

EXECUTIVE SUMMARY

CITY TREASURER'S OFFICE

2009 PROPOSED BUDGET

- 1) The 2009 Proposed Budget for the City Treasurer's Office is \$2,959,256, a 2.7% increase from the 2008 Budget. **(Page 1)**
- 2) Since 2000, the City of Milwaukee has expanded the methods by which taxpayers may choose to pay their property taxes to include a 10 payment installment plan, a pay-in-full e-payment option and payment-in-full via credit card. **(Page 1)**
- 3) The City Treasurer has in place a tax collection timetable that emphasizes maximizing tax collections while minimizing delinquent tax parcel acquisitions. **(Pages 1 and 2)**
- 4) The number of authorized positions remains unchanged at 58, while the number of full-time equivalents (FTEs) increases to 30.25. Despite eliminating an Accountant I position in 2007, the number of FTEs has increased by nearly 4 people over the past two years due to continually increased use of Temporary Customer Service representatives. **(Pages 2 and 3)**
- 5) Operating expenses are projected to increase by 4.4% in 2009 as a result of higher paper costs, increased use of title search services and the requirement to again reimburse for mail room labor. **(Page 3)**
- 6) The 2009 Proposed Budget includes two special funds for the City Treasurer: \$22,735 for Information Systems Support and \$15,315 for Property Tax Collection Forms. **(Pages 3 and 4)**
- 7) The City Treasurer's Office has no capital projects in the 2009 Proposed Budget. **(Page 4)**
- 8) The Office of the City Treasurer is responsible for the investment of idle City funds that are not immediately needed to meet current expenditures. The actual rate of return along with investment earnings on these funds has exceeded the budgeted amount in each of the past four years. **(Page 4)**
- 9) Projected rate of return and General Fund investment earnings is forecast to be 2.25% and \$3,600,000 respectively in 2009. This is down from 5.00% and \$8,000,000 projected for 2008. **(Page 5)**
- 10) The City Treasurer collects over 99 cents of each city property tax dollar levied. **(Page 5)**
- 11) The 2009 Proposed Budget projects \$15 million in delinquent 2008 Milwaukee County property taxes being purchased by the City of Milwaukee during 2009, a 45% increase from projected 2008 levels. **(Page 6)**
- 12) Departmental revenues are forecast to decrease almost 54% in 2009, primarily due to lower investment earnings. **(Page 6)**

CITY TREASURER'S OFFICE
2009 PROPOSED BUDGET
SUMMARY PREPARED BY LEGISLATIVE REFERENCE BUREAU

CATEGORY	2007 Actual	2008 Budget	2007-2008 Change	2009 Proposed	2008-2009 Change
Personnel Costs (*)	\$2,128,340	\$2,198,303	3.3%	\$2,240,451	1.9%
Operating Expenses	561,910	648,755	15.5%	677,255	4.4%
Equipment	1,208	0		3,500	
Special Funds	21,585	34,465	59.7%	38,050	10.4%
TOTAL EXPENDITURES	\$2,713,043	\$2,881,523	6.2%	\$2,959,256	2.7%
Capital Improvements	\$0	\$0	0.0%	\$0	0.0%
Positions	59	58	(1)	58	0
FTE O&M Supported	26.33	30.11	3.78	30.25	+0.14

(*) Personnel costs include Net Salaries and Wages combined with Fringe Benefits

Function: Under authority provided by Wisconsin State Statutes and the Milwaukee City Charter, the Office of the City Treasurer receives and accounts for all monies paid to the City, makes disbursements vouchered for payment by the Comptroller, invests city funds that are not needed to meet current expenditures, collects current property taxes and delinquencies for all six tax levies within the City of Milwaukee, settles property tax collections on a prorated basis, and remits to each taxing jurisdiction their share of the monies collected.

BACKGROUND INFORMATION

➤ **Property Tax Payment Options**

Since 2000, the City of Milwaukee has expanded the methods by which taxpayers may choose to pay their property taxes to include:

- *Electronic Fund Transfer ("EFT") installment plan:* Initiated in 2000, this is a 10 payment interest free option in which monthly payments are taken directly out of checking or savings on the 25th of every month via the Automated Clearing House ("ACH") Network.
- *e-Check:* An e-payment option to pay-in-full, begun in 2001, where a taxpayer authorizes an ACH debit directly from their checking or savings account. There is no convenience fee for the ACH option.
- *Credit Card:* Beginning last year (2007 levy), taxpayers may choose to pay-in-full via the Internet using a credit card. There is a 2.5% convenience fee for the credit card option.

