

2005 PROPOSED EXECUTIVE BUDGET

**SPECIAL PURPOSE ACCOUNT
INFORMATION SHEETS**

**Legislative Reference Bureau
Fiscal Review Section
October 22, 2004**

**2005 SPECIAL PURPOSE ACCOUNT:
ALTERNATIVE TRANSPORTATION FOR CITY EMPLOYEES**

PURPOSE: This program began in April 2000. It is designed to provide all city employees with the opportunity to purchase reduced fare bus passes. All city employees are eligible to participate. This program is known as the Milwaukee County Transit System Commuter Value Pass Program and is valid on local and freeway flier bus routes. This program is offered to encourage bus ridership and decrease the number of autos driven to work. This program is an employee benefit that does not require labor negotiations.

This program has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The number of employees who participate in the program determine the funding level.

Currently, 329 employees are enrolled in this program. A similar enrollment is projected for 2004. There is no increase in this SPA for 2005 and no increase in cost is assumed. The cost to the city is \$23.00 per month per participant. The participant shares a \$19.00 per month cost through payroll deduction. With the exception of the sworn uniformed protective service employees, all active employees are eligible for this program.

In the event of an increase in the Milwaukee County Transit System, this SPA may require a supplement from the proposed amount. At this time, however, no fare increase by Milwaukee County Transit System is anticipated or projected in the 2005 Milwaukee County proposed budget.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$80,375	\$95,000	18%	\$95,000	0%

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: ANNUAL PAYMENT TO DNR

PURPOSE

This account represents a refund to the State Department of Natural Resources of its payment-in-lieu-of-taxes to the City of Milwaukee for the operation and maintenance of the Havenwoods property.

The State maintains Havenwoods as a State park and is required to pay the City on an annual basis to use the property as a State park. The required payment was initially set at \$100,000 in the first year, to be reduced until it reached the \$7,100 level, which it did in 1998. It will remain at \$7,100 as long as the property is a State park.

The City agreed to return each annual payment to the State for park operation and maintenance costs. This account merely reflects that offsetting exchange.

FACTORS AFFECTING FUND LEVEL

The level will remain at \$7,100 by agreement with the State. This is a return of a payment from the State; it is not funded through the tax levy.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$7,034	\$7,100	1%	\$7,100	0%

Prepared by: James Carroll, 286-8679
LRB - Fiscal Review Section
October 12, 2004

2005 SPECIAL PURPOSE ACCOUNT: AUDIT FUND

PURPOSE:

This account provides for the preparation of the City's Comprehensive Annual Financial Report (CAFR).

This account has a tax levy impact. Funds from City component units also contribute to the cost of CAFR preparation.

FACTORS AFFECTING FUND LEVEL

This contract is awarded on a competitive basis. Factors such as the number and complexity of required deliverables affect bidders' charges. Contracts have typically included inflationary adjustments. The provisions of the contract call for the contract to be awarded on a four-year basis. The contract is renewed based on a satisfactory performance by the vendor. The Council approved a four-year contract with KMPG-Peat Marwick beginning in 1995. This contract was renewed in 1999.

The audit contract was put out for bids through a RFP. KMPG-Peat Marwick was awarded the contract. In the past, a contractor could only hold the contract for two four-year periods. The amended policy, File #990957, allows auditors to be selected for consecutive four-year periods without limitation provided there is a competitive bidding process every four years. The current auditor has the contract for a third four-year period. 2004 represents the first year of a 4-year contract. In the 2005 Proposed Budget, the account decreased by \$5,000 with respect to costs associated with the services.

DEPARTMENT MANAGING ACCOUNT:

The City Clerk's Office is responsible for administering this account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$170,000	\$210,000	23.5%	\$205,000	-2.4%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
BOARDS AND COMMISSIONS REIMBURSEMENT EXPENSE**

PURPOSE: This account reimburses public members of certain boards and commissions for expenses incurred in attending meetings. The salary ordinance authorizes \$20 per meeting for citizen members of certain boards and commissions and \$60 for Board of Assessment and \$180 for Administrative Review Appeals Board members. The allowance is not to exceed \$400 annually for all board members except those on the Board of Assessment and the Administrative Review Appeals Board.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

The amounts and limits of reimbursement are set by ordinance. Boards and commissions, which are to be reimbursed in this manner, are listed in each year's salary ordinance. Actual number of meetings and attendance level also affect the total expenditures.

The 2005 proposed funding is a \$4,000 increase from the amount provided in the 2004 Budget. The increase is based on actual experience for the year 2003. In that year \$23,180 was needed which exceeded the budgeted amount by \$4,180 and necessitated a contingent fund transfer of \$4,180.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$23,180	\$20,000	-14%	\$24,000	20%

Prepared by: James Carroll
LRB - Fiscal Review Section
October 17., 2004

B05Boards.SPA

2005 SPECIAL PURPOSE ACCOUNT: BOARD OF ETHICS

PURPOSE:

This account supports expenditures for the administrative costs related to the Board of Ethics. This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Board administrative costs are affected primarily by expenditures for its contract for research assistance. The contract for research assistance costs are driven by the hourly reimbursement and number of hours worked.

The Board's 2005 Proposed Budget includes funding for contingency legal counsel, research assistance, legal consultation, supplies, material and computer maintenance.

DEPARTMENT MANAGING ACCOUNT:

Pursuant to Council resolution, the Board of Ethics determines expenditures for this account. The City Clerk's Office performs a ministerial role in administering the account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% CHANGE</u>	<u>2005 PROPOSED</u>	<u>% CHANGE</u>
\$17,301	\$24,101	39.3%	\$25,100	4.1%

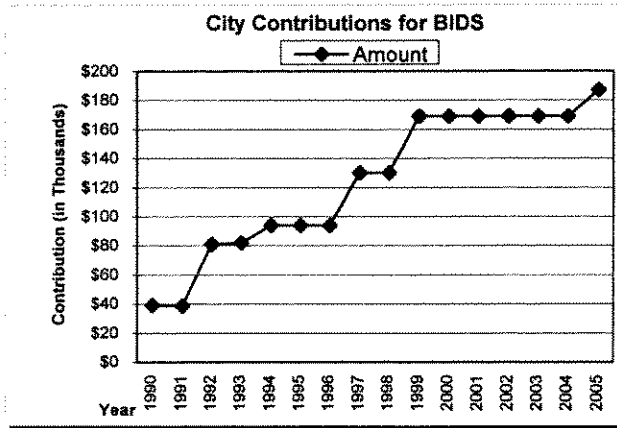
Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: BUSINESS IMPROVEMENT DISTRICTS (BIDs)

PURPOSE

Cities are authorized under state statute (s.66.1109) to establish BIDs consisting of contiguous parcels for promoting business development. Public improvements or operating activities within the district are financed through property tax levies on non-residential property. BID plans are subject to City Plan Commission and Common Council approval and may not proceed if owners of 40% or more of the assessed value of the proposed assessable property file an objection. BID Boards have at least five members appointed by the Mayor, subject to confirmation by the Common Council.

The tax levy impact varies; the funding decision is discretionary. In some cases, the City has contributed tax levy funding for BIDs. City support increased from \$39,246 in 1990, to \$130,000 during 1997 and 1998, and annual city support rose to \$169,000 from 1999 to 2004. The 2005 Proposed Budget provides \$187,000.



FACTORS AFFECTING FUND LEVEL

Beginning in 2003, this special purpose account only provides for city contributions. All other BID funding have moved from this Special Purpose Account to a new Economic Development Fund. In 2005, as a result of negotiations with BID #2 (Historic Third Ward), annual city contributions to the BID are expected to increase from \$18,000 to \$36,000.

DEPARTMENT MANAGING ACCOUNT

The Department of City Development assists in BID planning, and provides technical assistance.

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budgeted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$169,000	\$169,000	0%	\$187,000	+10.65%

Prepared By: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
October 17, 2004

2005 PROPOSED BUDGET BID FUNDING

The 2005 Proposed budget separates total Business Improvement District funding amongst the Business Improvement District Special Purpose Account and an Economic Development Fund special revenue fund, capital funding excluded.

