

WAYNE F. WHITTOW
City Treasurer



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OFFICE OF THE CITY TREASURER
Milwaukee, Wisconsin

October 13, 2009

To the Honorable,
Committee on Finance and Personnel
Milwaukee Common Council
City Hall, Room 205

Dear Committee Members:

This is written in response to issues raised by members at your committee's hearing on my 2010 proposed budget.

Since being elected City Treasurer, I have reduced staff by 40%. In addition, I have implemented numerous changes that have improved department operational efficiency and reduced departmental costs. Among these are: mailing out combined property tax bills, use of a property tax lock box, ACH direct debit for property tax installments, Internet eCheck and credit card payment in full of property tax accounts during the current tax collection period, electronic payments by escrow agents, use of a state-of-the-art cashier system, which interfaces to the FMIS general ledger and accounts payable modules, the tax collection system, and other City agency systems, use of a state-of-the-art investment portfolio management system, use of zero balance concentration accounts for accounts payable and payroll, and fee for service banking services contracts. My department's cost of tax collection is under 0.3% (30¢ in costs for every \$100 taxes collected). Moreover, my department's overall City levy tax collection rate is over 99%.

My staff and I continuously monitor, investigate, and research changes occurring in the market place in regards to cash management and payment collection. If my office is not utilizing a technology or methodology, it is because there is a legal or contractual obstacle to doing so, or it is not cost effective.

I believe that, just because a technology or methodology is available, does not necessarily mean it is cost effective to use it. I also firmly believe that those taxpayers choosing a tax payment method of sheer convenience should cover the cost and that such costs should not be passed on to all taxpayers.

During the current tax collection period (the period between when the combined property tax bills are mailed out and January 31 when property taxes are due), taxpayers have six payment choices:

- 1) Mail payment to lock box in business reply envelope provided
- 2) Use Internet eCheck option to pay in full
- 3) Use Internet Credit Card option (VISA™ or MasterCard™) to pay in full
- 4) Pay first installment due by ACH direct debit
- 5) Pay in person at office
- 6) Use either drop box at City Hall Complex

Those taxpayers choosing to pay in person are doing so because:

- They are paying in cash
- They seek an immediate refund on their escrow check tax overpayment
- They want to assure their tax payment was made timely to qualify for an income tax deduction
- They want a tax payment receipt in hand to ensure qualifying for an income tax deduction
- They have a problem with their tax bill
- They do not trust the mail
- They are technologically challenged
- They are afraid to share financial data electronically with a government entity

Incurring additional operating costs to offer another technology based payment option will not reduce the number of taxpayers choosing to come to City Hall to pay in person. As I stated earlier, a payment option that is not cost effective is not worth pursuing, especially at this point in time.

Attached, as Appendix A, is a schedule that delineates the volume experienced and percentage of transactions for each of the six tax payment options available during the last current tax collection period.

Attached, as Appendix B, is a schedule that delineates the transaction cost for each of the six tax payment options available during the current tax collection period.

In checking with the Department of Public Works (DPW), use of the kiosks currently located at the district police stations would prove difficult. The current units are scheduled to be replaced because they are not compliant with the Payment Card Industry's (PCI) security standards and do not always work properly, especially during peak demand periods, in regards to printing receipts. Extensive programming would be required by the vendor to its proprietary software to provide the eCheck and credit card tax payment in full options, as well as a daily tax payment file, properly formatted, to facilitate updating the payments made to the tax collection system. DOA-ITMD would also need to rework existing programs to accommodate the kiosk vendor's tax payment transaction file.

Note, too, that the kiosks are heavily used to purchase both annual and four-month on-street parking permits during the same peak period, the last two weeks of December, as those taxpayers seeking to assure a property tax deduction on their income tax returns by year-end. In addition, DPW routinely staffs the kiosks during peak periods to assist users. Moreover, as stated at the hearing, the kiosks could not handle cash tax payments due to the large dollar amounts involved, as the units are limited to fifteen hundred bills total capacity. Plus, the units do not issue refunds.

I believe the costs of pursuing a kiosk tax payment option just cannot be justified, especially considering the peak period conflict and the inability of the units to handle large dollar transactions and issue refunds does nothing to improve taxpayer convenience.

As to having taxpayers make payments by telephone, the security risk and costs associated with the City assuming responsibility for the safekeeping of taxpayer financial data according to acceptable protocols established by the Payment Card Industry (PCI) are just not warranted. The requisite PCI compliance audit could cost as much as \$100,000.

The use of an outside vendor to host and provide the payments by telephone service is simply cost prohibitive. When researching the eCheck and credit card payment options, the initial set up cost for an interactive voice response system was at least \$50,000, exclusive of transaction costs and on-going system support and maintenance costs.

As the independently elected City Treasurer for over the past thirty-three years, I take my responsibility to guard the public purse very seriously. My staff and I will continue to monitor, investigate, and research changes occurring in the market place in regards to cash management and payment collection and will implement changes where deemed feasible and cost effective.

