



Office of the Comptroller

April 13, 2005

W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Ref: Pay Admin

**Alderman Michael J. Murphy
Chair, Finance & Personnel Committee
City of Milwaukee, Wisconsin
City Hall Room 205
Milwaukee, WI 53233**

Dear Alderman Murphy:

Re: Differential Pay for City Employees Called to Active Military Duty

We have reviewed your March 28th correspondence regarding the above and provide the following status of our response. Due to its nature we convened a meeting on April 7th with members of the affected departments (Employee Relations, Treasurer, LRB Fiscal, Budget, City Attorney, and Police) to determine the impact of and feasibility of providing said service.

Each department expressed concerns to be addressed prior to us responding to your request; in general this is an administrative nightmare. Specific concerns are:

Employee Relations feels this is subject to labor contract negotiations, and will not commit without a City Attorney's opinion on issues and concerns they have.

City Attorney needs time to review the merits and concerns addressed by various departments before it opines on merits and legalities of this request.

Budget Office feels the fiscal cost of this proposal was not budgeted for and other unforeseen liabilities have limited our financial flexibility in paying for same.

LRB Fiscal has concerns that relate to health and benefits and period of time covered i.e. 365 days, continuous, break in service etc.

City Treasurer is concerned about the requirements to take judgments, levies, and court ordered support deductions from these payments.

Police Department is concerned about the continuation of special payments that accrue based on time of service and currently are not payable.

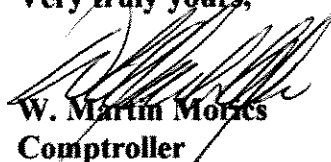
Comptroller concerns include clarification of what is considered military pay and compensation, and the definition of what a city salary is given many police and fire personnel get footnote pays in addition to their base pay. Will these payments be subject to retro pay for contract settlements, and what is the definition of 365 day period in terms of occurrences? How are we going to get the leave and earnings statements from member overseas for processing? Are we paying them by check which can be lost or requiring them to be on direct deposit? When paid on the payroll normal deductions are taken. Vacation accruals are treated differently when earned prior to and post service as to payment of for tax purposes. What about city's continued fiscal exposure to the open ended ness of the liability for these payments which may impact our bond ratings? Additionally all payments made are NOT considered wages but are INCOME and must be reported on IRS Form 1099 MISC creating a tax reporting concern for the soldier as it relates to tax withholdings for said liability. In short, there are numerous complexities and administrative questions to be answered.

We are also concerned that although this legislation is limited to National Guard and Reservists called to active duty, its adoption could pose a dangerous precedent for any City employes called under a future mandatory draft.

As we continue to discuss this proposal more intricacies are exposed and additional administrative costs are discovered. Our group will be meeting again at 1:30 on April 20th to see what progress, if any, has been made on the points mentioned above before the group and our office can formally reply to your request. In the meantime, we concur with your holding this file until each department has a satisfactory response to their concerns.

If you have any questions on this matter please contact me at 2301.

Very truly yours,


**W. Martin Morris
Comptroller**

WMM: MP

**Ald Murphy Military Leave Diff Pay
C Daun Michael, Egan John, Monteagudo Maria,
Schrimpf Bruce, Osmanski Robert, Walsh Marianne,
Shambarger Eric, Bielinski Joann, Brady Michael**