

**Executive Summary: 2011 City of Milwaukee Proposed Budget
2010**

Hearing Date: October 6,

1. Personnel: Reflecting a City-wide increase in fringe benefit costs, the Comptroller's Office personnel costs increase by approximately \$257,000, of which approximately \$239,000 of the increase can be attributed to fringe benefits. The 2011 Proposed Budget provides funding for 67 positions, the same number as 2010. (page 2)
2. Operating Expenditures: An overall decrease of just \$3,000 is proposed for 2011 operating expenditures for a total operating expenditure budget of \$410,000. (pages 2 and 3)
3. CDBG Funding: For 2011, the Comptroller's Office has requested \$726,000 in CDBG funding to support the salaries and fringes benefits for CDBG accounting and auditing services that are performed by a staff of 11 full-time positions and one part-time intern. However, the Comptroller's Office has been informed that the Mayor's recommended CDBG allocation could be \$111,000 less than the amount requested. (pages 3)
4. Auditing: As in previous years, 2 auditing positions will remain vacant in 2011 to offset the cost of audit related consulting services. The use of outside consultants has allowed the office to successfully complete some audits that may not have been possible without this assistance. (pages 3 & 4)
5. Special Purpose Accounts: Special purpose accounts are not included in departmental budgets, but expenditure authority over such accounts is typically extended to a department via Council resolution. The 2011 Proposed Budget provides funding for the 7 Special Purpose Accounts that will be administered by the Comptroller. (pages 4 & 5)

Expense Category	2009 Actual*	2010 Budget*	% Change	2011 Proposed*	% Change
Operating*	\$ 5,560,256	\$ 5,066,065	-9%	\$ 5,320,238	5%
Capital	\$ -	\$ -	0%	\$ -	0%
Positions	66	67	2%	67	0%

* includes O &M and non O & M Funded postions

Personnel

Reflecting a City-wide increase in fringe benefit costs, the Comptroller's Office personnel costs increase by approximately \$257,000, of which approximately \$239,000 of the increase can be attributed to fringe benefits. The 2011 Proposed Budget provides funding for 67 positions, the same number as 2010.

Of the 67 positions, there are currently 4 vacant positions, 3 Auditing Specialist Positions and 1 City Payroll Assistant position. Regarding the 3 vacant Auditing Specialist positions, 2 of these positions have been vacant since 1999 and there is no current plan to fill them. The funding for these two positions is annually budgeted in the professional services account for outside consultants to assist the Comptroller's Office on the major City audits. The third current vacancy occurred in June 2010 when the incumbent transferred to another City department. The Comptroller's Office request to fill that position was approved by the Finance and Personnel Committee, and the Office expects to fill it before year-end.

The City Payroll Assistant position became vacant in August of 2010 due to a transfer to DOA-Procurement Services. The department is currently studying the feasibility of reassigning this position's duties to other payroll positions. If reassignment is not feasible, the Comptroller's will submit a request to the Budget Office to fill the position.

Operating Expenditures

An overall decrease of just \$3,000 is proposed for 2011 operating expenditures for a total operating expenditure budget of \$410,000.

The 2011 Proposed Budget provides \$35,000 for the **General Office Expense**, the same amount as provided in 2010. The 2011 funding will be used for office supplies (\$25,500), magazines, subscriptions, and books (\$7,450), and postage (\$2,050).

The 2011 Proposed Budget provides \$9,000 **Non-Vehicle Equipment Rental**. In 2011, this funding is shifted from the 2010 **Information Technologies Account** and will be used for a debt and finance management system from SS&C Technologies.

The 2011 Proposed Budget provides \$260,000 for the **Professional Services** account, the same amount as provided in 2010. The 2011 funding will be used for audit services (\$165,000), payroll and financial system (\$25,000), accounting Issues (\$50,000), and miscellaneous services (\$20,000).

The Comptroller's Office 2011 Proposed Budget includes \$79,000 for **Other Operating Services**, a slight increase from the \$78,000 provided for this account in 2010. The uses of the 2011 funding will include accounting and PeopleSoft training (\$25,500), Debt Issuance Printing (\$13,000), Comprehensive Annual Financial Report (\$12,000), equipment maintenance (\$11,000), and rating agency visits (\$6,500).

