

City of Milwaukee
Outstanding Receivables Report



Martin Matson
Comptroller

CCFN
150426

June 2015

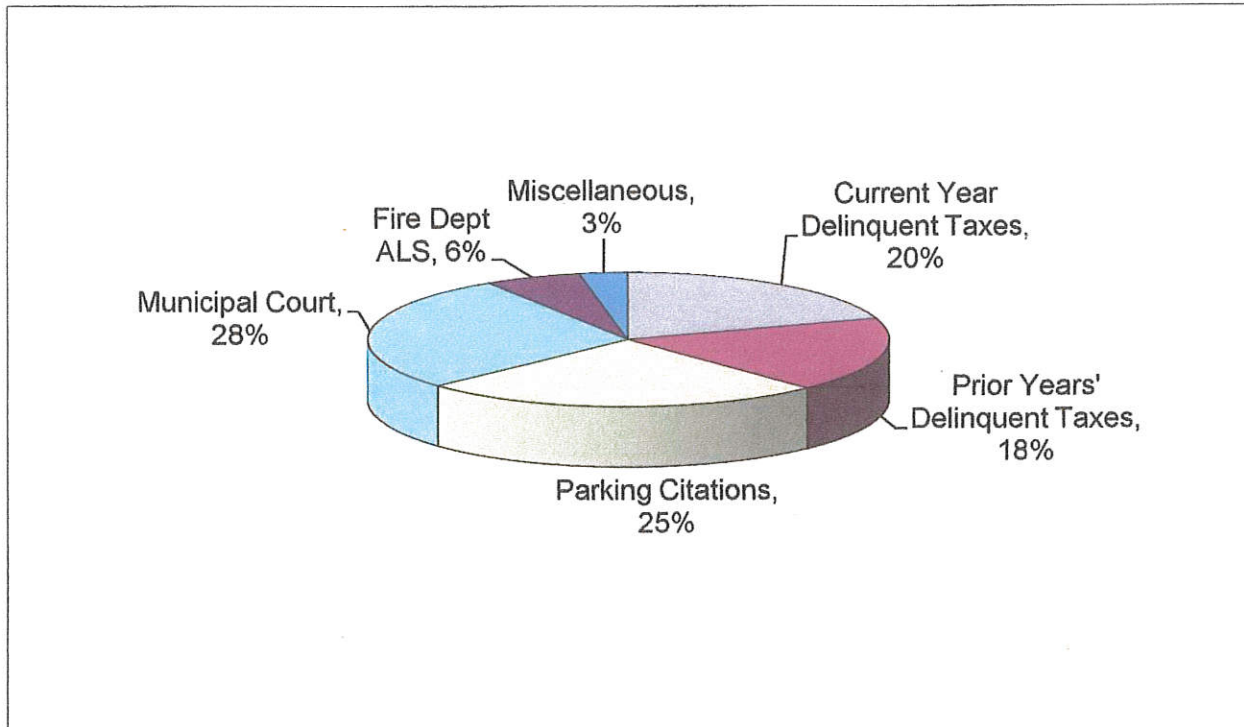
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Introduction

