

2016



Legislative Reference Bureau

www.milwaukee.gov/lrb



CITY TREASURER

2016 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst

Budget Hearing: October 8, 2015

Last Updated: October 7, 2015

Version 8.1



\$3,079,646

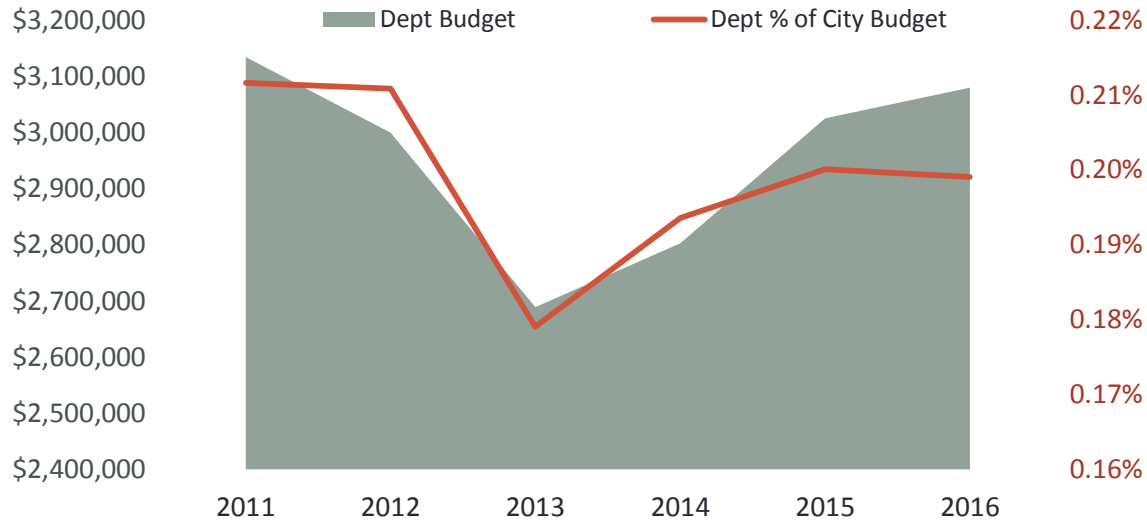
Proposed 2016 Budget

\$54,672

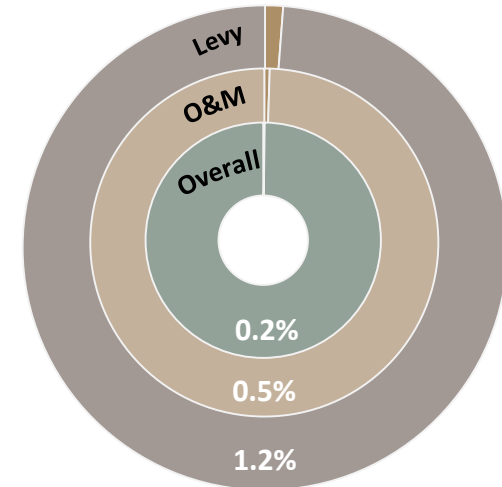
Change in Proposed Budget

1.8%

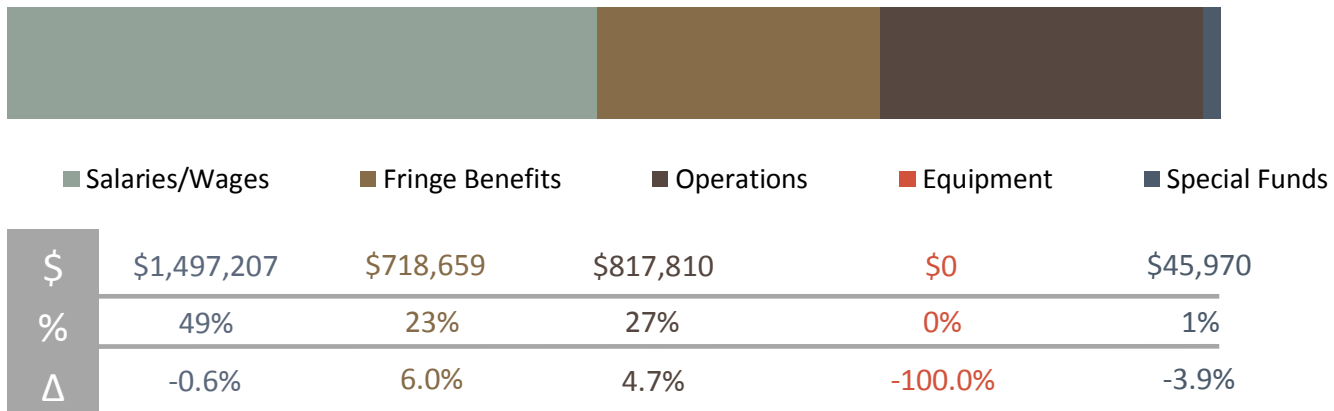
% Change in Proposed Budget



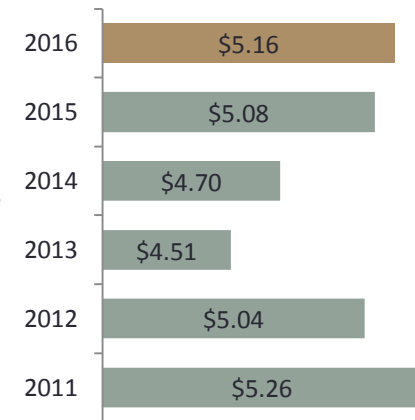
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



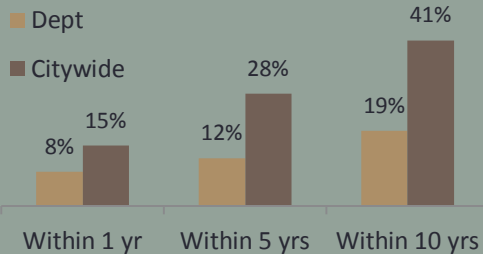
\$ -8,768

Reduction in net personnel costs for 2016.

\$40,970

Increase in fringe benefits estimate with rate change of 45% in 2015 to 48% in 2016.

Retirement Eligible



0

Change in Positions

0.0%

% Change in Positions

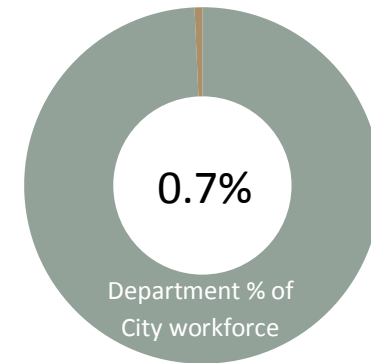
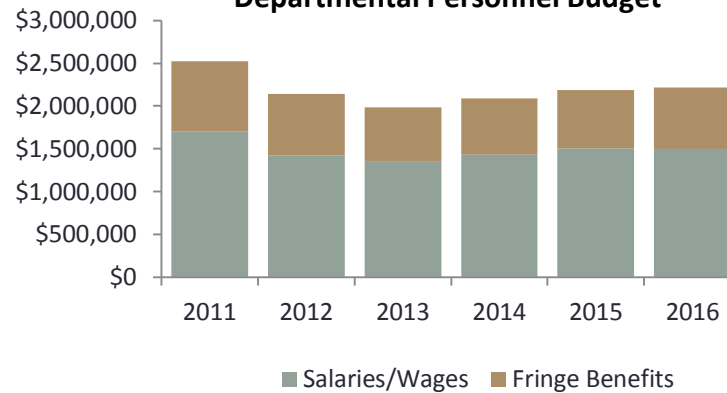
0

Current Vacancies

1

Voluntary Separations

Departmental Personnel Budget



Staffing Update

