

LRB - RESEARCH AND ANALYSIS SECTION

MARCH 19, 2007

ITEM 7, FILE 061234

JUDICIARY & LEGISLATION COMMITTEE

RICHARD L. WITHERS

File #061234 is a substitute resolution authorizing and approving a contract for collection services of overdue municipal court judgments with Harris & Harris, Ltd.

Background and Discussion

1. Since 2002, the firm Professional Placement Services (PPS) has serviced overdue Municipal Court judgments on behalf of the City of Milwaukee. A 5-year contract with PPS was scheduled to expire on March 31, 2007 and has been extended for one month to accommodate the transition to a new contractor.
2. On July 31, 2006, the Common Council passed Resolution # 060162, authorizing the City Attorney to request proposals for the contract for the collection services of overdue municipal court judgments.
3. The City Attorney placed multiple advertisements in 3 newspapers seeking proposals. Nearly 500 contacts were also made through an e-notify message sent by the City Purchasing Director. The RFP process, and elements of the proposed contract, reflect recommendations made by the Outstanding Debt Task Force.
4. Six firms submitted proposals meeting the basic requirements of the Request For Proposals (RFP).
5. A team of evaluators that included the Presiding Municipal Court Judge, the Municipal Court Administrator, the City Purchasing Director and representatives of the Office of the City Attorney conducted interviews with the RFP respondents. The highest ranked proposer is Harris & Harris, Ltd., a nationally licensed debt collection firm located in Illinois. Criteria for ranking included: service delivery capabilities; expertise and experience; fees; and the extent that the proposer can accommodate City requirements that include open records processes and Emerging Business Enterprise (EBE) requirements.
6. This resolution approves a 5-year contract for collection services of overdue municipal court judgments with Harris and Harris, Ltd., commencing May 1, 2007.
7. Harris & Harris, Ltd., will subcontract legal work in Milwaukee and the State of Wisconsin to the Case Law Firm located in downtown Milwaukee. Collections work will also be assigned to Credit Management Control (Gary Anzalone, Chairman and CEO). Victory Personnel Services, Inc., has been identified as the EBE sub-contractor. The same firm provides sub-contracted services in City collection activities under the Kohn Law Firm contract. The proposed Harris & Harris, Ltd., contract requires Harris & Harris, Ltd., to assign 25% of claims referred by the City to an EBE with the goal of 18% financial participation.

8. The proposed contract sets fees for amounts collected at 16.5% except fees for amounts collected through the Wisconsin Tax Refund Intercept Program (TRIP) which are set at 6%. Cases referred for legal services will be reimbursed at 24% of the amount collected and at 27% in cases where litigation has been initiated. The fee structure of the present contract with Professional Placement Services, LLC, as amended in File # 041393, provides PPS with fees equal to 24% of the amounts collected except for TRIP collection fees which are set at 19%. Currently, PPS is paid fees equal to 30% of amounts collected upon referral for legal action whether or not litigation is actually initiated.

<u>Current Collections Fees</u>		<u>Proposed Collection Fees</u>	
Collections	24 %	Collection	16.5 %
TRIP	19 %	TRIP	6 %
Legal Referral	30 %	Legal Referral	24 %
Litigation	30 %	Litigation	27 %

9. Payments to Harris and Harris, Ltd. will be made from the Collection Contract special projects account, administered by the City Attorney's office. This account also makes payments separately to the Kohn Law Firm. The 2007 budget provides \$1.25 million in funding for the account. It is anticipated that \$810,000 will be paid annually under the proposed contract.

Fiscal Impact

This resolution will result in expenditures of up to \$810,000 annually from the City Attorney Collection Contract special projects account for the purpose of contracting collection services of overdue municipal court judgments with Harris & Harris, Ltd. Amounts paid under this contract represent a portion of the amounts to be collected.

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