

CITY TREASURER'S OFFICE 2006 PROPOSED BUDGET

Executive Summary

1. The 2006 Proposed Budget for the City Treasurer's Office is \$2,885,733, an increase of \$177,838 or 6.6% from the 2005 Budget allocation. (page 1)
2. The 2006 Proposed Budget reduces the number of positions in the Treasurer's Office from 60 to 59. The number of FTEs is decreased from 30.98 to 29.93. The position to be eliminated is one of the department's three full-time Accounting Assistant I positions (currently vacant). (page 2)
3. The allocation for Operating Expenditures in the department's 2006 Proposed Budget is \$643,520 -- 1.2% higher than the 2005 Budget. The largest increase in Operating Expenditures is in the Information Technology Services category. (page 3)
4. The 2006 Proposed Budget includes two special funds for the City Treasurer: \$11,085 for property tax collection forms and \$9,250 for information systems support. (page 3)
5. The Treasurer's Office has no capital projects in the 2006 Proposed Budget. (page 3)
6. As for its investment function, the City Treasurer's Office estimates the City's rate of return on investments will be 3.50% in 2006, up from 1.75% in 2005. As a result, the estimated General Fund investment revenue will also increase, from \$2,625,000 in 2005 to \$5,250,000 in 2006. (pages 3 and 4)
7. The 2006 Proposed Budget provides \$9 million for the County Delinquent Tax Fund -- \$500,000 less than 2005. The budgeted amount is consistent with actual 2004 expenditures. (page 4)
8. Department revenues are projected to be \$5,748,600 -- 98.7% higher than the \$2,892,740 in the 2005 Budget. While increases are projected for all of the Treasurer's revenue categories, over 90% of the overall revenue increase can be attributed to rising investment earnings. (page 5)

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2006 PROPOSED BUDGET - CITY TREASURER'S OFFICE
Summary by Legislative Reference Bureau – Fiscal Review Section

Expense Category	2004 Actual	2005 Budget	% Change	2006 Proposed	% Change
Personnel Costs	\$2,068,876	\$2,047,160	-1.0%	\$2,221,878	8.5%
Operating Expend.	\$784,671	\$635,625	-19.0%	\$643,520	1.2%
Equipment Purch.	\$3,388	\$0	-100.0%	\$0	0%
Special Funds	\$80,282	\$25,110	-68.7%	\$20,335	-19.0%
TOTAL	\$2,937,217	\$2,707,895	-7.8%	\$2,885,733	6.6%
Capital	\$0	\$232,160	N.A.	\$0	-100%
Positions	60	60	0	59	-1

Department Function

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

Departmental Mission

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

Historical Information

1. The 2001 Budget implemented an Automated Clearing House (ACH) debit system for property tax installment payments. The ACH debit system allows taxpayers who qualify to pay their installments through an automatic monthly deduction from their checking or savings account.
2. In 2002, the Treasurer's Office awarded a banking services contract to Wells Fargo Bank. The contract term is from March 1, 2002 to February 28, 2007.
3. In 2002, the Treasurer's Office implemented a pilot program that uses the Kohn Law Firm for the collection of delinquent real estate taxes prior to the City's pursuit of *in rem* foreclosure action. The pilot program was so successful that the department subsequently eliminated its Delinquent Tax Collection Services Section and made use of the Kohn Law Firm and the one-foreclosure-file-per-year policy permanent components of its delinquent tax collection function.

5. Due to national economic trends and federal interest rate policy, the rate of return on City investments managed by the Treasurer's Office has fallen sharply in recent years, from 6.26% in 2000 to 1.51% in 2004 and an estimated 1.75% in 2005. General Fund revenues from investment have also decreased, from nearly \$8 million in 2000 to an estimated \$2,625,000 in 2005.
6. The 2005 Budget provided \$232,160 in capital improvement funding to upgrade the Treasurer's cashier system so that it can accommodate additional software upgrades and because technical support for the old software was becoming increasingly difficult to obtain. This money funded the purchase of new hardware and software, installation assistance and user training. It is anticipated that the new web-based cashier system will become operational sometime in October, 2005.