➤ **Property Tax Collection of Delinquent Accounts**

As the goal of the City Treasurer is to collect the property taxes levied and not acquire tax delinquent parcels, the City Treasurer proposed and implemented a tax collection timetable in 2003 that maximizes tax collections, while minimizing delinquent tax parcel acquisition. This tax collection timetable can be summarized as follows:

- ✓ A series of 4 collection letters from the City Treasurer
- ✓ Two collection letters under the signature of an Assistant City Attorney
- ✓ Referral of delinquent tax accounts to the City of Milwaukee collection agent for a period of 6 months. The collection agent, the Kohn Law Firm, works the account, makes payment

arrangements, pursues inpersonam judgments where deemed advisable under the City Attorney's guidelines, and pursues post judgment remedies when necessary.

✓ Finally, only as a last resort, the City pursues inrem foreclosure.

➤ **Cashier System Upgrade**

The 2005 Budget provided \$232,160 in capital improvement funding to upgrade the City Treasurer's Office cashier system from 'Cashier for Windows' to 'iNovah'. Technical support for *Cashier for Windows* had become increasingly difficult to obtain, and the conversion to *iNovah* accommodates additional software upgrades. The *iNovah* web-based cashier system became operational in October, 2005.

➤ **Banking Services Contracts**

The following banking services contracts are in place:

Contract	Contractor	Expiration Date
Zero Balance Concentration Account Services (*)	Wells Fargo	10/31/2008
General Banking Services Contract	Wells Fargo	6/30/2012
Property Tax Lock Box Service	US Bank	11/30/2012
Credit Card and E-Payment Services (**)	US Bank	6/30/2014

(*) This contract is currently being rebid.

(**) This contract is piggy backed on a State of Wisconsin service contract.

➤ **Cashiering Controls**

In May 2006, a random cash count disclosed that a teller had stolen \$32,700 from her cash drawer. (Full restitution was obtained within one week.) As a result, the City Treasurer's Office enhanced its cash oversight and control procedures, including implementation of recommendations to improve internal controls made in a September 2005 audit prepared by the Office of the Comptroller.

In June 2008, the Office of the Comptroller released an 'Audit of City Treasurer Cashiering Controls'. The 2008 audit recommended no additional internal controls, concluding that the 2005 audit recommendations had been adequately addressed. It is noted that this audit disclosed that approximately \$2.3 billion in cash transactions were processed by the City Treasurer's Office in 2006, including \$399 million by tellers.

2009 PROPOSED BUDGET

➤ **PERSONNEL**

The 2009 Proposed Budget provides \$2,240,451 in funding for salaries, wages and fringe benefits, a 1.9% increase from the 2008 Budget. No positions are proposed to be added or eliminated, with the total number of employees remaining at 58. Additionally, no reorganization is contemplated and no retirements are anticipated for 2009.

Though one position (Accountant I) was eliminated in the 2008 Budget, the number of full-time equivalents (FTEs) increased from 26.33 to 30.11. The number of FTEs is again proposed to increase in 2009 to 30.25. The reason for the FTE increases over the past two years is the added use of Temporary Customer Service Representatives. The following table depicts the direct labor hours allocated to these temporary staff. As shown, though Temporary Customer Service Representatives are used primary for additional staffing during the current tax collection period,

they have been increasingly used to support the department at other times. This includes growing temporary personnel support in performing bank reconciliations as well as vacation and sick leave relief for full-time personnel.

TEMPORARY CUSTOMER SERVICE REPRESENTATIVE STAFFING

TEMP WORK FUNCTION	2007 ADOPTED BUDGET	2008 ADOPTED BUDGET	2009 REQ. BUDGET
Current Tax Collection Period	4,272	4,640	4,660
Additional Temporary Support	880	1,688	1,928
<i>Total Direct Labor Hours</i>	<i>5,152</i>	<i>6,328</i>	<i>6,588</i>

➤ **OPERATING BUDGET**

The 2009 Proposed Budget provides \$677,255 for Operating Expenditures, a 4.4% increase from last year. Budgeted operating expense highlights include:

- A \$16,565 increase in paper products resulting from rising paper costs.
- A \$12,055 decrease in postage and mailing services as more tax bills qualify for a lower pre-sort postal rate.
- Prepaid coverage for Microsoft support of the Treasurer’s SQL Server software utilized to manage the cashier system database is expiring, requiring a \$5,795 expenditure for continued support.
- Reimburse Other Departments is projected at \$24,485 in 2009, a 51.6% increase from the \$16,150 budgeted in 2008. The City Treasurer’s Office will once again be required to pay for mail room labor, which was not the case in 2008.
- A \$16,680 reduction in banking services, largely due to the lower charges for credit card services that resulted from removing those services from the City’s general banking services contract and piggybacking on the State of Wisconsin contract with US Bank for credit card and e-payment services.
- A \$23,600 increase in title search services due to higher title report costs and an anticipated continued rise in tax delinquent parcels.