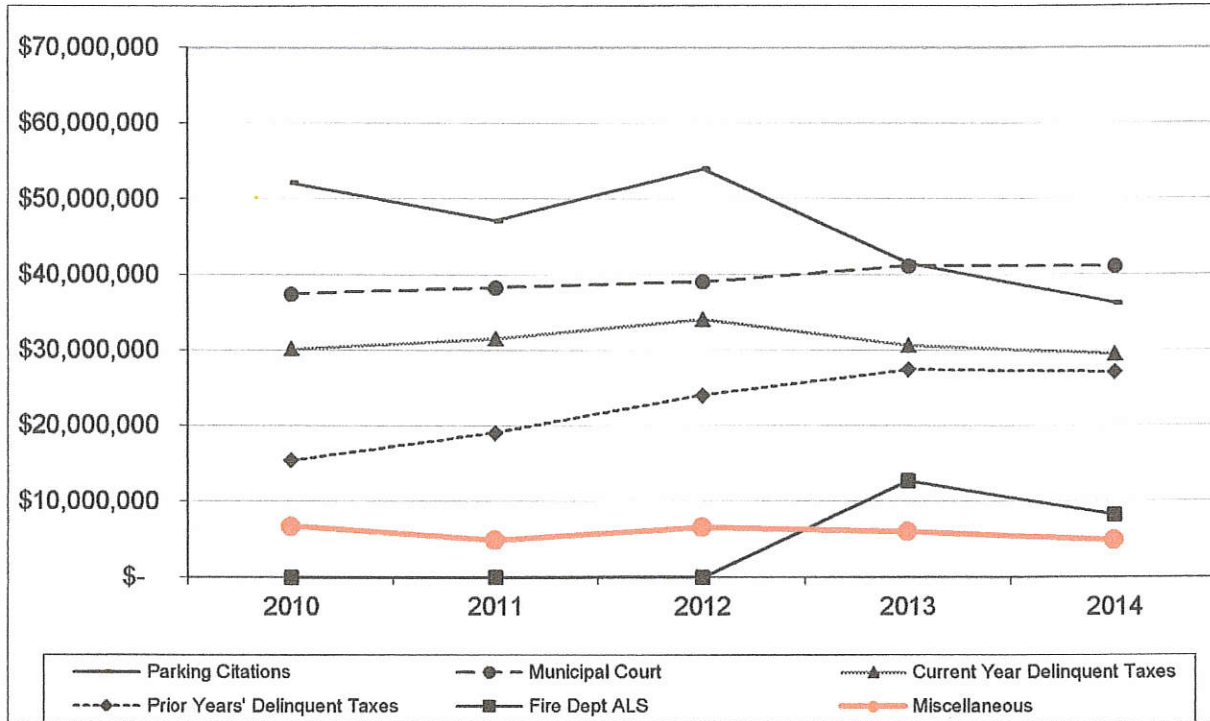
The Comptroller's 2015 Report on Outstanding Receivables as of December 31, 2014, (unaudited) is being issued as required by Ordinance 304-1-5. The report provides summary information on City outstanding receivables including Delinquent Taxes, Parking Fund Citations, Municipal Court Judgments, Miscellaneous Accounts Receivable, and the Fire Department Advanced Life Support (ALS) Billings.

Outstanding Receivables as of December 31, 2014



Outstanding receivables for the City of Milwaukee as of December 31, 2014, total \$147.3 million. The largest category of outstanding receivables is Delinquent Taxes, totaling 38%. Current Year Delinquent Taxes (2013 taxes for 2014 purposes) account for 20% of this total, while Prior Years' Delinquent Taxes (2012 taxes and prior) total 18%. Municipal Court outstanding judgments and Parking Citations are the next largest categories, 28% and 25% respectively. Fire Department Advanced Life Support (ALS) Billings total 6% while Miscellaneous Accounts Receivable is the smallest category totaling 3%.

Outstanding Receivables at Year End 2010 – 2014



	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Parking Citations	\$ 52,158,000	\$ 47,150,000	\$ 53,965,000	\$ 41,537,000	\$ 36,252,000
Municipal Court	37,479,000	38,319,000	39,101,000	41,186,000	41,131,000
Current Year Delinquent Taxes	30,237,000	31,590,000	34,146,000	30,717,000	29,548,000
Prior Years' Delinquent Taxes	15,465,000	19,080,000	24,081,000	27,489,000	27,156,000
Fire Department ALS Billings	-	-	-	12,766,000	8,267,000
Miscellaneous	6,734,000	4,878,000	6,622,000	6,058,000	4,909,000
TOTAL	\$ 142,073,000	\$ 141,017,000	\$ 157,915,000	\$ 159,753,000	\$ 147,263,000

Outstanding receivables, by category from 2010 through 2014, are shown in the chart and table above. Total 2014 receivables decreased \$12.5 million compared to 2013. Moreover, the 2014 balances in all categories reported decreased compared to prior year.