<u>BID 3</u>	<u>BID NAME</u>	<u>CITY GRANT</u>	<u>SELF SUPPORTING</u>	<u>LOAN REPAYMENT</u>	<u>TOTAL</u>
2	Historic 3rd Ward	\$ 36,000	\$ 435,183	\$ 47,209	\$ 482,392
3	Riverwalk		2,207	31,551	33,738
4	Greater Mitchell St.	25,000	104,790		104,790
5	Westown	18,000	94,257		94,257
8	Historic King Dr.	21,000	159,496		159,496
9	735 W Water - Riverwalk			28,444	28,444
10	Avenues West	12,000	127,772	0	127,772
11	Brady St. Business Area		79,000	58,698	137,698
13	Oakland Ave.		29,145	24,355	53,500
15	Riverwalks	40,000	56,703	376,736	433,439
16	Uptown Triangle		39,231	43,194	82,425
17	Northwest Area Business / 76th & Brown Deer		31,613	16,537	48,150
19	Villard		70,525	24,100	94,625
20	North Ave./ Prospect/ Farwell		93,045	69,500	162,545
21	Downtown Mgmt District	35,000	2,477,626		2,477,626
25	Riverworks		131,286	44,894	176,180
26	The Valley (Menomonee)		32,949		32,949
27	Burleigh/ Sherman		37,616		37,616
28	North Avenue Gateway District		24,788		24,788
29	(ACT) Atkinson/ Capital/ Teutonia		59,517		59,517
30	Northern Junction*				-0-
31	Havenswood - National Avenue*		141,871		141,871
32	5 th Ward - Amani*		110,000		110,000
32	North Avenue Market Place		40,000		40,000
34	Howell Avenue		55,000		55,000
35	Becher/KK		150,000		150,000
36	Fond du Lac Market Place		40,000		40,000
* Totals Proposed (subject to change by amendment)		<u>\$ 187,000</u>	<u>\$ 4,623,620</u>	<u>\$ 765,198</u>	<u>\$ 5,388,818</u>

City Contributions - The **\$187,000** city contributions funding is budgeted in the Business Improvement District Special Purpose Account.

Self-Supporting Funds - Self Supporting Funds are funded through the Economic Development Fund special revenue fund, created in the 2003 adopted budget.

Loan Repayments - Loan Repayments are funded through the special Economic Development Fund special revenue fund, created in the 2003 adopted budget.

**2005 SPECIAL PURPOSE ACCOUNT:
ECONOMIC DEVELOPMENT FUND (EDF)**

PURPOSE

Beginning in 2003, BID self-supporting activity and loan repayment funds have been moved from the BID Special Purpose Account to the new Economic Development Fund Special Purpose Account.

Cities are authorized under state statute (s.66.1109) to establish BIDs consisting of contiguous parcels for promoting business development. Public improvements or operating activities within the district are financed through property tax levies on non-residential property. Because BIDs do not have taxing authority, the city collects the assessment on their behalf. Through an appropriation in the city budget, the dollars collected by the city on behalf of the BIDs is given to the BIDs from the Economic Development Fund Special Purpose Account appropriations.

This account has no tax levy impact.

FACTORS AFFECTING FUND LEVEL

As conditions within the Business Improvement Districts improve, property values should increase providing increased tax revenues. Exempt properties are not on the tax roll, imposing an adverse effect on the BID property tax base.

DEPARTMENT MANAGING ACCOUNT

The Department of City Development assists in BID planning, and provides technical assistance.

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budgeted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$4,228,673	\$4,751,827	+12.38%	\$5,388,818	+13.41%%

Prepared By: Emma J. Stamps (286-8666)
LRB - Fiscal Review Section
October 17, 2004

2005 PROPOSED BUDGET BID FUNDING

The 2005 Proposed budget separates total Business Improvement District funding amongst the Business Improvement District Special Purpose Account and an Economic Development Fund special revenue fund, capital funding excluded.

<u>BID 3</u>	<u>BID NAME</u>	<u>CITY GRANT</u>	<u>SELF SUPPORTING</u>	<u>LOAN REPAYMENT</u>	<u>TOTAL</u>
2	Historic 3rd Ward	\$ 36,000	\$ 435,183	\$ 47,209	\$ 482,392
3	Riverwalk		2,207	31,551	33,738
4	Greater Mitchell St.	25,000	104,790		104,790
5	Westown	18,000	94,257		94,257
8	Historic King Dr.	21,000	159,496		159,496
9	735 W Water - Riverwalk			28,444	28,444
10	Avenues West	12,000	127,772	0	127,772
11	Brady St. Business Area		79,000	58,698	137,698
13	Oakland Ave.		29,145	24,355	53,500
15	Riverwalks	40,000	56,703	376,736	433,439
16	Uptown Triangle		39,231	43,194	82,425
17	Northwest Area Business / 76th & Brown Deer		31,613	16,537	48,150
19	Villard		70,525	24,100	94,625
20	North Ave./ Prospect/ Farwell		93,045	69,500	162,545
21	Downtown Mgmt District	35,000	2,477,626		2,477,626
25	Riverworks		131,286	44,894	176,180
26	The Valley (Menomonee)		32,949		32,949
27	Burleigh/ Sherman		37,616		37,616
28	North Avenue Gateway District		24,788		24,788
29	(ACT) Atkinson/ Capital/ Teutonia		59,517		59,517
30	Northern Junction*				-0-
31	Havenswood - National Avenue*		141,871		141,871
32	5 th Ward - Amani*		110,000		110,000
32	North Avenue Market Place		40,000		40,000
34	Howell Avenue		55,000		55,000
35	Becher/KK		150,000		150,000
36	Fond du Lac Market Place		40,000		40,000
* Totals Proposed (subject to change by amendment)		\$ 187,000	\$ 4,623,620	\$ 765,198	\$ 5,388,818

City Contributions - The \$187,000 city contributions are funded through the Business Improvement District Special Purpose Account.

Self-Supporting Funds - Self Supporting Funds are funded through the Economic Development Fund special revenue fund, created in the 2003 adopted budget.

Loan Repayments - Loan Repayments are funded through the special Economic Development Fund special revenue fund, created in the 2003 adopted budget.

**2005 SPECIAL PURPOSE ACCOUNT:
CABLE TV FRANCHISE REGULATION AND NEGOTIATION**

PURPOSE:

This account provides funding for a consultant to provide technical assistance associated with the City's cable television franchise.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Level of funding and associated expenditures is dependent upon the City's need for consultant services, new federal regulations and court decisions.

DEPARTMENT MANAGING ACCOUNT:

The City Clerk's Office is responsible for administering this account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% CHANGE</u>	<u>2005 PROPOSED</u>	<u>% CHANGE</u>
\$6,930	\$20,000	188.6%	\$20,000	0.0%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

2005 SPECIAL PUROSE ACCOUNT: CARE OF PRISONERS FUND

PURPOSE: Sections 303.18 and 800.095, Wisconsin State Statutes, require the City to reimburse the County for certain costs related to transporting and housing persons convicted of city ordinance violations at the House of Corrections.

This program has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

The number and length of convictions for municipal violations significantly affect the fund level. However, the County charges the City based on a per-diem, per capita fee and it is the County's full cost of providing House of Corrections services that ultimately determines funding requirements. The County historically does not set this rate until almost mid-year, after which it retroactively charges the City to the first of the year. The City Comptroller periodically audits the County's per diem calculation and has previously found ineligible charges included.

The 2005 Proposed Budget includes an \$30,000 increase from \$200,000 provided for this account in 2004 Budget. The increase is based on projections that are based on the most recent activity.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$224,514	\$200,000	-12%	\$230,000	15%

Prepared by: James Carroll
LRB - Fiscal Review Section
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT: CITY ATTORNEY COLLECTION CONTRACT

PURPOSE: This account funds private collection agencies' contracts with the city for the collection of outstanding personal property taxes and other city receivables. The Collection Contract generates over \$4 million in net revenue for the city.

Collection fees vary significantly, depending on the type, size and legal status of each account. The various rates are set forth in their contract with the City. The average or "blended" fee for all collections to date in 2004 calculates out to 14.4%.

There is no net tax levy impact because the amount expended is offset by collection revenue.

FACTORS AFFECTING FUND LEVEL: The 2005 proposed budget includes \$1,250,000 for this account, a similar amount to the 2004 budget. This funding includes the Tax Intercept Program and funds Professional Placement Services (PPS), L.L.C., the agency that collects overdue Municipal Court judgments.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$1,416,365	\$1,250,000	-11%	\$1,250,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: CLERK OF COURT WITNESS FEES

PURPOSE

This account reimburses witnesses subpoenaed by the City to appear before the Municipal Court, excluding police officers. Even though subpoenas require witnesses to appear, fees are believed to encourage court attendance.

The Clerk of Court Witness Fees has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

The number of municipal cases and witnesses necessary for their prosecution affect fund levels. As witnesses are not called to appear in pre-trial proceedings, the use of mandatory pre-trials has reduced the demand for account reimbursement.