➤ **EQUIPMENT**

The 2009 Proposed Budget includes the purchase of a \$3,500 currency counter to be utilized by the Revenue Collection Division.

➤ **SPECIAL FUNDS**

There are 2 Special Funds within the Office of the City Treasurer.

Information Systems Support: The department intends to use the \$22,735 in proposed funding to replace 13 computer workstations in the Customer Services Division (\$14,495) and replace 2 laptop computers (\$2,240). The Customer Services Division workstations are the oldest within the City Treasurer’s Office. The \$21,100 allocated in 2008 was used to replace workstations in the Financial Services Division (5 workstations) and Executive Office (3 workstations) as well as to replace the department’s high speed laser printer.

Property Tax Collection Forms: The proposed amount for this fund, \$15,315, represents a 14.6% increase from the \$13,365 allocated in 2008, due to rising paper costs.

➤ **CAPITAL IMPROVEMENT PROJECTS**

The Office of the City Treasurer has no capital improvement requests in the 2009 Proposed Budget. It is noted that the department will be utilizing approximately \$28,000 of funds remaining from the 2005 capital improvement appropriation for the cashier system upgrade. Funds will be used to upgrade the iNovah software from version 1.34 to version 2.2 and to expand current server memory.

INVESTMENT OF CITY FUNDS

A critical function of the City Treasurer’s Office is the investment of “idle” City funds that are not immediately needed to meet current expenditures. Examples may include property taxes and State Shared Revenue payments. Based on market conditions, the City Treasurer will invest these funds in investment vehicles that provide the highest rate of return, while maintaining portfolio diversification, safety, and liquidity standards. Typical investment vehicles include U.S. Treasury Securities, Certificates of Time Deposit, the State Local Government Investment Pool and Commercial Paper.

Pursuant to s. 67.101, Wis. Stats., one third of all interest revenue is credited to the Public Debt Amortization Fund (“PDAF”). The remainder is credited to the City’s General Fund. The table below depicts General Fund investment earnings between 2003 and 2007.

GENERAL FUND INVESTMENT EARNINGS

YEAR	AVERAGE DAILY INVESTMENT BALANCE	AVERAGE ANNUAL RATE OF RETURN	INVESTMENT REVENUE
2003	\$237,631,000	1.23%	\$1,940,600
2004	\$253,100,000	1.51%	\$2,545,900
2005	\$239,330,000	3.05%	\$4,864,100
2006	\$275,318,000	4.78%	\$8,769,100
2007	\$244,191,000	5.10%	\$8,294,800
5 Year Average		3.13%	\$5,282,900

Actual General Fund rate of return and investment earnings have exceeded the City budgeted amount in all of the past 4 years, as highlighted below:

PROJECTED VERSUS ACTUAL INVESTMENT PERFORMANCE

YEAR	PROJECTED RATE OF RETURN	ACTUAL RATE OF RETURN	PROJECTED INVESTMENT REVENUE	ACTUAL INVESTMENT REVENUE
2003	1.63%	1.23%	\$2,100,000	\$1,940,600
2004	1.25%	1.51%	\$1,875,000	\$2,545,900
2005	1.75%	3.05%	\$2,600,000	\$4,864,100
2006	3.50%	4.78%	\$5,250,000	\$8,769,100
2007	5.00%	5.10%	\$7,600,000	\$8,294,800

The 2008 budget, formulated and adopted one year ago, projected total investment revenue of \$12,000,000 based on a rate of return of 5%. (Per Statutes, \$8,000,000 was projected for the General Fund and \$4,000,000 was projected to be credited to the PDAF.) Through the first seven months of 2008, total investment revenue stands at \$4,373,618 with an effective rate of

return of 3.18%. Thus, the City is unlikely to meet its projected investment goals for 2008 due to economic conditions over the past twelve months. The current economic environment has resulted in the Comptroller's Office projecting \$3,600,000 in General Fund investment revenue assuming a 2.25% rate of return for 2009, a significant reduction over the past few years.