- \$37,061 (2.37%) base salary savings due to turnover and position re-classification.
- \$30,556 (1.98%) increase in base salary costs from raises averaging 3%.

Staffing Update

Fringe benefits cost up \$40,970 (6%) for 2016 despite essentially no change in projected net salary and wage costs, due to increase in projected fringe benefit rate from 45% to 48%.



Department Positions
2011-2016

+38%

In Rem tax foreclosure filings 1,507 for 2015 – up 411 from 2014.

Potential 1,037 acquisitions by the City based on 2014's rate.

In Rem Cycle

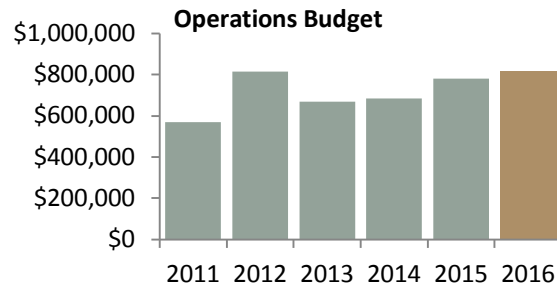
2015's 1,507 *in rem* tax foreclosures were submitted in 5 filling cycles, as will the 1,600 projected filings for 2016.

Dec. 2017

The earliest launch of the new tax collection system – replacing the department's 40-year-old legacy system. Vendor negotiations ongoing.

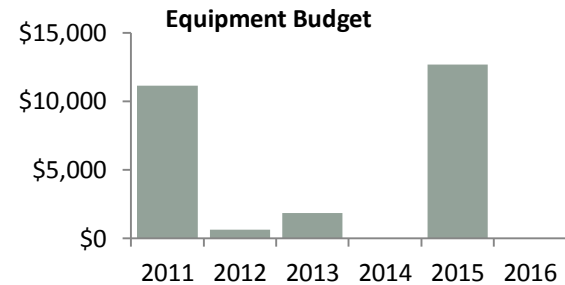
\$572,000

2014 incremental earnings gain from investing idle cash long-term rather than short-term.