DEPARTMENT MANAGING ACCOUNT

Municipal Court

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Adopted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>%Change</u>
\$15,000	\$17,000	13.34%	\$17,000	0.00%

Prepared by: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
October 17, 2004

2005 clerkwitness_spa

2005 SPECIAL PURPOSE ACCOUNT: CONTRIBUTION FUND - GENERAL

PURPOSE: This account, which was first added in the 1991 budget, provides expenditure authority to the City, City departments, or City employees for contributions received by the City. Actual contributions are received as revenues by the City; contributions must be expended under the guidelines set forth in Section 304-24 of the Milwaukee Code of Ordinances. There is no tax levy impact as the amount in the account is offset by contribution revenues.

The 2005 proposed funding of \$1,500,000 is a \$550,000 increase in funding from 2004. The increase reflects the increase in contributions that City departments, particularly the Library and Police Department, are expected to receive in 2005. This account provides expenditure authority for any contribution received during the year. This account has a revenue offset, and therefore, does not have a tax levy impact.

FACTORS AFFECTING FUND LEVEL

The account level is established to ensure that sufficient expenditure authority exists to expend contributions.

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$0	\$950,000	-	\$1,500,000	58%

Prepared by: Jim Carroll
LRB - Fiscal Review Section
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT: DAMAGES AND CLAIMS

PURPOSE: The Damages and Claims Fund Account is used to cover the cost of judgments against the city for the following:

- Liability and claims incurred in the provision of general services.
- Miscellaneous damages and claims.
- Vehicular-related claims.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The amount needed to meet claims against the city is difficult to predict. The number of claims against the city settled in a year, as well as the size of the judgment awards, affect the fund level.

The 2005 Proposed Budget provides \$1.8 million for the Damages and Claims Account, \$600,000 less than the 2004 budget. The proposed funding for 2005 is based on the average of previous years and looks at current legal trends. The payment of a multi-year (\$600,000 per year proposed relief over 3 years beginning in 2002) was completed in 2004. This settlement with the U.S. Department of Justice was relative to the firefighters' discrimination lawsuit. The 2005 proposed budget for this SPA is adjusted to reflect the conclusion of these payments.

Approximately \$35,000 to \$55,000 is paid out monthly for routine claim and lawsuit payments. Another \$75,000 is paid annually for uninsured motorist claims.

In 2003, the Damages and Claims SPA was supplemented with \$600,000 from the Common Council Contingent Fund.

No additional appropriation has been required, to date, in 2004.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$2,978,309	\$2,400,000	-19%	\$1,800,000	-25%

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT E-Government Payment Systems

Purpose

This account, which was created in the 2003 Adopted Budget, provides funds to purchase hardware and software required to improve the City's information technology capabilities. In particular, these funds are used to make enhancements to the City's web site to make it easier for City residents and businesses to conduct business with the City via the internet. Examples of projects funded by this special purpose account are the development of a "Content Management System" for the City's web site and creation of a mechanism to allow online credit-card payments to certain City departments. The Information and Technology Management Division of DOA works with other City departments to acquire and implement the technologies needed to ensure that the City's E-government capabilities integrate smoothly with existing departmental processes.

The Information and Technology Management Division has no operating funds designated specifically for the purpose of improving the City's web site and E-government capabilities other than its current hardware and software support contracts, which are included in the "Information Technology Services" line item of ITMD's budget (proposed budget of \$391,300 for 2005). ITMD uses in-house programming staff and its E-government partners to build the actual web applications.

Factors Affecting Fund Level

The factors affecting the fund level for this special purpose account are the costs of the hardware and software needed to enhance the City's E-government capabilities, the needs of City departments and Milwaukee citizens and businesses for web-site improvements, and the ITMD staff time required to make these enhancements.

The 2005 Proposed Budget provides an allocation of \$50,000 for this fund, the same amount budgeted for 2004. In 2005, this special purpose account will be used to support the following E-government projects:

1. Creating a mechanism for payment by electronic checks ("E-payments").
2. Creating more interactive forms, so that users will be able to submit applications online.
3. Further enhancement of the "Content Management System."
4. Adding some Americans With Disabilities Act-related enhancements to the web site (e.g, improving legibility, offering some information in languages other than English).

Department Managing the Account: Department of Administration – Information and Technology Management Division

Expenditure Trends

2003 Actual	2004 Budget	Change, 03-04	2005 Proposed	Change, 04-05
\$28,928	\$50,000	73%	\$50,000	0

Prepared by: **Jeff Osterman**
Legislative Fiscal Analyst
LRB
286-2262

**2005 SPECIAL PURPOSE ACCOUNT:
ECONOMIC DEVELOPMENT COMMITTEE FUND**

PURPOSE:

This fund supports costs related to advertising and marketing the City for industrial and commercial development, business attraction and retention, and tourism.

The fund has a tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Funding level is discretionary. Actual costs include items such as mailings, publications, travel and displays. In recent years, more emphasis has been placed on neighborhood events and marketing, tourism promotion, and special event production, industrial retention efforts, and studies of economic development opportunities.

In 2004 after the spring general election, the Economic Development Committee merged with the Community Development Committee to become the Community and Economic Development Committee to oversee Community Development Block Grant funding and administer the Economic Development Committee Fund.

DEPARTMENT MANAGING ACCOUNT:

After the Community and Economic Development Committee and the Common Council approve a budget, the City Clerk manages the account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$15,240	\$20,000	31.2%	\$20,000	0.0%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: EMPLOYEE TRAINING FUND

PURPOSE: Funds in this account are used to provide technical training and policy training to city employees. Training includes, for example, computer technology, management principles, ethics and leadership principles. Other subjects for training are provided as requested or as needed by individual departments.

In conjunction with DER's planning process, a recommendation will be made to develop mandatory training for new managers and supervisors in employment-related topics including basic supervisory skills, working in a unionized environment and employment law. DER anticipates using this account to partially fund this initiative.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The fund level is affected by the city's need for training programs that are eligible to be supported by this account and the requests for training that are received.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$32,437	\$50,000	54%	\$50,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
FIRE AND POLICE DISCIPLINE AND CITIZEN COMPLAINT ACCOUNT**

PURPOSE: This Special Purpose Account was initiated in 2002. This fund pays for the legal defense expenses for exonerated police and fire personnel. This fund allows the city to more clearly track police officer and fire fighter investigations and the subsequent legal fees paid for sworn personnel cleared of wrongdoing.

This fund has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: Expenses from this fund are directly linked to the number of sworn personnel who need legal assistance due to charges of wrongdoing by the citizenry. Legal expense are only paid in the event that the officer or firefighter is cleared of wrongdoing.

The 2005 proposed budget provides for \$75,000, a similar amount to 2004. This amount reflects trends in current expenditures from this account and expected needs for 2005.

On average, each case expenditure is approximately \$1,000.00.

The City Attorney has requested that the Common Council abolish this SPA and return the \$75,000 allocation to the Damages and Claims SPA for 2005.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$29,891	\$75,000	150%	\$75,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: FIREMEN'S RELIEF FUND

PURPOSE: 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").

The City Fire Department Relief Association provides death benefits to active and retired Fire Department employees. The funds received by the organization through the Firemen's Relief Fund Special Purpose Account are invested in equities and fixed-income securities until distributed to beneficiaries.

FACTORS AFFECTING FUND LEVEL

The funding level for the Firemen's Relief Fund reflects estimated changes in the State Fire Dues appropriation. The 2005 proposed funding of \$115,000 is a \$25,000 increase from the funding for 2004. The increase reflects historical expenditures. On July 27, 2004 the Common Council approved a transfer (File #040350) from the Contingent Fund of \$21,919.26 to cover a shortfall in the 2004 Budget.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$102,138	\$90,000	-12%	\$115,000	28%

Prepared by: James Carroll (286-8679)
Fiscal Review Section-LRB
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT: FLEXIBLE SPENDING ACCOUNT

PURPOSE: The Flexible Spending Account was initiated in 1992.

The Flexible Spending Account (FSA) program allows employees to set aside pre-tax dollars for certain medical care and dependent care expenses. The city cost for this program is \$3.50 per month per participant. This ongoing account provides funding to contract with a third party administrator to coordinate and manage the program.

There are currently 581 employees enrolled in this program representing 642 total accounts, 546 in the Medical Savings Account and 96 enrollments in the Dependent Care Account.

A similar number is projected for 2005. The current number of participants represents approximately 7.6% of the total number of employees eligible for this program.

Employees are either enrolled in a FSA Medical or FSA Dependent Account and/or both.

In 2004, the maximum contribution for medical expenses increased from \$2000 to \$3000 per participant.

FACTORS AFFECTING FUND LEVEL: The fund level is affected by the number of employees that enroll in the Flexible Spending Account and the monthly fee per plan that is charged to the city by the third party administrator.

Since the city is not required to make Social Security contributions for wages deposited in this account, it is anticipated that the cost of program is offset by a decrease in Social Security contributions.