Prior year's delinquent taxes receivable experienced the largest increase over the five year period, increasing from \$15.5 million in 2010 to \$27.2 million in 2014. However, this category decreased \$333,000 in 2014 from the prior year. Current year delinquent taxes receivable decreased from \$30.2 million to \$29.5 million during this time period.

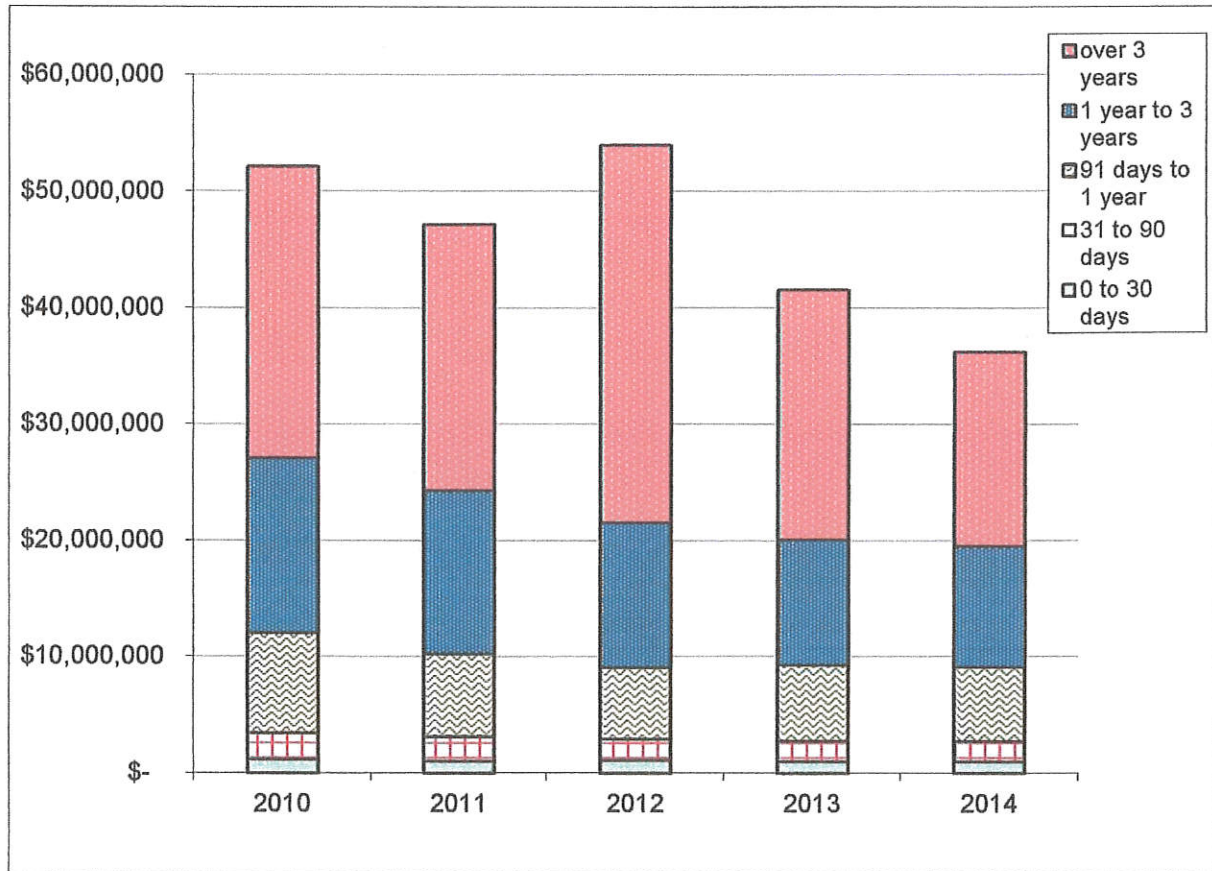
Municipal Court receivables increased from \$37.5 million in 2010 to \$41.1 million in 2014 but decreased \$55,000 from 2013.

Parking citations decreased from \$52.2 million in 2010 to \$36.3 million in 2014, a \$15.9 million drop. Outstanding 2014 parking citations, decreased \$5.3 million compared to 2013.