CDBG FUNDING

For 2011, the Comptroller's Office has requested \$726,000 in CDBG funding to support the salaries and fringe benefits for CDBG accounting and auditing services that are performed by a staff of 11 full-time positions and one part-time intern. However, the Comptroller's Office has been informed that the Mayor's recommended CDBG allocation could be \$111,000 less than the amount requested.

Activities performed exclusively by the CDBG-funded staff of the Comptroller's Office include:

- Performing preliminary reviews for newly-funded agencies and financial site reviews for existing funded agencies in accordance with the requirements of the federal government's Office of Management and Budget (OMB).
- Determining the amount of issue, monitor and control operating cash advances to subrecipient agencies.
- Reviewing, commenting, and following up on OMB's mandated audits of subrecipient agencies.
- Preparing financial statements and the Single Audit Report.
- Determining, prepare and submitting the listing of Federal Cash Transactions and the Quarterly Reconciliation of the City's lines of credit with the Federal Government.

The Comptroller's Office has also requested \$101,000 in HOME funds, which will be administered by the Department of Administration, as a reimbursable for the fiscal oversight the office provides to the HOME program. The Comptroller's Office has been informed that the Mayor's recommended HOME allocation is about \$7,000 less than the amount requested.

To address the potential shortfall, the Comptroller's Office will monitor the salaries account, and if additional funding is needed, they will have to talk to the Budget Office about a wage supplements fund transfer or request contingent funding.

Auditing

As in previous years, 2 auditing positions will remain vacant in 2011 to offset the cost of audit related consulting services. The use of outside consultants has allowed the office to successfully complete some audits that may not have been possible without this assistance.

In 2008 and 2009, an outside CPA firm conducted a financial Review of Port Fixed Assets. In 2008 and 2009, an outside consultant conducted an Audit of IS External Network Connections and another consultant *expert* in property tax assessments assisted on the Audit of Commercial Property Assessments.

In 2010, consultant assistance was obtained in 2010 for the Audit of City Utility Bills, Audit of TID Expenditure Controls, and the Audit of Video Service Provider Fees.

In addition to the 2010 audits that required the use of outside consultants, the other internal audits other major assignments that have been completed in 2010 are shown below. It is important to note that 3 auditor vacancies from 2008 and 2009 were filled in July 2010. This high number of vacancies resulted in fewer audits being completed in 2009 and 2010. Audits completed in 2010 include:

- Audit of City Assessments for Commercial Property (issued 1/4/10)
- Audit of 2009 Payroll W-2s, internal memo (issued 2/15/10)

- Audit of City Treasurer Cash Controls (issued 3/24/10)
- Audit of IS Disaster Recovery (issued 7/12/10)

The following internal audits and other major assignments are planned for the remainder of 2010:

- Audit of Parking Fund Cash
- Audit of the Sewer Maintenance Fund
 - Audit of IS Datacenter Controls
 - Audit of IS Security Policies
 - Audit of IS Firewalls
 - Audit of Utility Bills
 - Hotline Annual Report

The following internal audits and other major assignments are planned for 2011:

- Audit of 2010 Payroll W-2s
- Audit of City Treasurer Cash Controls
- Audit of DPW Fleet Inventory
- Audit of IS Application Change Management
- Audit of Video Service Provider Fees
- Audit of TID Expenditure Controls
- Audit of Water Department Cash Controls
- Audit of DCD Permit Center
- Audit of Workers Compensation Processing
- Audit of IS Internal Network Vulnerability
- Audit of Vacant Property Management
- Audit of MPD Cash Controls
- Audit of IS Wireless Vulnerability
- Audit of City Call Center
- Hotline Annual Report

In addition to audits previously mentioned, the Comptroller's Audit Division accounting support throughout the year, including the police trust account, mobile home billings, House of Corrections billings.