In 2005, a possibility exists for increased participation in the Medical Savings Account due to the new health care options available to management employees as well as the 20% co-insurance for prescription medications.

This SPA for 2005 is budgeted according to estimated participants for the year.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$26,656	\$35,000	31%	\$30,000	-14%

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: GRAFFITI ABATEMENT FUND

PURPOSE:

This account was established by amendment to the 1996 Budget. It provides funding for residential and commercial graffiti abatement throughout Milwaukee. The Anti-Graffiti Policy Committee is responsible for developing and implementing graffiti abatement strategies.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Costs will depend on the frequency and volume of graffiti which "taggers" leave on city and private property.

DEPARTMENT MANAGING ACCOUNT: Department of Neighborhood Services

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$146,636	\$145,000	-1.1%	\$145,000	0.0%

Prepared by: Angelyn Ward, (286-8661)
Fiscal Review Section-LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: GROUP LIFE INSURANCE PREMIUM

PURPOSE

This account covers the City's share of the premium for the Group Life Insurance benefit for all eligible City employees.

FACTORS EFFECTING FUND LEVEL

For the 2005, ERS had requested \$2,740,000 for this SPA. The 2005 Proposed Budget provides \$100,000 less than the ERS requested amount. The ERS request had included funding for wage settlements. This funding will be provided from the Wages Supplement Fund.

This account has a tax levy impact.

DEPARTMENT MANAGING ACCOUNT:

Employees' Retirement System (ERS)

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$2,607,208	\$2,683,200	3%	\$2,640,000	-2%

Prepared by: Jim Carroll (286-8679)
Fiscal Review Section – LRB
October 14, 2004

2005 SPECIAL PURPOSE ACCOUNT: INSURANCE FUND

PURPOSE: Funds are provided in this account to pay the insurance premiums on various policies carried by the city, and to pay the fee of the city's risk management consultant, who advises the office on an as-needed basis (approximately \$10,000 per year).

The 2005 proposed budget designates \$700,000 for this account, a similar amount as in 2004.

Premium increases in 2004 accounted for a \$100,000 increase in the 2004 budget from 2003.

This fund has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: Policy costs, the number of policies and private insurance consultant expenses are factors that affect the funding level of this account.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$625,294	\$700,000	11%	\$700,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: LONG-TERM DISABILITY INSURANCE

PURPOSE: This account funds an income replacement program for employees who cannot work due to injury or illness. Currently, about 3,400 employees are eligible as a result of collective bargaining and extension to non-represented and management employees. Insured benefits begin 180 days from the date an employee can no longer work because of illness or injury.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The program covers all DC 48, Local 75 Plumbers Union, Staff Nurses Council, TEAM, Scientific Personnel, Association of Municipal Employees, management and non-management/non-represented employees who have been on the payroll for at least six months. The expenditure level is determined, primarily, by the amount of eligible employee-covered wages.

The Long-Term Disability Insurance program is an insured product and program variability is, for the most part, shifted to the vendor.

The 2005 proposed budget represents a \$10,000 increase from the 2004 budget.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$552,000	\$552,000	0	\$562,000	2%

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

**2005 SPECIAL PURPOSE ACCOUNT: LOW INTEREST MORTGAGE PROGRAM
(LIMP)**

PURPOSE:

The Low Interest Mortgage Program, which had been accounted for as an Enterprise Fund, was closed out at the end of 1996. The debt utilized to finance mortgages under the program has been retired. No new loans have been made since 1985 and all remaining outstanding mortgages will be transferred to the General Fund. This account provides the necessary expenditure authority for mortgage servicing fees, mortgage guarantee insurance and foreclosure expenditures. There are approximately 23 mortgages with a total value of approximately \$306,000. The Department estimates 2005 revenue of \$30,000 from mortgage interest, which should decline as mortgages are repaid.

The 2005 proposed funding for this SPA is a \$10,000 decrease from the \$20,000 provided for this account in the 2004 Budget. This special purpose account will require annual appropriations until the remaining mortgages are paid.

FACTORS AFFECTING FUND LEVEL

This account provides expenditure authority for servicing fees and foreclosure costs. Factors affecting the fund level include the value of outstanding mortgages, pool mortgage insurance costs and the number of foreclosures.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$14,680	\$20,000	36%	\$10,000	-50%

Prepared by : Jim Carroll (286-8679)
 Fiscal Review Section-LRB
 October 14, 2004

2005 SPECIAL PURPOSE ACCOUNT: MAINTENANCE OF ESSENTIAL SERVICES

PURPOSE:

This account was established in 1995 to provide Department of Neighborhood Services (DNS) (Building Inspection in 1995) with the funding needed to make repairs or provide needed maintenance of essential equipment (such as heating, electrical or sanitary facilities) whose failure would constitute a substantial threat to the health and safety citizens per Section 200-21 of the Milwaukee Code. DNS can make those repairs only after the landlords have been informed of the conditions and do not correct them. The cost of the repairs is charged to owners and put on owners' tax bills. A revenue estimate offsets the appropriation.

FACTORS AFFECTING FUND LEVEL:

Increased activities necessitated by lack of attention by property owners, any increased cost of materials or utilities used to improve the housing, and/or cold weather conditions can affect the funding level of this account.

In June, 2001, through resolution #010239, the account received an appropriation of \$50,000 from the 2001 Contingent Fund to cover unanticipated costs related to the correction of emergency situations in residential units. Most of the repairs were due to the age of the infrastructure components and the seasonal cold weather.

DEPARTMENT MANAGING ACCOUNT:

Department of Neighborhood Services is responsible for administering this account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$60,168	\$75,000	24.7%	\$75,000	0.0%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section-LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: CITY MEMBERSHIPS

PURPOSE:

This account provides funds to cover the City's membership in various organizations.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Fund level is discretionary. Any increase or decrease in the cost of memberships could affect the funding level. Increasing or decreasing the number of organizations that the City joins affects the funding level. In recent years, the Wisconsin Alliance of Cities membership has experienced the most significant cost increase.

DEPARTMENT MANAGING ACCOUNT:

The City Clerk's Office is responsible for administering this account.

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$138,267	\$143,370	3.7%	\$146,720	2.3%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: MENTORING PROGRAM

PURPOSE: This account is created in 2005 in order to provide a property tax credit incentive for city of Milwaukee residents who mentor high-risk high school students in Milwaukee. This program will screen, train and match Milwaukee residents with students in order to provide students with resources and guidance to keep them in school and on course for graduation.

This fund has a tax levy impact, however, funds issued will be returned to the city in the form of a property tax credit for the mentor as explained below.

FACTORS AFFECTING FUND LEVEL: The 2005 proposed budget provides funding for approximately 200 mentors. Mentors will be issued a check from the City of Milwaukee Treasurer in the amount of \$360 with the City of Milwaukee as a co-payee. This check will be for the express purpose of crediting the mentor's property tax bill.

There are no federal or state tax implications for the mentor.

DEPARTMENT MANAGING ACCOUNT: DER

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
NA	NA	NA	\$72,000	NA

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
MILWAUKEE ARTS BOARD PROJECTS**

PURPOSE

Funding is included to promote and support cultural diversity in the artistic life of the City, the formation and growth of programs, and the development and enjoyment of the arts. The 2005 Proposed Budget provides \$172,800 for this SPA.

FACTORS AFFECTING FUND LEVEL

This fund provides a discretionary level of services. A variety of factors drive funding requests, including arts support available from other sources. In 1994, \$20,000 began the fund as match for a National Endowment for the Arts grants. The matching program continued in recent years.

This account has a tax levy impact.

DEPARTMENT MANAGING ACCOUNT

Department of City Development

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budgeted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$209,004	\$192,000	-8.14%	\$172,800	-10.00%

Prepared By: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
October 17, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
MILWAUKEE FOURTH OF JULY COMMISSION**

PURPOSE

The Fourth of July Commission was created under section 320-25 of the City Code and is responsible for providing suitable activities for Fourth of July celebrations in 16 Milwaukee County parks.

Historically, the County provided in-kind services to the City by waiving customary fees related to site preparation and clean up. Recent cuts at the County level may result in donors or the City contributing toward clean up efforts. Also, the County has not announced whether it will continue providing for electricity.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

Each individual park is responsible for raising money through sponsorships and/or in-kind donations from private sector corporations to cover the activities that happen throughout the city.

The Commission has no staff budget; volunteers provide staff support. The eleven members receive \$20 in salary reimbursements per meeting, up to \$400 per year.