Miscellaneous accounts receivable, which includes billings by various general city departments, decreased from \$6.7 million in 2010 to \$4.9 million in 2014.

The Parking Fund writes off delinquencies that are six years old and older, due to the statute of limitations rendering these uncollectible. Miscellaneous receivables and tax delinquencies of \$5,000 or more may be cancelled or adjusted through Common Council action. An interdepartmental process is followed for delinquencies less than \$5,000. Municipal Court judgments are settled either through cash fines, jail time or community service. Judgments that are at least seven years old, and meet City Attorney criteria, may be written off pursuant to Common Council resolution authorizing such write-offs.

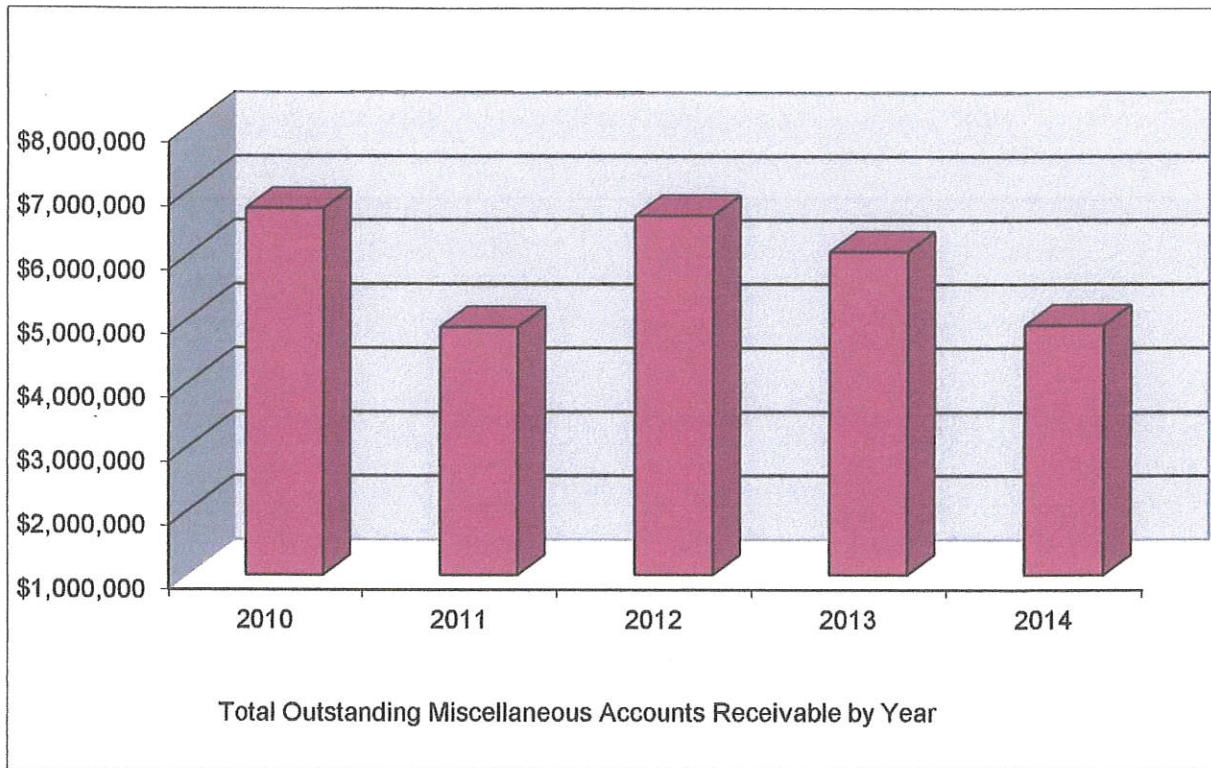
Parking Fund Receivables Aging



The chart above shows the aging of parking citation outstanding receivables from 2010 to 2014. More than half of the current outstanding balance for parking citation receivables is considered unlikely to be collected due to lack of registered owner information, citations issued to out of state vehicles, and the age of outstanding citations.

Parking citations were \$52.1 million in 2010 and were \$36.3 million in 2014. This reduction is due to the write-off of uncollectible receivables and the use of the State Tax Refund Intercept Program (TRIP).