2006 BUDGET HIGHLIGHTS AND ISSUES

Personnel

1. Total positions in the City Treasurer's Office are being reduced from 60 to 59 in the 2006 Proposed Budget (25 full-time, 4 part-time and 30 temporary/seasonal positions). The decrease is attributable to the elimination of one of three full-time Accounting Assistant I positions in the department's Cash Management, Investments and Financial Services section. This position is currently vacant. The number of O&M FTEs is decreasing a similar amount, from 30.98 to 29.93.
2. The department's Overtime Compensation budget is being increased from \$14,725 in 2005 to \$17,668 in 2006, a 20.0% increase. This increase results from two actual holidays (Christmas and New Year's Day) falling on weekends and Treasurer's clerical staff being paid overtime to work on the corresponding "City holidays," when most City offices are closed, but the Treasurer's Office remains open for tax collections.
3. Despite the elimination of one position, total personnel costs for the City Treasurer will increase nearly 10% under the 2006 Proposed Budget, from \$2,047,160 in 2005 to \$2,250,278 in 2006. About 60% of this increase can be attributed to rising fringe benefit costs; the remainder is attributable to salary and wage increases. (Note: for non-represented/non-management employees, the 2005 Budget was prepared using 2002 rates of pay, whereas the 2006 Budget was prepared using 2006 rates of pay)

Operating Budget

1. The 2006 Proposed Budget provides \$643,520 for Operating Expenditures, an increase of \$7,895 (1.2%) from the 2005 Budget.
2. On a percentage basis, the largest increase in Operating Expenditures is proposed for the Information Technology Services category. This increase is necessitated by rising vendor software support service costs for iNovah (the new cashier system) and SymPro (the department's portfolio management system).

Special Funds

1. Property Tax Collection Forms – The proposed amount for this fund (\$11,085) represents a 10.4% decrease from the 2005 Budget figure.
2. Information Systems Support – The request for 2006 is \$9,250, 27.4% less than the 2005 funding level. In 2006, the department will resume its program of replacing one-third of its workstations each year in an effort to keep all computers under warranty should problems occur. While this special fund will provide the money to purchase 7 new workstations for the Financial Services and Revenue Collection Division, the cost of this purchase will be more than offset by a reduction in the Treasurer's computer repair allowance. Hence, the overall reduction in the Information Systems Support special fund.

Capital Projects

The City Treasurer has no capital project requests in the 2006 Proposed Budget. As mentioned previously, the department's 2005 capital project – a \$232,160 cashier system upgrade – should become operational sometime this month.

Investment of City Funds

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

As the following table shows, between 2000 and 2004, City investments earned an average annual rate of return of 3.00%. In the same time period, the five-year average for General Fund investment earnings was \$4,135,000. The adopted 2005 Budget includes an estimated rate of return of 1.75%, with earnings for the year totaling \$2,625,000. However, the City Treasurer reports that for the first 7 months of 2005, the annual rate of return on City investments was 2.81%, with estimated earnings for the first 7 months alone totaling \$2,823,000. Thus, it appears that the slide in City investment

revenues in recent years has come to an end, and that a stronger investment market and higher federal interest rates are producing greater investment returns for the City.

GENERAL FUND INVESTMENT EARNINGS			
Year	Average Amount Invested	Average Annual Rate of Return*	Interest on Temporary Investments**
2000	\$188,627,000	6.26%	\$7,865,000
2001	\$189,841,000	4.26%	\$5,381,000
2002	\$254,425,000	1.73%	\$2,942,000
2003	\$237,631,000	1.23%	\$1,941,000
2004	\$253,100,000	1.51%	\$2,546,000
5 Year Average		3.00%	\$4,135,000

*AVERAGE ANNUAL RATE OF RETURN IS BASED ON TOTAL INTEREST EARNED FROM TEMPORARY INVESTMENTS.
 **INVESTMENT REVENUE CREDITED TO THE GENERAL FUND.

The 2006 Proposed Budget assumes that \$225 million will be available for investment purposes, the same as the estimated average daily investment balance in the 2005 Budget. The Treasurer's Office estimates the City's rate of return on investments to be 3.50% in 2006, double the 1.75% rate of return projected in the 2005 Budget. The increased rate is attributable to current market conditions, trends and forecasts, including recent hikes in federal interest rates.