DEPARTMENT MANAGING ACCOUNT

Department of City Development, Marketing, Development Services Division

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$119,743	\$ 130,000	+8.57%	\$130,000	0.00%

Prepared by: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
October 17, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
MUNICIPAL COURT INTERVENTION PROGRAM**

PURPOSE

This fund supports the Court Alternative Services contract, the current contract was awarded to Justice 2000 on July 1, 2003.

Justice 2000 is a community based not-for-profit organization located in Milwaukee. The contractor provides a service for indigent screening and social service referral for offenders at risk of incarceration for nonpayment of fines.

The purpose of this program is to ensure that indigent offenders are not incarcerated solely because of their inability to pay their forfeiture, giving offenders alternative ways to fulfill the judgment. The need for incarceration alternatives for indigents is a constitutional requirement.

Based on interviews with offenders, Justice 2000 may recommend to judges alternative sentences such as participation in educational programs, working in nonprofit community agencies, or participation in treatment programs. Other offenders are placed on payment plans.

To the extent that intervention services cause people to be diverted from the House of Corrections, there is a net savings per defendant screened by the contractor.

The account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

In the past, fund variations and increases were more related to increasing in the contractors' salary and fringe benefit costs, rather than to changes in Municipal Court workload.

DEPARTMENT MANAGING ACCOUNT

Municipal Court

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Adopted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$393,652	\$415,000	5.43%	\$415,000	0.00%

Prepared by: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
September 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: NEIGHBORHOOD CLEAN AND GREEN INITIATIVE

PURPOSE:

For 2005, the Neighborhood Cleanup Initiative SPA title will change to the Neighborhood Clean Green Initiative and be included as part of Project Clean and Green. This account is jointly administered by the Department of Neighborhood Services (DNS) and DPW –Operations Division to clean up neighborhoods throughout the City.

In 2005, the DPW-Operations Division will implement Project Clean and Green. For this project, DPW will divide the City into six parts. DPW will concentrate its cleanup and greening efforts in one part of the City, each week, for six weeks (April 18th through May 27th). The cleanup efforts will include asking citizens to make a concentrated effort to set out bulky items on collection day, targeted collection of bulky items from landlords. Sanitation will remove the bulky items and debris. After the removal, DNS will issue orders to residents within the targeted area to remove nuisance vehicles and clean-up properties. The purpose is to reduce the number of calls for inspections and individual pick-ups. DPW anticipates the initiative will result in a cleaner city, reduced program costs and increased revenue. The project will also include partnering with neighborhood groups to promote greening efforts.

FACTORS AFFECTING FUND LEVEL:

The 2005 Proposed Budget includes \$70,000 for Neighborhood Clean and Green Initiative SPA. This is a \$1,000 increase from the \$69,000 that was included in the 2004 Budget for the Neighborhood Cleanup Initiative SPA.

The account has a tax levy impact.

DEPARTMENT MANAGING ACCOUNT: Department of Neighborhood Services

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$69,972	\$69,000	1.4%	\$70,000	1.4%

2005 SPECIAL PURPOSE ACCOUNT: OUTSIDE COUNSEL/EXPERT WITNESS FUND

PURPOSE: This account supports outside legal services in specific major court cases. Funds are approved case-by-case and appropriated to a sub-account under City Attorney expenditure authority; the City Attorney's Office tracks costs for each case and can transfer unspent funds among cases with Common Council approval. The purpose of the fund is to minimize Contingent Fund exposure and large unspent balances in closed cases.

This account has a tax levy impact.

Common Council File 030183 placed the expenditure authority for the Outside Counsel/Expert Witness Fund under the City Attorney's Office so that all expenditures for outside counsel and experts are now paid through this fund subject to certain reporting requirements imposed by the Judiciary and Legislation Committee.

The 2005 Proposed Budget provides \$225,000 for this purpose, a similar amount as budgeted in 2004.

FACTORS AFFECTING FUND LEVEL: The amount needed to fund cases is difficult to predict. Historical data is used to identify trends and, along with knowledge of existing and upcoming cases, the account may be budgeted accordingly.

This account had formerly required large supplements from the Contingent Fund (\$575,000 in 1998, \$329,000 in 1999, and \$610,000 approved by the Council for 2000) related to legal costs associated with the Global Pension Settlement. No similar supplements have since been required.

As of September 13, 2004, approximately \$3,857 remains available for expenditures related to the purposes of this SPA.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$256,314	\$225,000	-12%	\$225,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: PABST THEATER DEBT SERVICE

PURPOSE:

This is a new SPA for 2005. Under the Captain Frederick Pabst Theater Renovation Lease and Cooperation Agreement with RACM, the City is obligated to provide a budget appropriation for debt service and debt administration costs on RACM revenue bonds issued for the renovation of the Pabst Theater. The City's Pabst Theater Board completed \$9 million in renovations in 2002. A fundraising campaign raised \$9 million, with \$233,683 in pledges still outstanding. RACM provided \$2.2 million of working capital with revenue bonds that mature in 2007. The City is obligated to fund debt service and debt administration costs under the cooperation agreement with RACM, which mandates a City budget appropriation. All of the required debt service, except for \$213,000 due in 2005 has been defeased in a bond redemption fund at U.S. Bank.

FACTORS AFFECTING FUND LEVEL

The outstanding fundraising pledges will be used before City appropriations for debt service and debt administration costs, to the extent collected. The project's fundraiser anticipates at least \$213,000 will be collected from the remaining \$233,683 in outstanding pledges. Therefore, estimated revenue of \$213,000 is budgeted to offset this appropriation.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$0	\$0	0%	\$213,000	-

Prepared by : Jim Carroll (286-8679)
Fiscal Review Section-LRB
October 14, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
RAZING AND VACANT BUILDING PROTECTION FUND**

PURPOSE:

This account provides the Department of Neighborhood Services (DNS) funds for the cost of removing hazardous and deteriorated structures. The 1999 Budget combined this account with the Public Nuisance and Human Hazard Abatement Special Purpose Account. This Public Nuisance and Human Hazard Abatement SPA provided funding for necessary actions to fix violations and to abate nuisances or hazards pertaining to private property.

The Comptroller's Office has changed the method of calculating revenue estimates to reflect the way in which revenues are collected. The expenditures related to razing are 87.5% offset by revenues. Therefore, there is a partial tax levy impact.

FACTORS AFFECTING FUND LEVEL:

Several factors could affect the funding level of this account, including:

- ◆ any increase or decrease in the number of structures needed to be razed,
- ◆ any ordinance change or state mandate that alters conditions under which properties must be razed,
- ◆ the costs of removing asbestos could affect the cost of demolitions,
- ◆ an increase or decrease in fires has a direct impact on the number of fire-damaged buildings that have to be demolished,
- ◆ an unusually large commercial or industrial structure that needs to be razed, and/or
- ◆ the unit cost associated with razing structures.

Ultimately, neighborhood conditions and the condition of the housing stock drive demand for program funds.

DEPARTMENT MANAGING ACCOUNT: Department of Neighborhood Services

EXPENDITURE TRENDS:

<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$1,431,055	\$1,450,000	1.3%	\$1,450,000	0.0%

Prepared by: Angelyn Ward, (286-8661)
Fiscal Review Section - LRB
October 16, 2004

2005 SPECIAL PURPOSE ACCOUNT: RECEIVERSHIP FUND

PURPOSE: This SPA was created in 2003. The Receivership Fund expends funds related to legal expenses for nuisance properties and receivership lawsuits. Funding for this SPA in 2003 was a result of the division of the Department of Neighborhood Services Razing Fund.

Funds from the SPA are allocated to Neighborhood Incorporated Development Corporation (NIDC) to eliminate the City's debt to NIDC for NIDC's prior receivership related costs.

The Receivership SPA funds are used for recurring expenses from year to year and for new projects and program-related expenses.

Recurring expenses include the indebtedness to NIDC for the Woodlands project. These expenditures will continue until the units are sold and/or line-of-credit is paid in full. The receivership expenditures will continue to fund court-appointed receivers to manage, secure, and abate nuisance properties. The program will continue to provide emergency services, such as hiring a security company to guard a building or conduct an immediate human health hazard clean up. The program anticipates utilizing SPA funds for new projects, such as lead-abatement and demolition cases as well as filing several nuisance abatement cases.

FACTORS AFFECTING FUND LEVEL: As 2003 was the first year for this SPA, there is limited historical information to base projected expenditures and trends. Primary factors affecting funding are based upon the number of nuisance properties requiring the legal intervention of the City Attorney's Office.

The Receivership Fund is budgeted for \$300,000 for 2005, a similar amount as in 2004.

