

# **CITY TREASURER'S OFFICE 2008 PROPOSED BUDGET**

## **Executive Summary**

1. The 2008 Proposed Budget for the City Treasurer's Office is \$2,881,523, essentially unchanged from the 2007 Budget. (page 1)
2. The number of positions in the Treasurer's Office is being reduced by one, to 58, with the 2008 Proposed Budget. However, the Accountant I position being eliminated has been vacant since the incumbent retired in early 2007 and was only funded for part of this year. (page 2)
3. Full-time equivalent positions in the Treasurer's Office are actually increasing from 29.26 to 30.11 because of increased use of Temporary Customer Service Representatives to maintain service levels while permanent employees take vacation and sick leave. (pages 2 and 3)
4. The allocation for Operating Expenditures in the department's 2008 Proposed Budget is \$648,755 – 1.4% less than the 2007 Budget. A 6.5% increase in funding for General Office Expenses, mainly postage, is being more than offset by a two-thirds drop in funding to Reimburse Other Departments. (page 3)
5. The 2008 Proposed Budget includes two special funds for the City Treasurer: \$13,365 for Property Tax Collection Forms and \$21,100 for Information Systems Support. The latter will be used to replace 8 computer workstations. (page 3)
6. The Treasurer's Office has no capital projects in the 2007 Proposed Budget. (page 3)
7. As for the investment function of the City Treasurer's Office, the Comptroller's Office estimates the City's rate of return on investments will be 5.0% in 2008, the same rate projected for 2007 in this year's budget. Because of a projected increase in the average daily investment balance, the estimated General Fund investment revenue will increase 4.8%, to \$8,000,000 in 2008. (page 4)
8. The 2008 Proposed Budget provides about \$10.3 million for the County Delinquent Tax Fund – 4.8% more than in 2007. The budgeted amount is based on historical expenditure trends. (page 5)
9. Department revenues are projected to be \$8.4 million in 2008 – 5.7% higher than the \$7.9 million in the 2007 Budget. This increase can be largely attributed to higher investment earnings. (page 5)

Prepared by: **Jeff Osterman**  
**Legislative Fiscal Analyst**

**LRB-Research & Analysis Section**  
**286-2262**

## 2008 PROPOSED BUDGET - CITY TREASURER'S OFFICE

### Summary by Legislative Reference Bureau – Research & Analysis Section

Expense Category	2006 Actual	2007 Budget	% Change	2008 Proposed	% Change
Personnel Costs	\$2,202,290	\$2,196,945	-0.2%	\$2,198,303	0.1%
Operating Expend.	\$655,508	\$658,295	0.4%	\$648,755	-1.4%
Equipment Purch.	\$0	\$0	0%	\$0	0%
Special Funds	\$23,945	\$29,860	24.7%	\$34,465	15.4%
TOTAL	\$2,881,743	\$2,885,100	0.1%	\$2,881,523	-0.1%
Capital	\$0	\$0	0%	\$0	0.0%
Positions	59	59	0	58	-1

#### Department Function

The City Treasurer receives and accounts for all monies paid to the City, makes disbursements vouchered for payment by the Comptroller, invests City funds that are not needed to meet current expenditures, collects current property taxes and delinquencies for all six taxing jurisdictions within the City of Milwaukee, settles property tax collections on a pro-rata basis and remits to each taxing jurisdiction its share of the monies collected.

#### Departmental Mission

The mission of the City Treasurer's office is to fulfill the duties and responsibilities of the independently-elected City Treasurer, who serves as chief investment and revenue collection officer of the City of Milwaukee, as set forth in Wisconsin State Statutes, the City of Milwaukee Charter and Code of Ordinances, and Common Council Resolutions.