Outstanding Miscellaneous Accounts Receivable



	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Clerk	\$ 1,000	\$ 1,000	\$ 28,000	\$ 66,000	\$ 28,000
City Attorney	83,000	-	-	137,000	48,000
City Development	297,000	297,000	297,000	29,000	30,000
Comptroller	222,000	255,000	268,000	311,000	270,000
Employee Relations	1,269,000	443,000	1,835,000	565,000	261,000
Dept of Administration	22,000	23,000	23,000	218,000	159,000
Fire Department	60,000	48,000	112,000	73,000	196,000
Health Department	101,000	89,000	60,000	45,000	53,000
Police Department *	1,640,000	1,641,000	1,641,000	1,641,000	1,641,000
Port of Milwaukee	957,000	929,000	838,000	800,000	709,000
Public Works	2,066,000	1,152,000	1,508,000	2,166,000	1,498,000
Treasurer	16,000	-	12,000	7,000	16,000
TOTAL	\$ 6,734,000	\$ 4,878,000	\$ 6,622,000	\$ 6,058,000	\$ 4,909,000

* \$1.636 million of the Police Department receivable was written off through Council resolution #141792 adopted 3-31-15.

The above chart and table show the change in outstanding miscellaneous accounts receivable by year for various City departments. Miscellaneous accounts receivable includes a variety of billings, such as damages to City property, leasing of City property, and employee health care costs to non-City agencies such as the Wisconsin Center District. In total, the year-end balance for outstanding miscellaneous receivables decreased \$1.8 million, or 27%, from 2010 to 2014.



OFFICE OF THE CITY TREASURER

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THE CITY OF MILWAUKEE DOES NOT HAVE A DELINQUENT TAX COLLECTION PROBLEM

The tax collection process utilized by the Milwaukee City Treasurer has proven very effective. The City Treasurer collects 99¢ of each city property tax dollar levied. This is one of the best tax collection rates in the country.

Outstanding delinquent taxes DO NOT adversely affect citizens and businesses through cuts in service or increased taxes.

Here is why:

The City of Milwaukee borrows funds annually in the amount of the delinquent property taxes outstanding as of December 31st for the past levy year, allowing the Delinquent Tax Fund to purchase the tax receivables, making the General Fund whole, which precludes any adverse effect on City services or the ensuing tax levy.

The tax principal, interest, and penalty charges collected on the delinquent tax accounts are sufficient to cover both the debt service on the funds borrowed and the costs of collection.



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Overview of the General Real Estate Property Tax Collection Process

Under Wisconsin State Statutes, the Milwaukee City Charter, and the City of Milwaukee Code of Ordinances, the City Treasurer is responsible for tax collection and enforcement. The Wisconsin State Constitution mandates uniform taxation and tax enforcement. The City Treasurer has no authority to compromise the tax principal due or to waive interest and penalty charges.

As the City of Milwaukee is the only city of the first class within the State of Wisconsin, it operates differently than other municipalities relative to tax collection. The City of Milwaukee can pursue both in personam judgments by civil suit and in rem foreclosure judgments to enforce property tax collection. Delinquent tax parcels first become eligible for in rem foreclosure one year after going tax delinquent, while an in personam action can be pursued once a delinquent tax certificate is issued.

Under the terms of a 1987 intergovernmental service agreement, the City of Milwaukee purchases the delinquent tax receivables of Milwaukee County on an annual basis and keeps the interest and penalty collected on these receivables. This consolidates tax collection with the City Treasurer and provides for a more efficient and convenient process for City of Milwaukee taxpayers.

As the goal of the City Treasurer is to collect the property taxes levied and not acquire tax delinquent parcels, the City Treasurer utilizes a three phase tax enforcement process that maximizes tax collections, while minimizing delinquent tax parcel acquisition.