PROJECTED 2008 AND 2009 GENERAL FUND INVESTMENT REVENUE

PERIOD	AVERAGE DAILY INVESTMENT BALANCE	AVERAGE ANNUAL RATE OF RETURN	GENERAL FUND INVESTMENT REVENUE
2008 Adopted Budget	\$240,000,000	5.00%	\$8,000,000
2008 Actual through July 31	\$235,755,356	3.18%	\$2,915,745 (*)
2009 Proposed Budget	\$240,000,000	2.25%	\$3,600,000

(*) Based on total investment earnings through July 31 of \$4,373,618

COLLECTION OF PROPERTY TAXES

The Office of the City Treasurer collects over 99 cents of each city property tax dollar levied. Regarding delinquencies, the City of Milwaukee borrows funds annually in spring in the amount of the delinquent taxes outstanding as of December 31st for the past levy year, allowing the Delinquent Tax Fund to purchase the tax receivables, making the General Fund whole, which precludes any adverse impact on City services or the ensuing tax levy. Importantly, to date, the tax principal, interest, and penalty charges collected on the delinquent tax accounts have been sufficient to cover both the debt service on the funds borrowed and the costs of collection, which also precludes any adverse impact on City services or the ensuing tax levy.

10 YEAR TAX COLLECTION HISTORY

Year	Original Net Tax Levy	Paid in Current Collection Period	Initial Delinquencies	Delinquency Balance	% Tax Levy Collected
1998	\$323,739,426	\$304,242,373	\$19,497,053	\$122,485	99.96%
% of Total		(93.98%)	(6.02%)	(0.04%)	
1999	\$336,323,785	\$314,366,434	\$21,957,351	\$131,698	99.96%
% of Total		(93.47%)	(6.53%)	(0.04%)	
2000	\$388,164,731	\$359,422,209	\$28,742,522	\$107,527	99.97%
% of Total		(92.60%)	(7.40%)	(0.03%)	
2001	\$408,978,155	\$379,492,030	\$29,486,125	\$221,068	99.95%
% of Total		(92.79%)	(7.21%)	(0.05%)	
2002	\$428,096,563	\$397,655,591	\$30,440,972	\$534,142	99.88%
% of Total		(92.89%)	(7.11%)	(0.12%)	
2003	\$438,248,177	\$404,837,195	\$33,410,982	\$597,646	99.86%
% of Total		(92.38%)	(7.62%)	(0.14%)	
2004	\$471,424,191	\$438,475,211	\$32,948,980	\$1,249,699	99.73%
% of Total		(93.01%)	(6.99%)	(0.27%)	
2005	\$496,982,788	\$462,593,664	\$34,389,124	\$1,700,133	99.66%
% of Total		(93.08%)	(6.92%)	(0.34%)	
2006	\$499,735,509	\$458,175,092	\$41,560,417	\$7,661,351	98.47%
% of Total		(91.68%)	(8.32%)	(1.53%)	
2007	\$548,248,472	\$495,808,843	\$52,439,628	\$31,277,760	94.29%
% of Total		(90.44%)	(9.56%)	(5.71%)	

COUNTY DELINQUENT TAX FUND

A 1987 Intergovernmental Services Agreement allows the City Treasurer to consolidate the enforcement of delinquent City and County tax receivables, which eliminates the need for duplicate tax collections by both government entities. In conjunction with this Agreement, the City purchases Milwaukee County's delinquent real estate and personal property taxes. The County Delinquent Taxes Fund was set up solely for this purpose.

The 2009 Proposed Budget projects \$15,000,000 in delinquent 2008 Milwaukee County property taxes being purchased during 2009. This is a 45% increase from the \$10,329,620 included in the 2008 Budget. Greater Milwaukee County delinquencies are anticipated due to an increase in the tax levy and current economic conditions.

DEPARTMENTAL REVENUES

As highlighted in the following table, departmental revenues are projected to decrease significantly in 2009, largely due to forecasted lower investment earnings on idle City funds. Licenses and Permits revenues are projected to decrease as an amended contract with the Milwaukee Area Domestic Animal Control Commission ("MADACC") allows the MADACC to keep a greater share of the animal license revenue.

REVENUE DETAIL

SOURCE	2007 Actual	2008 Budget	2007-2008 % Change	2009 Proposed	2008-2009 % Change
General Fund Investment Earnings	\$8,708,599	\$8,000,000	(8.1%)	\$3,600,000	(55.0%)
Charges for Services	134,601	107,150	(20.4%)	126,755	18.3%
Licenses and Permits	158,445	120,100	(24.2%)	79,200	(34.1%)
Taxes and Payment in Lieu of Taxes	9,580	10,000	4.4%	9,600	(4.0%)
TOTAL	\$9,011,225	\$8,237,250	(8.6%)	\$3,815,555	(53.7%)

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