#### Historical Information

1. The 2001 Budget implemented an Automated Clearing House (ACH) debit system for property tax installment payments. The ACH debit system allows taxpayers who qualify to pay their installments through an automatic monthly deduction from their checking or savings account. Taxpayers can also use an Internet payment channel that utilizes an ACH debit to pay their taxes in full during the current tax collection period (mid-December to January 31).
2. In 2002, the Treasurer's Office implemented a pilot program that uses the Kohn Law Firm for the collection of delinquent real estate taxes prior to the City's pursuit of *in rem* foreclosure action. The pilot program was so successful that the department subsequently eliminated its Delinquent Tax Collection Services Section and made use of the Kohn Law Firm and the one-foreclosure-file-per-year policy permanent components of its delinquent tax collection function.

3. Due to national economic trends and federal interest rate policy, the rate of return on City investments managed by the Treasurer's Office has increased steadily in recent years, from 1.23% in 2003 to 4.78% in 2006 and an estimated 5.00% for 2007. General Fund revenues from investment have also increased, from less than \$2 million in 2003 to an estimated \$7,633,000 for 2007.
4. The 2005 Budget provided \$232,160 in capital improvement funding to upgrade the Treasurer's cashier system so that it can accommodate additional software upgrades and because technical support for the old software was becoming increasingly difficult to obtain. This money funded the purchase of new hardware and software, installation assistance and user training. The new web-based cashier system became operational in October, 2005.
5. In September, 2005, the Comptroller's Office completed an audit of the City Treasurer's internal controls over cashing activities. The Treasurer's Office subsequently implemented all 7 recommendations of the audit, including having management staff randomly observe cashing operations, dual-counting cash drawers at least one every 2 weeks, limiting the amount of money that may be kept in a cash drawer and increased use of video surveillance equipment for the cashing area and vault.

## **2008 BUDGET HIGHLIGHTS AND ISSUES**

### **Personnel**

1. The 2008 Proposed Budget provides \$2,198,303 in funding for personnel costs, an increase of \$1,358 (less than 0.1%) from the 2007 Adopted Budget.
2. The number of positions in the City Treasurer's Office is reduced from 59 to 58 with the 2008 Budget. However, the number of FTEs is actually increasing from 29.26 to 30.11, a reflection of increased use of temporary customer service personnel.
3. The position eliminated in the 2008 Proposed Budget is an Accountant I in the department's Financial Services Division. However, for all intents and purposes, this position was eliminated in 2007. The 2007 Budget provided only enough funding to compensate the incumbent until his retirement in the spring of this year. The position has been kept vacant since that time.
4. The most significant personnel change for the Treasurer's Office in 2008 will be the reclassification of support staff in the Administration and Customer Services divisions. Specifically, the 2008 Proposed Budget calls for reclassifying the Program Assistant I (pay range 460) in the Administration Division to Program Assistant II (PR 530), which is the classification of the other support position in that division. In the Customer Services Division, all

8 support positions -- including the 2 part-time positions -- would be classified as Customer Service Representative II (PR 435); currently, the division has one Customer Service Representative Lead (PR 530), 2 Customer Service Representative II positions (PR 435) and 5 Customer Service Representative I positions (PR 425; 3 full-time, 2 part-time). The department believes these changes are necessary to ensure that support staff in each division are interchangeable, particularly so that they can cover for one another for vacation and sick leave purposes. Also, having all support staff at the same level would make it easier for management to get necessary work done efficiently during peak workload times.

5. Funding for Temporary Customer Service Representatives increases from \$79,030 in the 2007 Budget to \$97,074 in the 2008 Proposed Budget – a 22.8% increase. This change is largely attributable to the fact that many staff members in the Treasurer’s Office have considerable longevity and receive 5 or 6 weeks of vacation per year. Temporary staff are needed to maintain service levels while these permanent employees take vacation. Of the 1,176 additional direct labor hours for temporary positions in the 2008 Budget, 808 are for vacation relief and the tax-foreclosure mailing (during the months of March through October), while 368 are for temporary help during the current tax collection period (mid-December through January).