Year	2011	2012	2013	2014	2015	2016
Percent of department budget	18%	27%	25%	24%	26%	27%

Operations percent of department budget



Year	2011	2012	2013	2014	2015	2016
Percent of department budget	0%	0%	0%	0%	0%	0%

Equipment percent of department budget

In Rem Foreclosure Volume

In rem tax foreclosures unexpectedly spiked in 2015 from a projected volume of 1,100 to 1,507 filings. Filings for 2016 are projected to be 1,600 despite the spike, and there is a possibility of additional foreclosures from the Accelerated Foreclosure Program.

Accelerated *In Rem* Foreclosure Program

Tax foreclosures resulting from the Accelerated *In Rem* Foreclosure Program are projected at 250 properties for 2016.

1,000 *In Rem* Acquisitions in 2016

Based on the City's 2014 *in rem* foreclosure acquisition rate of 69% and 1,600 filings, the City could acquire 1,100 in 2016 – up 46% from 2014.

2014 Idle Cash Investment Yields

Short-term:

- Gross Return 0.1968%
- Benchmark 0.0857%

Long-term:

- Net Return* 0.9413%
- Benchmark 0.6700%

*Net of BMO Harris management fees and liquidity borrowing costs.

2014 Borrowing to Protect Long-term Idle Cash Investment Yields

Long-term idle cash investment return is net of \$37,000 in arbitrage borrowing costs, borrowing funds at lower interest rates than the yield on long-term cash investments rather than invading the long-term investment to meet current liquidity needs.

\$37,000

Costs of borrowing to protect the yield on the City's \$75 million long-term idle cash investment rather than using the funds to meet short-term liquidity needs.

\$355,684

2014 idle cash investment earnings contributed to the Public Debt Amortization Fund.

\$23.1 million

Delinquent taxes referred for collection in November, 2014 – down \$3.4 million from 2013.

-22%

Interest and penalties earned on delinquent tax payments – \$1.8 million for 2014 - down from \$2.3 million in 2011.

Projected Increase in Long-term Idle Cash Earnings

Gross earnings projected up \$305,425 (42%) by BMO Harris – yield up 0.25%.

Year-end Short and Long-term Idle Cash Balances

- Short-term \$373 million
- Long-term \$77 million

In rem Tax Foreclosure Acquisitions Rate

In 2014, the Treasurer's *in rem* foreclosure acquisition rate, the percent of properties foreclosed upon by the City which are ultimately acquired by the City, was 69% - nearly double the City's 2008 acquisition rate of 36%.

In-person Property Tax Payments

Despite offering an Internet portal and direct bank withdrawal, the Treasurer still processed 171,984 payments-in-full and installments delivered in-person to City Hall in 2014, and another 184,765 payments delivered in-person or dropped off in bank lock boxes.

Installment Payment Plan Participation

The department has seen increased participation in the City's interest-free installment payment plan since 2013 when most special charges placed on property tax bills became eligible for installment payments.

Special Charges Eligible for Installment Plan

Installment plan billing increased 17% between February 2014, and February, 2015, possibly indicating that making most special charges on tax bills eligible for payment through the installment plan is allowing more taxpayers to avoid delinquency by paying their taxes in installments.

New Tax Collection System

The 2016 Proposed Budget includes \$1.15 million in the Department of Administration – ITMD to continue a multi-year project to replace the Treasurer's tax collection system which was designed in 1982.

2014 Idle Cash Investments	Short-term	Long-term	Combined
Gross Investment Return	\$436,137	\$723,912	\$1,160,049
BMO Fees	0	(55,497)	(55,497)
Liquidity Costs	0	(37,500)	(37,500)
Net Investment Revenue	\$436,137	\$630,915	\$1,067,052
Contribution to PDAF	(145,379)	(210,305)	(355,684)
Net	\$290,758	\$420,610	\$711,368
Year-end Balance	\$373,347,430	\$76,814,814	\$450,162,244
Net Earnings Return Est.	0.1968%	0.9413%	
Return Benchmark	0.0857%	0.6700%	

<i>In Rem Tax Foreclosures</i>				
	Filings	Acquired	Redemption	Acquisition
2008	508	184	63.8%	36.2%
2009	892	461	48.3%	51.7%
2010	1,089	532	51.1%	48.9%
2011	991	597	39.8%	60.2%
2012	1,152	744	35.4%	64.6%
2013	1,101	748	32.1%	67.9%
2014	1,096	754	31.2%	68.8%
Total	6,829	4,020	41.1%	58.9%