I have taken the liberty of also attaching Appendix C that delineates department performance reporting activity data. Do not hesitate to contact this office with any additional questions on my 2010 proposed budget or my department's operations.

Sincerely,



WAYNE F. WHITTOW
City Treasurer

Attachments

c: DOA-Budget and Management Division
LRB-Fiscal Section

Attachment A: Transaction Volume Schedule

	<u>Transaction Volume</u>	<u>% of Total</u>
1) Mail payment to lock box	88,306	55.87%
2) Use Internet eCheck option to pay in full	1,153	0.73%
3) Use Internet Credit Card option to pay in full	131	0.08%
4) Pay first installment due by ACH direct debit	2,154	1.36%
5) Pay in person at office	23,749	15.03%
6) Use either drop box at City Hall Complex	<u>901</u>	0.57%
	Subtotal:	116,394 73.65%
Escrow Agent Payments	<u>41,651</u>	26.35%
	Grand Total:	158,045 100.00%

Attachment B: Transaction Cost Schedule

1) Mail payment to lock box in business reply envelope provided

Encoded Items Deposited

On Contractor \$ 0.0150

Local (Milwaukee County) \$ 0.0250

RCPC and US Treasury \$ 0.0350

Transit \$ 0.0500

Envelope Contents Sort \$ 0.0400

Automated Items Processing

OCR Remittance Coupons \$ 0.0600

Checks \$ 0.0600

City Cost per payment ranges from \$ 0.1750 to \$ 0.2100

2) Use Internet eCheck option to pay in full

E-Pay Web Initiated Payments \$ 0.2500

E-Pay ACH Fed Item \$ 0.0500

City Cost per payment is \$ 0.3000 per item

3) Use Internet Credit Card option to pay in full

City Cost per payment is \$ 0.2500 per item

Plus, convenience fee of 2.5% paid by taxpayer

4) Pay first installment due by ACH direct debit

City Cost per payment is \$ 0.0300 per item

5) Pay in person at office

Unencoded Items Deposited

On Contractor \$ 0.0500

Local (Milwaukee County) \$ 0.0300

RCPC and US Treasury \$ 0.0500

Transit \$ 0.0600

Teller Processing \$ 0.2556

City Cost per payment ranges from \$ 0.2856 to \$ 0.3156

6) Use either drop box at City Hall Complex

Items picked up by bank messenger and processed through lock box.

City Cost per payment ranges from \$ 0.1750 to \$ 0.2100

Attachment C: 2010 City Treasurer Department - Proposed Budget - PERFORMANCE REPORTING

2008	2009		2010
ACTUALS	ADOPTED BUDGET		PROPOSED BUDGET
<u>UNITS</u>	<u>UNITS</u>	<u>LINE DESCRIPTION</u>	<u>UNITS</u>
		CITY TREASURER	
		Financial Management	
247,474	240,000	Number of in-house financial transactions	250,000
\$2,564,778,412	\$2,600,000,000	Value of in-house financial transactions	\$2,650,000,000
408	400	Number of animal licenses issued in-house	400
247,250	245,000	Number of payments disbursed	250,000
2.74%	2.25%	Rate of return on investments	0.75%
2.46%	TBD	State of Wisconsin Local Government Investment Pool (LGIP) rate of return (benchmark)	TBD
\$218,201,414	\$240,000,000	Average daily investment balance	\$290,000,000
\$3,990,321	\$3,600,000	General fund investment revenue	\$1,100,000
		Property Tax Collection	
99,083	97,000	Number of real estate lottery and gaming credits	97,000
\$8,580,205	\$8,500,000	Value of real estate lottery and gaming credits	\$8,500,000
375	340	Number of mobile home lottery and gaming credits	340
\$25,088	\$25,000	Value of mobile home lottery and gaming credits	\$25,000
\$731,684,736	\$650,000,000	Amount of property taxes collected	\$740,000,000
0.2605%	0.2307%	Cost of property tax collection as a percentage of total property taxes collected	0.2571%
95.43%	90.00%	Total percentage of delinquent City property taxes collected after two years of the close of the levy (levy year reported = budget year - 3)	90.00%
544,638	540,000	Number of property tax bills prepared and mailed	545,000
508	700	Number of tax parcels placed in foreclosure	800
184	225	Number of parcels acquired through foreclosure	275
1,956	2,000	Number of tax accounts in bankruptcy	2,000
224,198	225,000	Number of lock box tax payments processed	225,000
188,731	190,000	Number of in-house tax payments processed	190,000
22,587	20,000	Number of tax e-payments processed	23,000
78,088	70,000	Number of taxpayer calls serviced	70,000
		Investment Revenue	
\$5,985,482	\$5,400,000	Total Investment Revenue	\$2,175,000
\$3,990,321	\$3,600,000	Total General Fund Investment Revenue	\$1,450,000
\$1,995,161	\$1,800,000	Total PDAF Investment Revenue	\$725,000