### **Operating Budget**

1. The 2008 Proposed Budget provides \$648,755 for Operating Expenditures, a decrease of \$9,540 (-1.4%) from the 2007 Budget.
2. The budget for General Office Expenses is increasing by \$19,680 (6.5%), to 321,610. This increase is entirely attributable to higher costs for postage and mailing services, which are rising by \$20,910.
3. Funding for the Reimburse Other Departments line item is being reduced by almost two-thirds, from \$44,145 in the 2007 Budget to \$16,150 in the 2008 Proposed Budget. This reflects the fact that the mailroom and records center services the department receives from DOA-Document Services Section will not be reimbursable in 2008.

### **Special Funds**

1. Property Tax Collection Forms – The proposed amount for this fund (\$13,365) represents a 3.9% increase from the 2007 Budget figure.
2. Information Systems Support – The request for 2008 is \$21,100, 24.1% more than the 2007 funding level. In 2007, the department used this fund to replace 12 workstations in its Customer Services Division. For 2008, this fund will fund the replacement of 8 workstations in

the Financial Services Division, as well as replacement of the department's high-speed laser printer used for printing property tax receipts, refunds and all tax collection reports.

**Capital Projects**

The City Treasurer has no capital project requests in the 2008 Proposed Budget.

**Investment of City Funds**

The Office of the City Treasurer is responsible for the investment of all available "idle" City funds (funds not immediately needed to meet expenditures). Based on market conditions, the City Treasurer may invest idle funds in investment vehicles that provide the highest rate of return, while maintaining portfolio diversification, safety, and liquidity standards. Typical investment vehicles include US Treasury Securities, Certificates of Time Deposit, the State Local Government Investment Pool and Commercial Paper.

As the following table shows, between 2002 and 2006, City investments earned an average annual rate of return of 2.46%. In the same time period, the five-year average for General Fund investment earnings was \$4,212,400. It should also be noted that, in recent years, investment income has typically exceeded the amount projected in the City Budget. For example, the 2005 and 2006 budgets projected investments earnings of \$2,625,000 and \$5,250,000, respectively. Actual General Fund investment income was \$4,864,000 for 2005 and \$8,769,000 for 2006. The adopted 2006 Budget includes an estimated rate of return of 3.50%, with General Fund earnings for the year totaling \$5,250,000.

<b>GENERAL FUND INVESTMENT EARNINGS</b>			
<b>Year</b>	<b>Average Amount Invested</b>	<b>Average Annual Rate of Return*</b>	<b>Interest on Temporary Investments**</b>
2002	\$254,425,000	1.73%	\$2,942,000
2003	\$237,631,000	1.23%	\$1,941,000
2004	\$253,100,000	1.51%	\$2,546,000
2005	\$239,329,000	3.05%	\$4,864,000
2006	\$275,318,000	4.78%	\$8,769,000
<b>5 Year Average</b>		2.46%	\$4,212,400

\*AVERAGE ANNUAL RATE OF RETURN IS BASED ON TOTAL INTEREST EARNED FROM TEMPORARY INVESTMENTS.

\*\*INVESTMENT REVENUE CREDITED TO THE GENERAL FUND.

The City Treasurer reports that, in the first 7 months of 2007, General Fund investment earnings were \$8,373,187, with an average rate of return of 5.22%. Thus, it appears that the City is on a course to exceed the projected 2007 full-year figures of \$7,633,000 and 5.00%. The current strong investment

market and higher federal interest rates (at least in the first part of the year) are clearly producing healthy investment returns for the City.

For 2008, the Comptroller's Office projects total investment revenue of \$12,000,000 based on a projected average daily investment balance of \$240 million and a 5.00% rate of return. Of this revenue, \$8 million will be credited to the General Fund and \$4 million to the Public Debt Amortization Fund. One third of all interest revenue is credited to the PDAF pursuant to s. 67.101, Wis. Stats.

### **County Delinquent Tax Fund**

The 2008 Proposed Budget provides \$10,329,620 for this account, an increase of \$474,620 (4.8%) from the amount included in the 2007 Budget. The Delinquent Tax Fund account enables the City to purchase County delinquent real estate and personal property taxes from Milwaukee County. The City does not acquire any properties with this fund, but rather purchases Milwaukee County's delinquent taxes receivable. A 1987 intergovernmental services agreement enables the Treasurer to consolidate the enforcement of tax receivables, which eliminates the need for duplicate tax collections by the City and County. Based on historical trends, the Treasurer's Office is projecting the purchase of \$10,329,620 in County delinquent tax receivables in 2008.

