



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

OUTSTANDING DEBT WORK GROUP

Ald. Terry Witkowski, Chair

Lt. Donald Baral, III, Mayor Tom Barrett, Linda Burke, Sheldyn Himle, James Klajbor, Ghassan Korban, Ald. Nik Kovac, Ald. Khalif Rainey, Mark Rohlfing, Sharon Robinson, Lynne Steffen, Rocky Wruck

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Legislative Liaison, Aaron Cadle, 286-8666*

Thursday, July 28, 2016

2:00 PM

Zeidler Municipal Building
DPW Conference Room
Room 708

Meeting convened at 2:10 PM

1. Introduction of Members.

Present 7 - Witkowski, Klajbor, Robinson, Kovac, Himle, Wruck and Riegg

Excused 6 - Burke, Barrett, Korban, Steffen, Rainey and Baral III

Also present:

ACA - Kevin Sullivan on behalf of Linda Burke
DPW Parking - Tom Woznick
Mayor's Office - Budget Office - Jackie Carter
DNS Commissioner - Preston Cole
Deputy Commissioner DNS - Tom Mishefske
Kohn Law Firm - Rob Potrzebowski
Harris & Harris - John Zugschwert
Scott Spiker - Ald. Witkowski's Legislative Assistant
Aaron Cadle - LRB
Brenda Wood - CC CC
Moir Fitzgerald - Lobbyist for Harris & Harris
ACA - Calvin Fermin

2. Review and approval of the minutes from July 14th meeting.

Mr. Klajbor moved approval of the minutes. There were no objections

3. Report by the subcommittee on towing, booting, payment of unpaid citations and adjudication.

will be schedule for a future meeting.

4. Report of the subcommittee reviewing use of the state for some collections.

will be schedule for a future meeting.

5. Discussion of recommendations by departments.

The city Treasurer's recommend three things:

- 1. To supplement the Comptroller's annual report of outstanding receivables, City departments provide receivable collection rates and data so as to frame the December 31 balances in the proper context.*
- 2. Departments that place special charges and assessments on the property tax bill develop easy to read and understandable notices, so that the affected taxpayers understand the ramifications of failure to act and would respond to the notices.*
- 3. Every department that places special charges and assessments on the property tax bill notify the affected taxpayers prior to doing so, thus giving the taxpayers the opportunity to pay the charges due prior to their being added to the tax bill.*

Mr. Mishefske said that he talked to his staff regarding sending out notices prior to tax bills going out alerting owners of unpaid DNS charges that may be placed on their tax bill, it is very problematic for DNS because there are a myriad of different fees that are charged on the tax bill and the tracking of said fees are in multiple data bases. Therefore, to accumulate all the fees that might be administer onto any individual property, department would have to do a variety of data pull for that specific address than bring it all together in a sort of letter explaining the amount and where they originate from which would lead to different sort of enforcement fees. Additionally there are some fees that go directly to the taxes that are not enforcement fees, but service fees.

Ms. Carter asked if any of the data bases are connected with Land Management System. Mr. Mishefske said that some of them are. There may be room to improve that in the future.

Ald. Witkowski said that discussions in the past reflect that some people don't know that is on the tax bill.

Mr. Klajbor said that there is a disconnect that people don't understand that if they don't take care of this while still in DNS's purview, than it gets on the tax bill and there is no compromise nor waiving at that time.

Ms. Wood asked if after the letter is sent, they only have 30-days to appeal.

Mr. Mishefske said that for that particular charge, yes.

Ms. Wood continued asking, do they get any other communication from DNS if they don't pay it before it get placed on the tax bill.

Mr. Mishefske said that they do not get another communication on that specific fee; however, if there are other fees, example re-inspection fees, for any subsequence re-inspection fees, they will receive a total balance and a reminder that if not pay, it will go on the tax bill.

Ms. Wood does not think it is enough notification, for something of this magnitude

that it could lead to even the loss of their home.

Ald. Witkowski asked if there could be a separate page or another insert that indicates this ONLY.

Mr. Mishefske said that certainly, he continues by saying that in those mailings the envelope could include a yellow/Orange insert to reiterate the importance of taking care of unpaid charges/fees before they go onto the tax bill.

Ms. Wood suggested including this feature in the planning of the full implementation of the Land Management System.

Mr. Mishefske said that once system is installed, it may not be 100% operational. Over time this maybe something to be added.

Mr. Wruck said that only a piece of the Accounts Receivables flow through the Comptroller's Office. Considering the Miscellaneous Accounts Receivables this is the only information that Comptroller's has in the accounting system. In order to implement Mr. Klajbor's recommendation, Comptroller is willing to report on the Miscellaneous Accounts Receivables portion for the current year, start with the prior years balance, bill collected/written off, and balance as of the end of year. The larger balances, example Delinquent Taxes or Parking, Comptroller's receives information from the Departments. Comptroller's would rather have departments report on the same day or separately on how much was collected, written off. Mr. Wruck continued saying that Comptroller's Report is more of a summary on a five year trend.