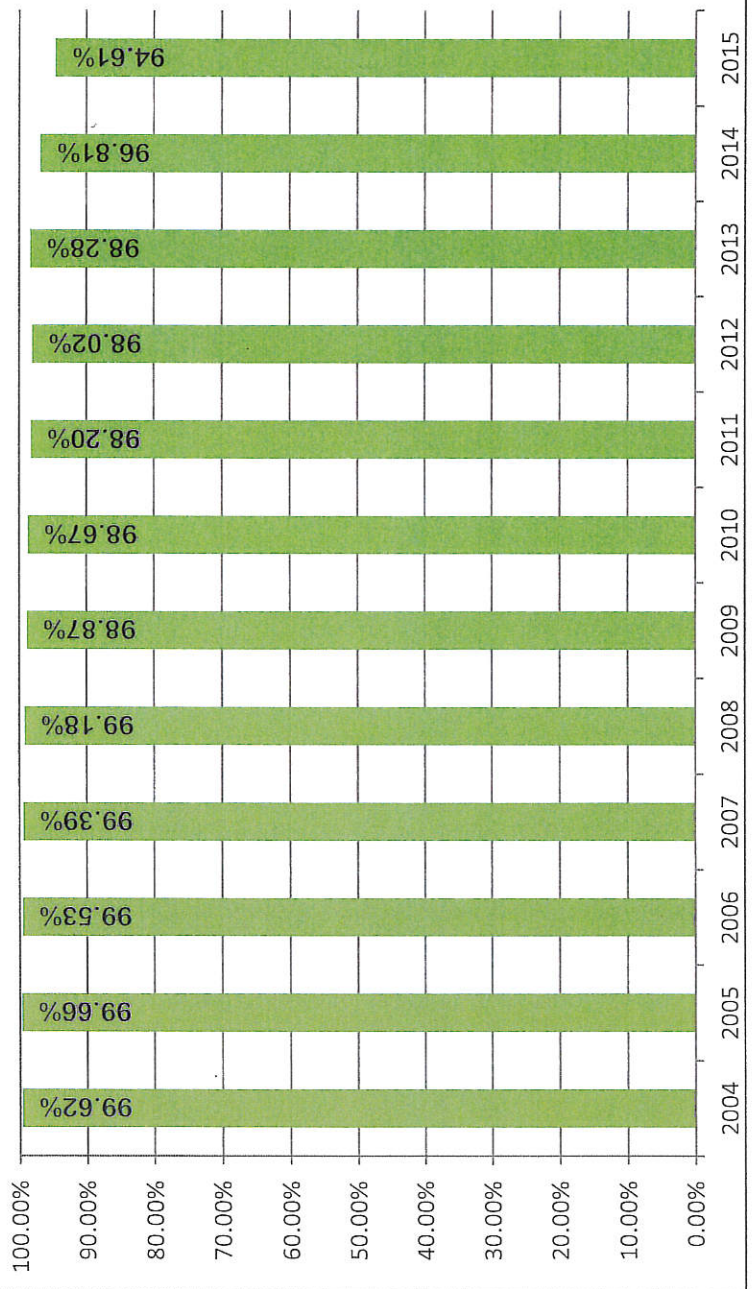
The first phase of the tax enforcement process is in-house collection. This phase includes a series of four collection letters from the City Treasurer and one collection letter under the signature of an Assistant City Attorney.

In the second phase, tax accounts that remain unpaid are referred to the City of Milwaukee collection law firm, the Kohn Law Firm, for a period of twelve months where the collection law firm works the accounts, makes payment arrangements, pursues in personam judgments where deemed advisable under the established City guidelines, and pursues post judgment remedies, such as wage garnishments and rent attachments, where deemed advisable.

In the third and final phase, as a last resort, the City Treasurer pursues in rem foreclosure against those tax parcels that remain delinquent. The affected tax delinquent property owners and all other interested parties, such as mortgagees and other lien holders, are notified by certified mail of the in rem tax foreclosure action being filed in Milwaukee County Circuit Court.

The three phase tax collection and enforcement process utilized by the City Treasurer since 2000 has proven very effective. The City Treasurer collects 99¢ of each city property tax dollar levied and near 90% of City property tax delinquencies. This is one of the best tax collection rates in the country.

