

File #001773 is a resolution authoring an amendment to the Collection Services Contract between the City and the Kohn Law Firm.

Background

1. A change was made in State law in 1993, which allowed municipalities to collect delinquent taxes against assets held by property owners apart from the tax-delinquent property itself (known as *in personam* collection). Prior to this change municipalities could only collect against other assets to the extent that the delinquency exceeded the value of the tax-delinquent property. The change in the law permitted broader use of this remedy, including use to avoid foreclosing where environmental contamination is suspected. During 1997, an ordinance change was requested by the City Attorney and approved by the Common Council to take advantage of the change in State law.

In conjunction with the change in the code the City Attorney's Office initiated a test program in 1998. The test program was completed in 2000. Approximately, \$1 million was collected during the test phase of the *in personam* program, which involved resolving 21 of 25 actions initiated by the City Attorney.

2. The City of Milwaukee entered into a five-year contractual agreement with Kohn Law Firm on January 1, 1997 whereby Kohn agrees to collect debts that are due to various City departments on delinquent accounts and judgements.

Discussion

1. The City Attorney anticipates continuing the *in personam* program to collect delinquent City real property taxes on an on-going basis. This amendment extends the contract with Kohn Law Firm to include the collection of real property taxes from owners whom the City Attorney has determined should be subject to *in personam* actions in accordance with sec. 304-48-4 of the Milwaukee Code of Ordinances.
2. Kohn expects to collect gross revenues of \$793,000 from *in personam* actions in 2001. The estimated court costs and fees associated with the anticipated collection would be \$185,000 (\$45,000 for court costs and \$140,000 for fees). The City Attorney expects to use \$50,000 budgeted in the Kohn *In Personam* Fees SPA under the City Attorney's authority to cover collection expenses. The City Attorney also has authority over the Collection Contract SPA that was funded at \$1 million for 2001. The Collection Contract SPA was funded at \$525,000 for 2000.
3. The actual fees and costs paid by the City in 2000 from the Collection Contract SPA were \$759,150 of which \$342,850 was paid to Kohn Law Firm. The gross amount collected by the two firms paid through the Collection Contract SPA in 2000 was \$3,054,380. The gross amount collected from the Kohn Law Firm in 2000 was \$982,944.

Fiscal Impact

1. This file anticipates additional collection expenses for 2001 in the amount of \$185,000. The City Attorney anticipates using \$50,000 from the Kohn *In Personam* SPA to pay the initial collection expenses. Additional expenses could possibly be paid from the City Attorney Collection Contract SPA.

Although this file anticipates additional collection expenses for the City, it also means additional revenues. The Kohn Law Firm anticipated additional net revenues for the City in the amount of \$608,000 for 2001 in connection with the collection expenses of \$185,000.

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LRB – Fiscal Review
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