Mr. Klajbor suggested for all department to submit the information to the comptroller's for it to be included as an Appendix to the Comptroller's Report.

Ald. Witkowski added that Council can direct all departments via resolution.

Ms. Robinson wants to clarify that currently Comptroller's compiled totals, not the details of how that number was arrived at.

Ald. Witkowski asked Mr. Klajbor to submit any revised version of his recommendations, if need to after discussion.

Mr. Riegg referred to the last meetings discussion regarding Fire Department receiving payment from uncollected debt that was closed out, they would return the payment. After discussing matter with Comptroller's Office, it was said that they do not have information to guide Fire Department to accept and or process those payments. Mr. Riegg said that after being part of this group discussion, Fire Department will start keeping any payment received after accounts have been closed. Continue to relay on Harris & Harris annual review to ensure all best practices are in place. And look into selling uncollectible debt to a third party for all city collection agencies.

Mr. Harris from Harris & Harris said there will not be a third party interested in buying uncollected debt. There is no EMS debt being sold in the country at this time.

Police Department, although not present submitted one recommendation, to attempt to conduct a media campaign and online publication of those top 100 egregious offenders for outstanding debts and warrants.

Mr. Harris said that there are many cities that want to publicize their top 100 scofflaws/debtors; the biggest issues are that this practice does not collect any monies. It actually causes a PR nightmare.

Ms. Wood added that there could be a possibility to consider highlighting a lower number of scofflaw if worthwhile.

Ms. Himle said that the City Attorneys Office is taking an approach on these egregious offenders by looking at different ways to come to court with greater evidence to help in this effort.

Mr. Sullivan said that Mr. Stephens is cognizant of this and that he makes the distinction between efforts designs to simply collect dollars vs efforts that might not collect dollars, but could have some salutary effect in terms of business practices or conduct or future ways of proceeding.

*Mr. Mishefske presented recommendations by DNS
Don't transfer tax debt to State for collections. Existing collection processes through Treasurers office and Kohn Law Firm have been highly successful (per Jim Klajbor's presentation).*

Continue to place uncollected DNS fees (along with fees from other departments) on the tax roll as a special charge. Even Kohn Law firm agrees that the City's collection of tax debt is highly successful.

Ald. Witkowski mentioned that if anyone disagrees with any of the recommendations presented, to please say so, since these will be assumed and be part of the Work Group's formal recommendations.

Mr. Mishefske added another recommendation. The City of Milwaukee has a Rent Withholding Ordinance where by Tenants who reside in properties that have unabated building code violations, can chose to send their rent check directly to DNS. Money is kept in an Escrow Account until such time that owner abates the code violation(s). At which time DNS returns the money (minus administrative costs) back to the property owner. Few people chose to do that, but in cases where DNS has collected funds, and the violations are subsequently abated, can DNS divert the funds to pay outstanding delinquent property taxes? There may be landlords that may owe taxes to the City, either on the same subject or other properties. The consideration for this group is, taking into account the legality of this measure and the City's Attorney's opinion, to change the ordinance to enable DNS to withhold or not release those funds upon abatement of the code violation(s), but then transfer those funds to the Treasurer's Office so it can be applied to either delinquent taxes on the subject property and/or other tax delinquent properties owned by the same owner.

Ms. Wood suggested for DNS to implement by written agreement. She also asked how the City notifies tenants about this.

Mr. Mishefske said that when violations become overdue, DNS send to the tenant an application for Rent Withholding. Not a lot of tenants participate since they believe that landlords can indeed evict them.

The Comptroller's Office recommends that a 1.5% per month interest charge be added to all overdue invoices processed through FMIS, starting in 2017. This change in policy may require the drafting of an ordinance allowing the charging of interest on overdue invoices.

Including all departments' recommendations, Mr. Cadle added recommended determining if the City can draw upon Wisconsin Department of Revenue records to obtain debt-collection relevant information (e.g., Social Security numbers) on City

debtors. If the City has such access, steps should be taken to use this debt-relevant information to increase the effectiveness of City debt collection. If the City lacks such access, steps should be taken to acquire it.

Mr. Klajbor asked if the City Attorney's Office had a chance to look into this since every municipality is an instrumentality of the State, so if the State has that data can they share with the City, unless prohibited by law.

Mr. Sullivan is not prepared to give an answer at this time.

Mr. Harris said that purchasing social security information is easy; Job information is more difficult to obtain.

Recommend the City review its policy on using Section 812.34 of the Milwaukee Code of Ordinances to attach wages of delinquent City debtors, and make recommendations, if appropriate, to use this ordinance to improve City debt collection.