For 2006, the Treasurer's Office projects total investment revenue of \$7,875,000 based on the average daily investment balance of \$225 million and 3.50% rate of return. Of this revenue, \$5,250,000 will be credited to the General Fund and \$2,625,000 to the Public Debt Amortization Fund. One third of all interest revenue is credited to the PDAF pursuant to s. 67.101, Wis. Stats.

County Delinquent Tax Fund

The 2006 Proposed Budget provides \$9 million for this account, a \$500,000 decrease from the amount included in the 2006 Budget. The Delinquent Tax Fund account enables the City to purchase County delinquent real estate and personal property taxes from Milwaukee County. The City does not acquire any properties with this fund, but rather purchases Milwaukee County's delinquent taxes receivable. A 1987 intergovernmental cooperation agreement enables the Treasurer to consolidate the enforcement of tax receivables, which eliminates the need for duplicate tax collections by the City and County. The amount budgeted for 2006 is consistent with 2004 actual expenditures from the Delinquent Tax Fund -- \$8,785,085.

Departmental Revenues

The 2006 Proposed Budget estimates that the Treasurer’s Office will receive \$5,748,600 in total revenue, an increase of \$2,855,860 (98.7%) from the \$2,892,740 projected in the 2005 Budget. As the following table shows, growth in revenues is projected to occur in all four of the Treasurer’s revenue categories. As mentioned previously, the City’s investment income is projected to double for 2006 as a result of higher interest rates. These investment earnings will account for the vast majority of both the total revenue increase (91.9%) and total revenues (91.3%) for the Treasurer’s Office in 2006. Revenues in both the “Charges for Services” category and the “Taxes and Payment in Lieu of Taxes” category are projected to more than double in 2006; these increases reflect actual 2004 revenues in these categories. The bulk of the “Charges for Services” category is \$250,000 in revenues from the 10% delinquent payment penalty for the Local Sewerage Charge. Revenues in the “Licenses and Permits” category (i.e., dog and cat licenses) will increase 5.2% because of license fee increases taking effect January 1, 2006.

TREASURER'S OFFICE REVENUES					
Sources	2004 Actual	2005 Budget	% Change	2006 Proposed	% Change
Charges for Services	\$353,399	\$133,840	-62.1%	\$351,200	162.4%
Licenses and Permits	\$115,255	\$128,700	11.7%	\$135,400	5.2%
Taxes and Payment in Lieu of Taxes	\$12,352	\$5,200	-57.9%	\$12,000	130.8%
General Fund Investment Earnings	\$2,524,354	\$2,625,000	4.0%	\$5,250,000	100.0%
TOTAL	\$3,005,360	\$2,892,740	-3.7%	\$5,748,600	98.7%

Collection of Delinquent Taxes

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

SUMMARY OF TREASURER'S TAX COLLECTION EFFORTS, 2000-2004, AS OF 9/6/05				
Year	Total Delinq.	Pct. Redeemed	Still Outstanding	Pct. of Year's Total Tax Levy Still Outstanding
2000	\$33,519,461	93.99%	\$555,517	0.14%
2001	\$35,243,332	92.88%	\$1,065,758	0.26%
2002	\$37,310,523	93.29%	\$1,958,574	0.46%
2003	\$39,380,624	86.16%	\$4,899,446	1.12%
2004	\$39,616,981	48.48%	\$20,409,094	4.33%

As this table indicates, by the time 3 years have passed since the close of a tax collection cycle, well over 90% of that year’s delinquent property taxes have been collected and the amount of delinquent property taxes outstanding is less than 1% of that year’s total tax levy. This table also shows that the majority of outstanding delinquent taxes are from the most recent levy year. In fact, the

Treasurer reports that as of September 6, 2005, the total value of City tax delinquencies was \$31,022,527. The \$20,409,094 owed from 2004 accounts for nearly 66% of this total, while the \$28,888,389 owed from the last five years combined accounts for 93.1% of all delinquent property taxes.

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