Special Purpose Accounts

Special purpose accounts are not included in departmental budgets, but expenditure authority over such accounts is typically extended to a department by Council resolution. The 2011 Proposed Budget provides funding for the 7 Special Purpose Accounts that will be administered by the Comptroller:

Annual Payment to DNR (\$7,100): The \$7,100 is the same amount as provided in the 2010 Budget. This account represents a refund to the State Department of Natural Resources (DNR) of its payment-in-lieu-of-taxes to the City for the operation and maintenance of the Havenwoods property. The City has agreed to return each annual payment to the DNR for park operations and maintenance costs.

Boards and Commissions Reimbursement Expense (\$20,000): The \$20,000 is the same amount as provided in the 2010 Budget. This account funds the reimbursement of private citizens who serve on City boards and commissions for expenses related to their service. Reimbursement is set at \$20 per meeting, with a maximum of 12 meetings a year. Members of the Board of Assessment receive \$60 per meeting and members of the Administrative Review Board receive \$180 per meeting. Members of other City boards and commissions are paid through departmental administrative funds.

Care of Prisoners Fund (\$71,600): This account funds the costs of reimbursing the County for transporting and housing costs of persons convicted of City violations and sentenced to the House of Corrections. This amount is the same amount provided in the 2010 Budget and is based

on the Comptroller's annual analysis of recent data for this account. The Comptroller's Office has had an ongoing billing dispute with Milwaukee County since 1991 concerning charges billed to the City for prisoners held in the House of Correction on City violations. The Comptroller's Office adjusted the County's invoices to eliminate ineligible charges until April 2008 when the County's invoice detail was changed and such adjustments could no longer be made. No payments have been made on the County's monthly invoices since April 2008. City Attorney assistance was requested in November 2008. The County has been unresponsive to City Attorney's Office requests to settle the dispute. Unspent appropriations from prior years have been carried over and together with the 2011 budget appropriations will be needed at some point to settle the unpaid invoices with the County.

Contribution Fund-General (\$2,400,000): The \$2,400,000 is the same amount of funding that was provided in 2010. This account provides expenditure authority for any contribution received during the year. Expenditures are made in accordance with Section 304-24 of the Milwaukee Code of Ordinances. This account has a revenue offset, and therefore, does not have a tax levy impact.

Firemen's Relief Fund (\$130,000): The \$130,000 is the \$10,000 less than the amount that was provided in the 2010 Budget. This account helps defray the costs of the Fire Department Relief Association, established under section 20-18 of the City Charter. The Association provides assistance to injured or fatally injured firefighters and their families. Funding is set per charter, and represents 1/8 of the State Aids for Fire Insurance Premiums ("Fire Dues").

MMSD-Sewer User Charge Pass Through Less Cost Recovery from Sewer User Charge (net of \$1): This account provides authority to administer the billing of

MMSD sewer user charges by the City. The account is a revenue offset.

Reserve for 27th Payroll (\$1,500,000): The \$60,000 increase from the \$1,440,000 million provided for this account in 2010 reflects anticipated contract settlements. This account is used for the accrual of extra days' salary costs beyond the annual standard of 26 pay periods. City employees are paid bi-weekly with the salary and wages recorded for full pay periods only. A 27th pay period occurs once every 11 years, most recently in 2005. The accruals are made in accordance with Generally Accepted Accounting Principles. Funding this SPA annually avoids a huge tax levy impact every 11 years when funds are required for the 27th pay period. The next year where 27 payrolls occur is 2016.

Revenues

The Comptroller Office's revenue is primarily generated from charges for services provided to the Water Works and Sewer Maintenance Fund. The 2011 estimated revenue for the Comptroller's Office increases \$25,000 (10%) from the 2010 estimate.

Category	2009 Actual	2009 Budget	% Change	2010 Proposed	% Change
Charges	\$396,838	\$250,000	-37%	\$275,000	10.0%

Issues to Consider

Given the City's current and future fiscal situation, the issue of how will adequate funding be provided to the Comptroller's Office to meet the growing demand for accounting, financial and auditing services in the years ahead will need to be studied

Given the City's current and likely future salary constraints, how the City will be able to be competitive with the private sector in attracting accounting and financial professionals will also needs to be studied.

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