Recommendations by DPW include:

1. Re-initiate a process which allowed City staff at the Tow Lot to schedule a court date for customers who wish to adjudicate past due citations. Although it has been several years since Tow Lot staff has actively used this tool, we do have the ability to schedule a court date and are moving forward with the necessary steps to provide this option for customers.
2. Continue to pursue changes to the Wisconsin State Statutes to authorize cities to tow and/or boot any vehicle with 3 or more unpaid parking citations (currently we only have the ability to tow illegally parked vehicles), which is currently part of our State Legislative Package.

Mr. Klajbor asked what has been the hesitation to implement this recommendation.

Ms. Wood said that this item was included in the 2007 budget and it was vetoed by then, Governor Doyle because he thought it was too punitive measure. IRD will be approaching it from the adjudication angle in the future.

3. Recommend the creation of a work group with representation of DPW, Municipal Court, City Attorney Office, and the Common Council be formed to determine the recommended adjudication time frame to be included as part of an ordinance proposal for this purpose. City Attorney Office has raised questions related to process – court process, staffing considerations, changes required to citations (specifically dates) – which need further evaluation.

Mr. Klajbor asked to add Comptroller's Office, Budget Office, IRD to recommendation #3.

4. Recommend consideration of an ordinance to boot illegally parked vehicles as booting may be a more effective method of creating compliance and potentially less inconvenient for customers.

5. Evaluate options for current debt which is deemed as reasonably uncollectible (\$16.9M).

6. Consider adding a collection fee to past due parking tickets (Duncan Solutions proposal attached).

Although Municipal Court has not yet been able to fully research possible impact of making this shift, but presented some information to consider.

Placing all overdue non-B&Z Court judgments with the State Debt Collection agency would mean:*

Pros

- *No collection fees paid by the City***
- *No DL suspension for defendants on traffic cases and juvenile municipal cases for Failure to Pay*
- *No Arrest Warrants issued for Failure to Pay Judgment when it carries a jail alternative (non-traffic/non-juvenile)*

Cons

- *An additional \$35 or 15% collection fee added to the offender's debt may be seen by some members of the community as punitive (as I discussed briefly with Ald. Kovac, we will look at how many of our judgments are below the 15% threshold of about \$233)*
- *SDC takes their fee first*
- *The court doesn't always have a SSN, DL or Federal Employer ID number for each case, so we'd need to engage those services – I don't know what percent of our caseload this might represent, but will see if we have an easy means of looking into it.*
- *SDC takes placement when 90 days past due – currently, court debt is placed in collection and TRIP at 10-21 days past due*

While I placed no DL suspension and no Arrest Warrants in the Pros category, they could also be viewed as Cons since they represent an immediate consequence for violating the law and then not paying for that violation. Because if the debt is ultimately uncollectible, I think it becomes a question of: are we comfortable – from a policy standpoint – creating a situation where there is no consequence for violating the law for some but not all?

** I need to talk with the Asst. City Attorney managing the docketing of judgments related to property cases with Circuit Court. My understanding is that this is generally done long before the case is 90 days overdue. I don't currently know what would result in greater benefit to the City. I will report back on it as soon as I know more.*

*** I didn't see this in their materials, but perhaps they mentioned it. If we place debt with them, and they engage in collection activities but are unable to collect anything, do they require the City to pay for that collection activity? Or do they only collect a fee when their collection efforts are successful?*

6. Discussion of Harris and Harris recommendations.

Mr. Harris distributed written recommendations (attached to file 160350) to the Work Group and committed to be back at the September meeting to continue discussion.

7. Discussion on TRIP fee differences.

This topic will be rescheduled for next meeting.

8. Discussion on selling debt.

This topic will be rescheduled for next meeting.

9. LRB Report.

The plan is that LRB Report will be presented at the October 24, Judiciary and Legislation Committee meeting.

10. Discussion on centralization of debt collection.

The Budget and Management Division is supportive of exploring this idea. However, such efforts would require a more thorough and comprehensive review of how the potential changes would impact the departments involved. We would also need to review the benefits and risks so the Outstanding Debt Work Group can make the most informed decision. There are a number of questions that need to be answered before any decisions are made about how consolidated collections could be implemented if a decision is made to do so. Some of the questions include;

- How many positions, and at what FTE percentage, are involved in collection efforts in each department? Would/Could those positions be part of a new collections structure?*
- What legal requirements within the current departments must be considered to implement consolidated efforts without compromising compliance?*
- What's the most effective way to consolidate while remaining in compliance with the varying state and local requirements of each department?*
- What would be the responsibilities of the department charged with managing collections and what would need to be managed by an outside agency or agencies?*
- How would City purchasing practices impact the way a debt collection contract could be set up?*
- How would the transition be timed, given existing contracts?*
- Are there specialized areas of expertise that would be difficult to replicate through a consolidated effort?*

Given the amount of information and time that this project would require and the demands of the 2017 budget process, we suggest that the idea of consolidation be addressed after the 2017 budget is adopted.

11. Other recommendations.

Meeting adjourned at 4:19 PM