### **Departmental Revenues**

The 2008 Proposed Budget projects that the Treasurer's Office will receive \$8,388,250 in total revenue, an increase of \$454,075 (5.7%) from the \$7,934,175 projected for 2007 in this year's budget. As the following table shows, virtually all of this revenue growth will occur in the category of Miscellaneous, which is projected to account for 97.2% of the City Treasurer's total 2008 revenues. Most of the Miscellaneous revenues (\$8 million) are actually the General Fund investment earnings discussed earlier. Revenues in the department's 2 other significant revenue categories -- Charges for Services and Licenses and Permits -- are projected to decline in 2008. The large decrease in the "Charges for Services" category is attributable to a loss of revenue from the 10% delinquent-payment penalty for the Local Sewerage Charge. The projected revenue decline for "Licenses and Permits" (i.e., dog and cat licenses) is simply an adjustment to bring revenue estimates in line with 2006 actual revenue figures.

<b>TREASURER'S OFFICE REVENUES</b>					
<b>Sources</b>	<b>2006 Actual</b>	<b>2007 Budget</b>	<b>% Change</b>	<b>2008 Proposed</b>	<b>% Change</b>
Charges for Services	\$119,753	\$156,075	30.3%	\$107,150	-31.3%
Licenses and Permits	\$120,171	\$136,100	13.3%	\$120,100	-11.8%
Taxes and Payment in Lieu of Taxes	\$13,022	\$9,000	-30.9%	\$10,000	11.1%
General Fund Investment Earnings	\$9,332,358	\$7,633,000	-18.2%	\$8,151,000	6.8%
<b>TOTAL</b>	<b>\$9,585,304</b>	<b>\$7,934,175</b>	<b>-17.2%</b>	<b>\$8,388,250</b>	<b>5.7%</b>

### **Collection of Delinquent Taxes**

In addition to collecting property taxes due in the current year, the Treasurer's Office also administers the City's delinquent tax collection program. Through the current and delinquent tax collection process, the Treasurer's Office ultimately collects over 99% of all property taxes due the City (net tax levy) and over 90% of the delinquent property taxes owed to the City. The following table summarizes the department's delinquent tax collection efforts for the past five tax years.

<b>SUMMARY OF TREASURER'S TAX COLLECTION EFFORTS, 2002-2006, AS OF SEPTEMBER 5, 2007</b>				
<b>Year</b>	<b>Total Delinq.</b>	<b>Pct. Redeemed</b>	<b>Still Outstanding</b>	<b>Pct. of Year's Total Tax Levy Still Outstanding</b>
2002	\$37,310,523	95.51%	\$613,143	0.14%
2003	\$39,380,624	94.93%	\$823,451	0.19%
2004	\$40,299,794	93.34%	\$1,874,475	0.40%
2005	\$43,209,507	86.93%	\$5,376,460	1.08%
2006	\$48,738,216	44.96%	\$26,342,948	5.27%

As this table indicates, by the time 3 years have passed since the close of a tax collection cycle (e.g., 3 years have now passed since the close of the 2004 tax collection), well over 90% of that year's delinquent property taxes have been collected and the amount of delinquent property taxes outstanding is less than 1% of that year's total tax levy. This table also shows that the majority of outstanding delinquent taxes are from the most recent levy year. In fact, the Treasurer reports that as of September 5, 2007, the total value of City tax delinquencies was \$36,913,056. The \$26,342,948 owed from 2006 accounts for 71.4% of this total, while the \$35,030,477 owed from the last five years combined accounts for 94.9% of all delinquent property taxes.

**Prepared By: Jeff Osterman**  
**Legislative Fiscal Analyst**  
**LRB-Research and Analysis Section**  
**286-2262**