DEPARTMENT MANAGING ACCOUNT: City Attorney

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$375,840	\$300,000	-20%	\$300,000	0

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT Reimbursable Services Advance Fund

Purpose

This account enables City departments to receive advance funding for services and materials which they purchase and for which they are ultimately reimbursed from other sources, namely other City departments. Expenditures from this account (which are funded by a temporary transfer from the General Fund) are completely offset by revenues received from billings; therefore, there is no tax levy impact.

Factors Affecting Fund Level

The funding level for this account is established to make certain that adequate funds are available for departments performing reimbursable activities.

The 2005 Proposed Budget provides \$50,000,001 for this account, the same amount allocated in the 2004 Budget.

Department Managing the Account: Department of Administration –
Budget and Management Analysis Division

Expenditure Trends

	2003 Actual	2004 Budget	Change, 03-04	2005 Proposed	Change, 04-05
Advance Fund	\$0	\$50,000,001	N.A.	\$50,000,001	0
Advance Fund - Operations	\$0	-50,000,000	N.A.	-\$50,000,000	0

NOTE: The net of \$1 represents an accounting mechanism needed for the establishment of accounts.

Prepared by: **Jeff Osterman**
Legislative Fiscal Analyst
LRB
286-2262

2005 SPECIAL PURPOSE ACCOUNT Remission of Taxes Fund

Purpose

The Remission of Taxes Fund special purpose account provides the money needed to refund property taxes and applicable interest to property owners who have had their tax liability cancelled or reduced as a result of Board of Review or State Tax Appeals Commission actions. Actual disbursements from the Fund are made pursuant to Common Council resolutions.

Factors Affecting Fund Level

Expenditures from the Remission of Taxes Fund may vary considerably from year to year as a result of successful appeals for large assessment reductions, typically for commercial properties. Refunds for successful appeals of residential assessments tend to be quite small and have little impact on the balance of the Fund. Appropriations from the Common Council Contingent Fund have been used to make up shortfalls in this Fund in the past. In 2003, expenditures from the Remission of Taxes Fund totaled \$2,979,356, far in excess of the \$500,000 budget. Also, large refunds necessitated the appropriation of \$475,682 to the Fund from the Common County Contingent Fund in May, 2004, and the balance in the Fund dropped to \$0 in early October, 2004.

However, the Assessor's Office has indicated that these "overdrafts" from the Remission of Taxes Fund may become less common as the department continues to make progress in reducing the backlog of assessment appeals. The 2004 revaluation process generated only 2,344 appeals, a 5.7% reduction from 2003 and the lowest number in over 20 years. Also, the department now has fewer than 30 pre-2004 appeals outstanding, indicating that it has almost completely eliminated its once-substantial backlog of appeals cases.

The 2005 Proposed Budget provides \$500,000 in funding for the Remission of Taxes Fund, the same amount allocated in the 2004 Budget.

Department Managing the Account: Assessor's Office, pursuant to Common Council resolution

Expenditure Trends

2003 Actual	2004 Budget	Change, 03-04	2005 Proposed	Change, 04-05
\$2,979,356	\$500,000	-83%	\$500,000	0

Prepared by: **Jeff Osterman**
Legislative Fiscal Analyst
LRB
286-2262

2005 SPECIAL PURPOSE ACCOUNT: RESERVE FOR 27TH PAYROLL

PURPOSE: Funds in this account are used for the accrual of extra days' salary costs beyond the annual standard of 26 pay periods. City of Milwaukee employees are paid bi-weekly with the salaries and wages recorded for full pay periods only. A 27th pay period occurs every 11 years (the next 27th payroll will occur in 2005). This reserve supports the use of Generally Accepted Accounting Principles; promotes the principle of paying for current services with current funds; and avoids a huge tax levy impact every eleven years, when funding for a 27th payroll is required.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

Adjustments to the annual fund level are based on negotiated wage settlements and management pay plan increases. The costs for the 2000 and 2004 leap years were amortized over a six-year period.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

Expenditure Trends

2003 Budget	2004 Budget	% Change	2005 Proposed	% Change
\$1,980,000	\$1,900,000	-4%	\$1,800,000	-5%

Prepared by: James Carroll (286-8679)
Fiscal Review Section-LRB
October 18, 2004

**2005 SPECIAL PURPOSE ACCOUNT
RETIREES BENEFIT ADJUSTMENT FUND**

PURPOSE: This account funds the cost of supplemental pension benefits to certain former City employees, who retired prior to 1984. Supplemental benefits are intended to offset some of the impact of inflation and compensate those individuals who retired prior to 1984. Recipients may include members and surviving spouses of the Employees' Retirement System and the Firemen's Annuity & Benefit Fund, the Policemen's Annuity and Benefit Fund and the Former Town of Lake Pension Fund. These supplements are non-contractual, and are subject to continuation or termination by Council action.

The City's legislation restricts the combination of pension plus City supplements to no more than \$1,180 a month. Supplements are structured to provide the greatest amount of benefits to those individuals retired for the longest period of time, and who have experienced the most exposure to inflation.

This account has a tax levy impact.

FACTORS EFFECTING FUND LEVEL:

The proposed budget is based on the 2003 actual expenditures.

Expenditure Trends

2003 Actual	2004 Adopted	% Change	2005 Proposed	% Change
\$362,540	\$415,200	15%	\$335,000	-19%

Prepared by: Jim Carroll (286-8679)
Fiscal Review Section – LRB
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT SEWER MAINTENANCE FEE

PURPOSE:

This account provides funds to cover the cost to City departments for their sewer maintenance expenses from the Department of Public Works – Water Works.

FACTORS AFFECTING FUND LEVEL:

Based on water usage trends.

DEPARTMENT MANAGING ACCOUNT:

Department of Public Works – Infrastructure Services Division

The 2005 Proposed Budget is \$120,000 for this account, an increase of \$4,500, 3.9%, compared to \$115,500 provided in 2004. In 2003, this account spent \$104,982.

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$104,982	\$115,500	10.0%	\$120,000	3.9%

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

**2005 SPECIAL PURPOSE ACCOUNT: MMSD - SEWER USER CHARGE -
PASS THROUGH LESS RECOVERY FROM SEWER USER CHARGE**

PURPOSE: This account provides authority for the records and administration of sewer user charge billing. The City collects sewer charges equal to the Milwaukee Metropolitan Sewer District's (MMSD) charges for sewer use plus the City's cost of administering the billing, minus \$1 dollar. The City then pays the MMSD an amount equal to the MMSD's wholesale charges.

There is no tax levy impact other than the \$1 net required to open an account.

FACTORS AFFECTING FUND LEVEL

The amount and cost of sewer service, administration costs (billing and collection, purchase of supplies and equipment), and depreciation.

DEPARTMENT MANAGING ACCOUNT

City Comptroller

EXPENDITURE TRENDS					
	<u>2003 Actual</u>	<u>2004 Adopted</u>	<u>%Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
Sewer-User Charge Pass Through	\$0	\$31,302,733	NA	\$33,425,636	6.7%
Less Cost Recovery From User Charge	\$0	(\$31,302,732)	NA	(\$33,425,635)	6.7%

Prepared by: Jim Carroll (286-8679)
Fiscal Review Section-LRB
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT: TUITION REIMBURSEMENT FUND

PURPOSE: This ongoing account is used to reimburse tuition costs for City employees. Specific maximum reimbursement levels are determined by collective bargaining. The annual maximum reimbursement depends upon the bargaining unit.

Benefits eligible for reimbursement include professional membership dues, eligible promotional and continuing education courses at approved centers/institutions of learning, conferences and conventions and DER-sponsored courses.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The fund level is affected by the number of employees who take advantage of this benefit and by the level of reimbursement provided. Increases and decreases in course fees also have an impact.

In 2003, 1,989 employees took advantage of the Tuition Benefit Reimbursement Program. Through August 18, 2004, there have been 1,248 applications submitted for Tuition Benefit Reimbursement.

Since 1997, employees, at the discretion of the department head, may attend training courses on city time using their tuition benefit.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$703,383	\$760,000	8%	\$720,000	-5%

Prepared by: Mark A. Ramion, 286-8680
Fiscal Review Analyst-Senior
Legislative Reference Bureau
October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: WAGES SUPPLEMENT FUND

PURPOSE:

This account funds anticipated wage and fringe benefit shortages resulting from negotiated collective bargaining agreements. In many circumstances, settlements are achieved after the budget has been prepared or adopted which results in shortages in departmental wage and salary accounts late in the year. The Wages Supplement Fund may be allocated to such accounts upon Council resolution. The fund is not intended to address either internal budget problems or new/expanded program initiatives.

Allocating resources for the funding of undetermined settlements to a central fund, as opposed to departmental accounts, preserves some management bargaining advantage since exact parameters become less easy to determine. A centralized approach allows allocation to departments as needed, and can enable budgeted levels to be somewhat lower than if wage supplements were allocated "up front" to departmental accounts.

