (DOA-BMD), Mary Reavey (Assessor), Vince Moschella (City Attorney), Michael Daun (Comptroller), and Jim Klajbor (City Treasurer)

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At the October 5, 2011 meeting of the Common Council's Finance and Personnel Committee, several issues were raised regarding the implementation of Common Council File #110745. It was requested that these issues be more fully explored and resolved by the administration prior to a special meeting of the Finance and Personnel Committee scheduled to revisit the resolution on Tuesday, October 11, 2011.

This memorandum outlines what is technically and legally possible to effectuate the intent of the resolution. It also outlines a recommended course of action.

Goals:

- Provide accurate and transparent information regarding the portion of the Milwaukee Public Schools' tax levy that is due to the Milwaukee Parental Choice Program (MPCP).
- Provide this information at the lowest possible cost to the taxpayer.

Current Contents of the Tax Bill Equal 1 Ounce:

- Property Tax Bill
- Return envelope
- City Treasurer insert "Answers Questions"
- City Comptroller insert "Combined Property Tax Report"

Calculation of the 2010 MPCP Levy (2011 figures will be available on 11/15):

- MPS share of 45% of the program = \$58.8 million
- Less an offset of 6.6% paid to the city of Milwaukee = \$-8.6 million
- Less an offset for Aid to High Poverty Districts = \$-9.7 million
- Net 2010 MPCP levy = \$40.5 million

Summary Recommendation: Edit and reduce the size of the City Treasurer’s office insert from a legal sized sheet of paper to an 8.5” x 11” sheet of paper to free up weight in the envelope for an insert sized 3.33” x 8.5” to be developed by Milwaukee Public Schools.

Background information:

**Issue #1: Can the levy from the Milwaukee Parental Choice Program be reflected on the tax bill?**

From a legal standpoint, it is not feasible to change the tax bill for 2011. Wis. Stat. 74.09 allows the City to apply for a waiver from the Department of Revenue but it would not be approved in time to make the technical changes to the document. If the City were to proceed with altering the tax bill without a waiver, there is no penalty provided in the Statutes. However, there would be significant exposure to tax payer litigation. A tax payer could object to the content of the bill and potentially invalidate the entire tax collection process. This is a significant risk.

From a legal standpoint, the City is able to request the waiver for 2012 and beyond, and if approved could alter the tax bill from that point forward. Please note that the statute is not clear whether a waiver is allowed for the format of the tax bill and/or the content of the tax bill. Our current waiver is for the format of the bill. This distinction would be determined by the Department of Revenue.

Option A: Memo Line on the Tax Bill

From a technical standpoint, it is possible to reflect cost of the MPCP to each individual taxpayer on the 2011 tax bill. This could be reflected as a memo line similar to the line that reflects the “School taxes reduced by school levy credit.” This option would not show the entire levy, merely the cost to the individual tax payer.

According to ITMD, the cost to implement this change on the 2011 tax bill would be approximately \$9,269.20 in ITMD staff time only. Staff time can and would be redirected from another project. Several programs would need to be modified which would result in 18 different iterations of the tax bill document. Here is the breakdown of that estimate:

<u>Staff</u>	<u>Salary</u>	<u>Fringe</u>	<u>Indirect</u>	<u>Total</u>	<u>Hours</u>	<u>Cost</u>
Development Manager	\$49.56	\$30.17	\$10.63	\$90.36	20	\$1,807.20
Lead Systems Analyst	\$39.53	\$24.07	\$8.48	\$72.08	80	\$5,766.40
Lead Systems Analyst	\$46.50	\$28.31	\$9.97	\$84.78	20	\$1,695.60
						\$9,269.20

Option B: Line Item in the Big Box on the Bill

It is not technically feasible to reflect the total MPCP levy as a line-item in the large box on the tax bill for 2011. This is an expansive and expensive change in programming for the City Treasurer’s office as well as the City Assessor’s office. The City Assessor’s office cost is external because it uses an outside contractor to make these changes to its programming.

