

City of Milwaukee Office of the City Treasurer: A Policy Plan for Reform

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Introduction:

Earlier this fall City Treasurer Wayne F. Whittow announced his retirement after serving with distinction for 36 years. Within a matter of weeks, many of Mr. Whittow's senior managers in the Treasurer's office also either retired or made it known they would be retiring. In effect, after decades of stability, the Treasurer's office will simultaneously lose its top officer, a significant portion of its management team, and a wealth of institutional knowledge.

The following items are suggestions for possible changes in the Treasurer's office going forward – "food for thought" for those who will lead the office in the near future. Opportunities for fundamental changes in an organization or department do not present themselves very often; one could argue that in the case of the Treasurer's office, that "window of opportunity" is now.

Investment changes needed:

In the Mayor's proposed 2012 city budget there is a proposal to shift the city's short-term investing function from the Treasurer's office to the Comptroller's office. Regardless of whether this measure is approved, the city must look at maximizing its rate of return on investments, and it should explore opportunities to invest in local banking institutions that can lend to Milwaukee businesses and individuals.

Currently more than 30% of the city's idle cash investments (or almost \$237 million) are in the State of Wisconsin's Local Government Investment Program (LGIP), a program designed to pool investment money for smaller and mid-size Wisconsin communities. City leaders should be asking whether city investment dollars are best invested in the LGIP, and whether that program's rate of return is sufficient.

Further, when we send our investment dollars to the LGIP we are sending that money out of town. Those dollars are needed for local investment, and I strongly encourage our investment decision makers to weigh investing here, providing local financial institutions with lending revenues to assist in cultivating much needed Milwaukee economic development opportunities.

Electronic billing and “Pay at the Bank”:

The office should take steps to create an electronic tax billing option for the dissemination of city property tax bills as a way to create innovation and efficiency in the department. Under this program, property owners would be able to sign up to receive their tax bills electronically in their regular email. Currently, the Treasurer’s Office mails tax bills using the U.S. Postal Service.

While the program will be optional for taxpayers, the success the city has had with direct deposit of pay checks for employees**, the convenience and security this method will bring to residents, and the importance of the environmental aspect (saving paper, reducing energy use/pollution) of this program are key reasons it should be embraced by the public. Further, the utilization of electronic tax billing, coupled with a move to have the Treasurer make payments to vendors via direct deposit will reduce postal costs, paper costs and paper waste, and free up personnel time otherwise associated with preparing paper notification of bills.

A “Pay at the Bank Program” popular in many communities across the U.S. would enable the Treasurer’s office to reduce the number of temporary staff hired in December and January to handle the large number of taxpayers who come to City Hall during those months to pay their property tax bills. The city should work to establish partnerships with local banks so that taxpayers can walk into a partner bank in their neighborhood – even if they do not have an account there – and make payments on their tax bill. This will eliminate the time and inconvenience of having residents drive downtown to pay their bill at City Hall.

In places like Cook, DuPage, and Madison County, Illinois, Arlington County, Virginia and Memphis, Tennessee where “Pay at the Bank” programs are in operation, residents have the benefit of paying their tax bills at partner banks in their own neighborhoods.

While there has been a significant overall decrease in staffing during the long tenure of Treasurer Whittow, between 2007 and 2011 the number of full time equivalent employees (FTEs) in the Treasurer’s office rose from 26.33 to 30.25 positions -- an increase of almost 17%. Although this represents approximately four FTEs, this increase flies in the face of sizable staff reductions in most city departments and overall reductions in city employment during this time. The employment of innovative programs like electronic tax billing and “pay at the bank” would allow for increased efficiency and taxpayer savings.

** (NOTE: Slightly more than a decade ago all city employees received paper pay checks. Today, 96% of city employees receive their salaries through direct deposit).