FACTORS AFFECTING FUND LEVEL

The timing of collective bargaining agreements affects the fund level. To the extent bargaining agreements are in place for a budget year, wages and salaries can be budgeted in departmental accounts, thereby negating the need for supplemental funds.

In any given budget year, the amount of available carryover from prior year budgeted amounts in this special purpose account reduces current year funding requirements. The following table shows actual experience and total funding availability between 1992 and 2003.

<u>Year</u>	<u>Carryover</u>	<u>Budgeted Amount</u>	<u>Total Available</u>	<u>Transfers*</u>
1992	16,522,727	7,768,216	24,290,943	6,475,527
1993**	0	12,998,000	12,998,000	2,038,668
1994	9,600,000	15,000,000	24,600,000	11,646,830
1995	11,700,000	16,200,000	27,900,000	26,003,694
1996	1,896,306	15,977,368	17,873,674	22,379,985***
1997	0	3,400,000	3,400,000	2,763,717
1998	636,283	11,050,000	11,686,283	3,379,047
1999	8,307,236	9,000,000	17,307,236	11,381,916
2000	11,381,916	18,555,000	29,936,916	31,583,858****
2001	0	19,938,000	19,938,000	12,795,463
2002	12,795,463	14,419,500	27,214,963	3,950,137
2003	23,264,826	18,570,000	41,834,826	32,181,841

*Transfers represent allocations to specific departmental wage and salary accounts, and are a proxy for Budget consumption.

** 1993 transfers are relatively low because very few collective bargaining agreements had been settled.

***Large amounts were withdrawn for end of the year 1996 due to collective bargaining agreements. All 1997 accounts were budgeted at 1996 wage levels, except for Police and Fire, which were budgeted at 1997 wage levels. The WSF was supplemented with a \$4,537,882 Contingent Fund appropriation in 1996.

****The Contingent Funded supplemented the account with \$1,646,942 in 2001.

Source: Various Budget summaries, accounting system reports, and Comptroller's Office.

In addition, expectations regarding collective bargaining parameters for yet-to-be-determined contracts affect the fund level. Elements which have to be considered are the costs of across-the-board wage increases, classification progression ("step") increases, local issues, and new fringe benefits. The management pay plan can also be supplemented via the Wages Supplement Fund.

DEPARTMENT MANAGING ACCOUNT:

Funds may be released by Council resolution only.

2005 Proposed Budget Highlights

The 2005 Proposed Budget provides \$19,450,000 for the Wage Supplement SPA, an increase of \$120,772, 0.6%, from the \$19,329,228 provided in the 2004 Budget. The primary reason for the increase in funding is for the anticipated wage and fringe benefit increases resulting from collective bargaining agreements. The 2005 Proposed Budget is based on the 2002 wage agreement.

EXPENDITURE TRENDS:

<u>2003 Actual*</u>	<u>2004 Budget</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$	\$19,329,228	N/A	\$19,450,000	0.6%

*Represents transfers to department appropriations. Dollar amount for this year is not included.

Prepared by: Angelyn Ward (286-8661)
Fiscal Review Section - LRB
October 16, 2004

**2005 SPECIAL PURPOSE ACCOUNT:
BOARD OF ZONING APPEALS**

PURPOSE

The Board of Zoning Appeals (BOZA) is composed of five members appointed by the Mayor, subject to confirmation by the Common Council. The Board's duty is to approve or deny special uses and variances, and hear and decide appeals of rulings from city departments on city zoning ordinances.

For several years, funding for BOZA support staff was contained in the Department of City Development operating budget while salaries for BOZA board members were contained in a Special Purpose Account. BOZA became a separate budgetary entity through Council-initiated legislation in 1998. City Salary Ordinance controls commission members' salaries.

The account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL

The 2005 Proposed Operating budget provides \$281,817, an increase of \$5,296 or 1.92% compared to \$276,521 provided in 2004. The budget provides \$230,323 in salary and fringe benefits to support 3.0 FTE staff. Operating Expenditures funding remains constant at both 2003 and 2004 levels, \$51,494.

The 2005 Proposed Budget estimates BOZA will generate \$190,800 in revenue, an increase of \$21,200, or 12.50% compared to the \$169,600 projected for 2004.

OTHER INFORMATION

In 2002, it took 4 weeks on average to complete routine appeals and 19.7 weeks on average to complete complex appeals. In 2004 and 2005, those averages are estimated at 6 weeks and 14 weeks, respectively, by adding one additional hearing for appeals.

EXPENDITURE TRENDS				
<u>2003 Actual</u>	<u>2004 Budgeted</u>	<u>% Change</u>	<u>2005 Proposed</u>	<u>% Change</u>
\$245,069	\$276,521	+12.84%	\$281,817	+1.92%

Prepared By: Emma J. Stamps (286-8666)
LRB – Fiscal Review Section
October 17, 2004

2005 SPECIAL PURPOSE ACCOUNT: WORKER'S COMPENSATION

PURPOSE: This on-going account covers expenses incurred by the city as result of employee job-related injuries. This SPA consists of two sub-accounts.

The Worker's Compensation Fund sub-account (**\$8.91 million** for the 2005 proposed budget) covers expenses incurred by the city as a result of employee job-related injuries. Payments are made from the fund to those injured. These payments are partially offset by the recovery of payments from third parties.

In addition, funds are provided for the Required Employer Law Compliance (**\$60,000** for the 2005 proposed budget) in a sub-account to cover expenses incurred as a result of exposure to bloodborne pathogens in the workplace.

The 2005 proposed budget for this SPA is a **14%** increase from the 2004 budget anticipating a proportionate increase in the cost of health care.

In 2001, DER requested and received a transfer of \$1.986 million from the Common Council Contingent Fund to supplement a shortfall in the Worker's Compensation account. The 2002 fund required a \$40,300 supplement. No supplement to this SPA was required in 2003.

The 2004 Worker's Compensation SPA, as of September 13, 2004 is 65% expended and has a balance of \$2.667 million remaining.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The increase in expenditures in this account is due primarily to increases in medical payments for injuries sustained by city employees while on the job. DER indicated the number of injuries has remained fairly constant in 2004, but the injuries sustained by employees are more severe than in past years. Also there are *no fee schedules or caps* for injury payments. In addition the employee can go to *any doctor* for treatment. Employees enrolled in an HMO can choose to obtain treatment from any doctor. State law mandates that the city pay for the treatment if it is related to an injury sustained on the job.

Funding for Worker's Compensation is projected based upon current experience. Actual expenditures may vary from the current projections.

In 2005, DER intends to work with all city departments and agencies to pursue effective return to work options for injured workers and other cost control strategies that will impact the overall Workers' Compensation expenditures incurred by the city.

The chart below details the 2003 payments for departments with over \$1 million in Workers' Compensation Claim payments.

Dept.	1/1/03 through 12/31/03
DPW*	\$2,896,717
Police	\$2,153,507
Fire	\$1,170,029

* Excludes DPW-Water Works and DPW-Parking

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2003 Actual	2004 Budget	Change	2005 Proposed	Change
\$8,924,689	\$7,778,590	-12%	\$8,910,000	14%

Prepared by: Mark A. Ramion, 286-8680
 Fiscal Review Analyst-Senior
 Legislative Reference Bureau
 October 18, 2004

2005 SPECIAL PURPOSE ACCOUNT: EMPLOYEE HEALTH CARE BENEFITS

PURPOSE: The Employees' Health Care Benefits – Special Purpose Account consists of five sub-accounts. It covers the costs (**claims**) associated with the city's self-funded indemnity plan (Basic Plan), health maintenance organizations (**HMOs**) and **dental** insurance. This account also includes funding for **administrative** expenses and various **cost containment** measures. Funding can be reallocated among the sub-accounts as needed.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The 2005 proposed budget of \$94.726 million represents a \$14.825 million increase (18%) from the 2004 budget of \$80.875 million.

1. The 2005 proposed budget reflects a decrease in the employee's contribution for the Basic Health Plan for active city management employees.

Management currently comprises 7% - 92 members - out of approximately 1,293 total active employees enrolled in the Basic Plan. These 92 members represent approximately 13% of all city management employees.

The monthly Basic Plan premiums for management employees effective January 2005 are as follows:

- Decrease by \$12.89 from \$184.46 to \$171.57 for single coverage (-6%)
- Decrease by \$36.59 from \$326.14 to \$289.55 for family coverage (-11%)

Management employees will also have the opportunity to choose an alternative to the broad Basic Plan, providing "Patient Choice" care systems. Patient Choice is a defined plan, offered by WPS, limiting the participants' choices to participating care systems including physicians, clinics and hospitals. Management employees will have the choice of two tiers (in addition to the broad Basic Plan). Employee monthly premiums are calculated above the city share for the baseline low-cost HMO.

