

**LRB-FISCAL REVIEW SECTION ANALYSIS**

**FINANCE AND PERSONNEL COMMITTEE**

**ITEM 9, FILE # 030491**

**JULY 30, 2003**

**MARK A. RAMION**

File # 030491 is a resolution authorizing a \$550,000 appropriation from the Common Council Contingent Fund to the City Attorney Collection Contract Special Purpose Account.

**Background**

1. This resolution appropriates \$550,000 from the Common Council Contingent Fund to the City Attorney Collection Contract Special Purpose Account to fund collection activity service for the remainder of 2003 for city receivables and overdue Municipal Court judgments.
2. The Collection Contract account funds private collection agencies' contracts with the city for the collection of outstanding personal property taxes. This account has, in the past, generated over \$4 million in annual net revenue for the city.
3. The Collection Contract was budgeted for \$1 million for 2003 and has a current balance of \$118,379.

**Discussion**

1. The Collection Contract funds the activities of the Kohn Law Firm (city receivables) and Professional Placement Services (PPS), L.L.C. (overdue Municipal Court judgments).
2. The success of the tax interceptor program with the State of Wisconsin in collecting municipal forfeitures generated \$1.1 million in February 2003 alone. This success has led to collection activities, and increased commissions for Kohn and PPS, greater than anticipated.
3. PPS receives a fee of 24% of the receivables collected and are funded for this portion through the Collection Contract SPA.
4. Through June 19, 2003, Kohn Law Firm has billed \$160,879. PPS, through May 2003 has billed for \$724,742.
5. Through June 30, 2003, PPS has collected \$3,167,313 in overdue judgments with \$1,870,500 of that amount from the tax intercept program.
6. Using an average amount of 20% commission, the Kohn Law Firm has collected approximately \$804,394 in city receivables through June 19, 2003.

7. The continuation of collection activities for 2003 is based upon funds available to pay these collection agencies.

**Fiscal Impact**

1. The total amount of this resolution is \$550,000, to be expended from the 2003 Common Council Contingent Fund.
2. On July 28, 2003 the Contingent Fund had a balance of \$3,896,994. Upon approval of this resolution, the Contingent Fund will have a balance of \$3,346,994 (33%) expended.

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LRB-Fiscal Review Section  
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