Option B cannot be accomplished by December 1st and the cost cannot be accurately estimated. This statement is based on staff recollections of a similar request made in 1991 by Milwaukee County. The work to implement that change began in mid-August and was barely ready in time for the mailing on December 1<sup>st</sup>. It was a very complicated process and involved numerous city staff.

It is technically feasible to accomplish Option B for the 2012 tax bill. However, it will be considerably more expensive than the estimate for the memo field option above.

Recommendation:

Do not place a “memo line” on the tax bill for 2011 for Option A or request a waiver for it in the future. As shown in the attached sample, the information is of limited usefulness and may even create confusion amongst tax payers.

Implementing Option B for next year would be expensive and time consuming for limited benefit and is not recommended. If the cost to reprogram the tax bill for Option B becomes less expensive in the future, requesting a waiver for that purpose should be revisited.

**Issue #2: Can the levy for the Milwaukee Parental Choice Program be reflected on the Combined Property Tax Report issued by the City Comptroller?**

Yes, it is technically possible to reflect the MPCP levy on this report. The chart in the report could be edited to accommodate a line for the MPCP levy. And, the Common Council does have the authority to direct the change. It is also the lowest cost alternative – free.

However, there are multiple concerns with this approach:

- The change does not fit within the Comptroller’s goal of providing purely financial information regarding the city budget.
- There is not room on the document to provide additional interpretation. A single line may create more questions than it answers and has limited usefulness.
- This issue straddles the line of turning a financial document into an advocacy document.
- Questions regarding the new information will be directed to the Comptroller’s office when they should be directed toward the Board of School Directors.

Recommendation:

Do not include the MPCP levy on the Combined Property Tax Report. Although this is the low-cost option, there are too many pitfalls associated with providing only one line of information.

**Issue #3: Can the MPCP levy be reflected on a separate insert in the Property Tax Bill mailing?**

Yes, it is possible to include an additional insert in the mailing. The insert would be drafted and provided by the Milwaukee Public Schools. Figures provided would have to be annually verified by someone at the City since it is our mailing.

An additional insert would have three costs: printing, machine inserting and postage. The printing would have to be performed and paid for by MPS and is to be determined. Machine inserting is estimated to cost \$740. The current mailing already weighs 1 full ounce and any additional weight would bump the mailing into the next postage bracket. Any additional postage arising from the insert would also have to be paid for by MPS. This additional postage cost is estimated to be \$19,250. MPS has indicated that, while this is not their preferred option, they are willing to pay for those costs.

We examined the existing inserts in the bill and found there is significant duplication in the documents. For instance, information describing the Lottery Credit is found on all three documents. We determined that the City Treasurer's office insert could be reduced in size from a legal sheet of paper to a standard 8.5" x 11" to reduce the weight of the existing mailing.

In reducing the size of that brochure, there is space available for a small additional insert. This insert could be printed at MPS' cost and inserted for a cost of \$740 to MPS, avoiding the postage cost of \$19,250.

#### Conclusion:

City staff from the Mayor's administration, City Treasurer's office and Comptroller's office jointly recommend that MPS be allowed to place a small separate insert in the annual tax bill mailing. The City Treasurer's office has agreed to reduce the size of its brochure to avoid the additional postage cost. This alternative minimizes the cost to our shared tax payers, provides enough space to provide accurate information about the MPS and MPCP levy, provides for MPS "ownership" of the information and resulting tax payer questions, and avoids conflicts between elected officials.

We further recommend that the insert comply with the following:

- Break down the MPS levy to show the portion related to the MPCP for current year and prior year and include the percentage change.
- Accurately reflect the MPCP levy to include offsets paid to the City and High Poverty Aid.
- List an MPS office/division, address, and telephone number. Listing a contact person is encouraged.
- Printing to be provided by MPS.
- Provide facts only.
- Technical specifications as follows: paper stock of 60# to be machine inserted, dimensions of 3.33" x 8.5", neon-color that differs from existing inserts.
- Comptroller's office to verify accuracy annually.