Management employees will pay monthly premiums of \$13.73 and \$49.21 for single coverage and \$ 26.07 and 121.93 for family coverage for narrow network coverage. Benefits are the same as the Basic Plan benefits with \$100 single/\$300 family annual deductibles, the same as the Basic Plan. Management employees choosing this narrow option will pay more, however, if, independent of their physician, they choose to seek health care outside of their care system network.

All other city employees will have the one broad Basic Plan option based upon their specific bargaining group.

City Labor Contracts require the City to offer a Basic Plan and an HMO to represented employees. DER will continue to make every effort to identify and select the highest value health care plans from a quality and cost basis.

Any change in benefit structure or benefit plan design for represented employees must be negotiated with each affected union. The process for charging management employees is through Common Council action. Dialogue with all bargaining groups is ongoing in a continued effort to bring some uniformity to the premium structure. The city has proposed to the unions a structure that requires employees to pay the difference for a higher cost plan, regardless of whether they are HMO plans or basic PPO plans. Under this structure or plan, the city would not pay more than a 100% of the lowest cost plan.

2. The 2005 proposed budget increases the Basic Plan Claims account by \$6.3 million from \$24.5 million in 2004 to \$30.8 million in 2004 (25%). The major component of this increase is related to the rising cost of health care in southeastern Wisconsin as well as usage and the types of medical procedures undergone by the enrollees. An additional factor in the Claims account increase is the budgeting of \$3.7 million for accrued expenses that are charged to 2005 services and paid in 2006.

To date, no Contingent Fund transfer has been required to supplement the 2004 Basic Plan claims account.

3. The 2005 proposed budget increases Health Maintenance Organizations (HMOs) funding to \$60 million, a 16% increase over the 2004 budget of \$51.4 million. In June 2004, the Common Council approved new rates for one HMO provider offering two distinct health plans that were expected to provide service to city employees and retirees in the year 2005. The Aurora Family Network HMOs' rates increased from 2004 to 2005, with the increase for single and family active employees approximately 5%. The CompcareBlue Broad Network cost to the city for active employees has increased approximately 18%. A primary reason for the increase in the CompcareBlue plans was related to the 2003 experience in which CompcareBlue paid out more in claims than it received in premiums relative to its contract with the city. In 2003, CompcareBlue's loss ratio, in the case or retirees, exceeded 100% for both the Aurora Family Network and the Broad Network. An acceptable loss ratio is @ 90%.

For 2005, city employees will have the choice of two HMO networks from one provider, **CompcareBlue: CompcareBlue Aurora Family Network and CompcareBlue Broad Network.**

The city's monthly contribution for active city employees enrolled in an HMO in 2005 will be **\$352.29 for single management coverage and \$ 962.13 for family management coverage and \$355.61 for single represented employees and \$970.80 for family coverage for represented employees**, as the city pays the full premium of the lowest HMO monthly rate. These 2005 figures represent a **5%** increase for single coverage and a **5%** increase for family coverage from 2004 rates.

For employees choosing the CompcareBlue Broad Network, the single coverage employee share will be **\$85.49** (+56% from 2004) per month and the family coverage employee share will be **\$233.38** (+128% from 2004) per month. Whereas the Aurora Family Network HMO *Family* coverage is limited* to medical staff and location, the *Traditional* HMO coverage offers a wider choice among hospitals and physicians in the Milwaukee area.

*(Aurora Family Network HMO in the Greater Milwaukee area includes 40 clinics and physician offices that include approximately 400 physicians. Choice is "limited" in that the patient agrees to a specific location and physician for care and, if needed, referrals for specialty care. The Family network has in-house pharmacies, labs, other diagnostic and health-related services. Hospital choice is limited to the network affiliations and includes Sinai, Saint Luke's South Shore, West Allis Memorial, the Women's Pavilion and Children's Hospital of Wisconsin).

4. Eligible City of Milwaukee management retirees, who retired before January 1, 2004 can select any health insurance plan the city offers at no cost until they reach 65 years of age. City of Milwaukee management employees, less than 65 years of age, who retired after December 31, 2003, however, contribute the same amount to their health care as active management employees and have no cost for the AFN HMO. Fire and Police retirees pay for health insurance based on a formula related to their sick leave. Eligible represented employees from other bargaining groups have a choice of three plans at no cost.
5. The 2005 proposed budget decreases by 3% the dental insurance sub-account to \$2.4 million from 2004 funding. The city's contribution for dental insurance has not changed since 1992. \$13.00 is contributed monthly for single coverage and \$37.50 for family coverage. The City will continue to offer prepaid dental plans Care-Plus, DentalBlue and First Commonwealth. Delta Dental will continue as the fee-for-service dental plan
6. The 2005 proposed budget for Administrative Expenses remains the same as 2004 with \$1,226,000 in funding. The fee for the basic plan administrator is funded through this sub-account. There is no change in the WPS administrative fee from 2004 to 2005. This fee reflects per contract per month charges. Approximately 19% of active employees and 60% of retired employees are enrolled in the Basic Plan.
7. DER continues to seek health care cost containment by a variety of means:

The discount drug program provides prescription drugs to members at a discount price. Currently, the City reimburses participants in the Basic Health Plan 80% of the cost of prescription drugs. This program provides 15% to 20% discounts for brand name drugs and up to a 40% discount for generic drugs. All Basic Plan members are automatically enrolled in this program, although they do not have to participate.

Beginning in 2005, all city management employees enrolled in an HMO plan will begin to pay 20% co-insurance for prescription medications with a \$1,000 annually out-of-pocket maximum. This co-insurance was authorized by Common Council File 040427, which seeks to encourage and increase the use of generic prescription medications by city management employees with the intention of furthering generic prescription usage by all city employees. City employees in the Basic Plan currently pay 20% of prescription medications, as will management enrollees in the Patient Choice plans. There is no out-of-pocket annual maximum for prescription medications for either the Basic Plan or Patient Choice.

Effective January 1, 2005, any City of Milwaukee management employee who is enrolled for family health insurance coverage as a dependent through a participant in a health insurance that is sponsored for its employees by any state, local, school district or federal governmental body is not eligible for family health insurance coverage under a City of Milwaukee health insurance plan.

Basic Plan participants are also subject to utilization review (an approach to monitoring health care use) by WPS. Utilization Review includes pre-authorization and monitoring of services and proactive case management of hospital stays and medical testing and procedures.

8. DER anticipates that changes will continue in the health care market. The Milwaukee health care marketplace is undergoing scrutiny from independent studies, various task forces and commissions.

DER continues to follow the recommendations the Milwaukee Task Force on Health Care Cost Controls issued in September 2003.

Specific recommendations the city is pursuing include:

- "Encourage Employee Health Care Choices" which is being done in 2005 with the introduction of Patient Choice to management employees;
- "Promote Health and Prevent Disease for a Healthier Milwaukee" which will continue in 2005 with additional wellness initiatives from the HMOs and Basic Plan administrator;
- "Improve Health Care Quality." In addition to the Patient Choice plan, the city will continue to provide information to all active and retired employees regarding the Leapfrog Safety standards and the Wisconsin Hospital Association Checkpoint data that compares standard data from area hospitals to facilitate health care decision making based on cost and quality data;
- "Promote Cost Effective Drug Use" which includes a change from co-pay to 20% coinsurance for management employees enrolled in an HMO in 2005, as well as utilization of the Wellpoint Prescription Benefit Manager for HMOs and the utilization of the Paid Prescriptions Prescription Benefit Manager for those in the Basic Plan;
- "Eliminate Legislative Obstacles" which includes the sharing of the preliminary GAO report in August 2004, and the final report in 2005 to the larger Milwaukee employer, health care provider and insurance community. The findings of the report will help the city to better understand the reasons for the higher health care costs in Milwaukee and take action to control them.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

EHCB Sub-Account	2003 Actual	2004 Budget	Change	2005 Proposed	Change
Claims	\$ 25,243,939	\$ 24,500,000	-2%	\$ 30,800,000	*25%
HMO	47,841,061	51,400,000	7%	60,000,000	16%
Dental Insurance	2,365,312	2,475,000	4%	2,400,000	-3%
Admin. Expenses	1,161,879	1,226,100	5%	1,226,100	0%
Cost Containment	319,716	300,000	-6%	300,000	0%
TOTAL	76,931,907	\$ 79,901,100	3%	\$ 94,726,100	18%

- * This 25% increase in the claims account includes \$3.7 million for accruals for 2005 expenditures. Without these accruals, the increase in the claims account would be approximately 10%.

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