Maximizing convenience:

Besides the cost savings and added green benefits to the above-mentioned programs, there is one key additional reason why the new City Treasurer should consider

electronic/paperless billing and vendor payments and a “pay at the bank” program and that is “convenience.” The new City Treasurer should work to maximize opportunities to make the Treasurer’s office more user-friendly to Milwaukee taxpayers, while taking advantage of new technologies to make greater use of electronic payments and notifications. Going paperless and allowing residents to pay using their computer, phone or other emerging technologies will be a huge increase in efficiency for taxpayers and the city. Further, utilizing partner banks for property tax bill payments will dramatically increase the convenience for taxpayers, providing a viable alternative to coming downtown to City Hall where they must battle traffic and face the obstacles of limited parking and long lines.

Need for a culture open to improvement and change:

One of the primary roles of the City Treasurer is the collection of city property taxes and delinquent property taxes. This is an area where the city Treasurer’s office under Wayne Whittow excelled, frequently exceeding a 99% collection rate for taxes due and well over 90% of delinquent taxes due. With the recent economic downturn and housing foreclosure crisis, these numbers have understandably seen marked reductions. The city’s ability to collect revenues owed to it are not relegated to property taxes, but include other items like citations, forfeitures, judgments and other miscellaneous account receivables. In 2005 Ald. Terry Witkowski initiated the Outstanding Debt Task Force to attempt to find ways to unlock and collect approximately \$140 million owed the city. The task force’s final report was issued on December 1, 2005, and brought forward 13 recommendations to increase the collection of those outstanding monies, including three that were applicable to the Treasurer’s office. To date, none of the three recommendations has been implemented.

There have been other instances where the Treasurer’s Office has not willingly embraced necessary change. Annually, there is an audit conducted of the Treasurer’s office cashier controls by the Comptroller’s office. The audit is conducted to determine if “cash receipts are properly and timely secured and deposited to the bank and whether daily cash transactions are accurately and timely recorded into the city’s Financial Management Information System (FMIS).” During the last six years these audits have brought forward a mixed review of the department, generally indicating that adequate controls are in place, but also outlining recommendations for strengthening controls and improving services to bring the department to banking industry standards. The problem isn’t that these periodic audits turned up areas for improvement; rather it was the lip service that was given to the adherence of recommendations, while in reality the recommendations were not always being implemented. There were three occasions over this period where employees were found to have stolen money. It appeared evident in at least one of those cases that the implementation of audit recommendations which were ignored could have either prevented or long earlier uncovered the theft.

These instances raised above are not meant to question the sincerity or performance of an office that by all accounts performed its role in an admirable fashion over the past couple

of decades. It however, is indicative of a department that needs a more open mindset and a desire to change and improve.

Financial literacy partnership:

There are many reasons for the significant uptick in bankruptcy filings and foreclosures in Milwaukee and across much of the U.S. in recent years, but one could argue that a lack of financial literacy certainly played a role in a portion of the cases. Until a recent upswing, Americans savings had dipped to the point where roughly only one cent of every dollar earned was being saved. Additionally, with college seniors shouldering an average of \$4,100 in credit card debt and approximately \$24,000 in college debt per graduate, there is a real need for better education on financial matters and credit in Milwaukee and across the U.S.

Although locally there are a few financial literacy initiatives, the Treasurer's office has a role to play in working with Milwaukee Public Schools (MPS) to establish a financial literacy program that can be offered across all MPS middle and high school level schools. The city treasurer in Chicago (Stephanie Neely) established just such a program there with Chicago Public Schools, in partnership with Junior Achievement (JA) and other partners.

Just as MPS partnered with the Milwaukee Fire Department several years ago (following several fire-related deaths of children) to help start the Survive Alive House/Survive Alive Foundation to provide valuable fire safety education to all second and fifth grade MPS elementary school students, the Treasurer's office could partner with JA and the Boys and Girls Clubs (and others) to help create and nurture a comprehensive financial literacy program for all Milwaukee MPS, private and charter students. JA has a wonderful foundation for this with their newly created Biz Town and JA Finance Park hands-on classrooms. All Milwaukee students could make use of the skills being taught by these programs and efforts should be made to expand the educational offerings in this area.

As too many Americans have discovered during this severe economic downturn, there is great value in knowing how to save and invest money, and in making sound economic and financial decisions. If our young people are taught these important principles and lessons early on, the future benefit to the community in the form of greater savings and economic independence, and fewer bankruptcy cases and loan defaults will be worth it.