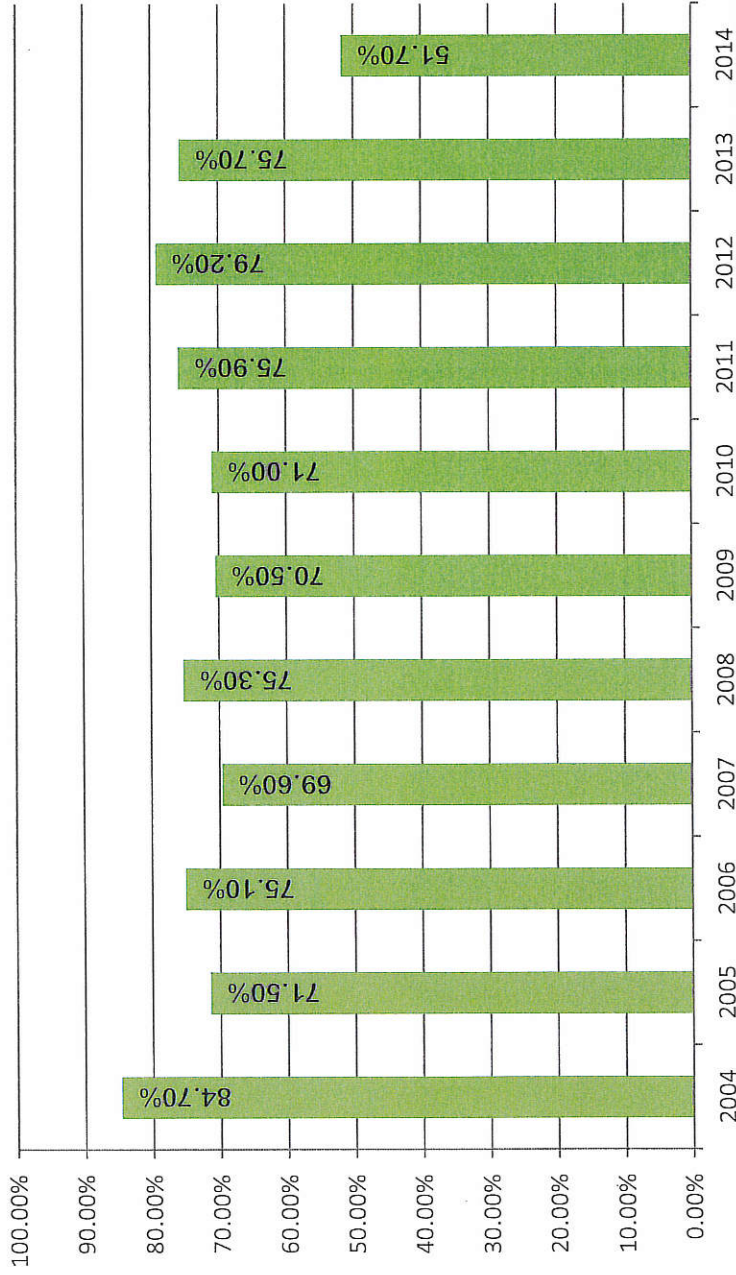
Office of the City Treasurer - Milwaukee, Wisconsin
2004 - 2015 City Tax Levy Collection Rates
 as of June 6, 2016



Average Collections 2004 - 2012
City Levy: 99.02%

Tax Enforcement Phase
 Phase 1 - In-house Collection - 2015 Levy
 Phase 2 - At Collection Law Firm - 2014 Levy
 Phase 3 - In Rem Tax Foreclosure - 2013 Levy

Office of the City Treasurer - Milwaukee, Wisconsin
Kohn Law Firm Collection Rates for 2004 - 2014 Levy Taxes
as of June 6, 2016



Average Collections 2004 - 2014
72.75%

2014 Taxes are in Enforcement Phase 2

Kohn Law Firm

Summary of Tax Collections and Fees

Year	Taxes Collected	Fees	Fees as a % of Collections
2010	\$ 14,316,186.35	\$ 1,526,869.61	10.67%
2011	\$ 14,835,176.42	\$ 1,569,338.80	10.58%
2012	\$ 15,629,911.49	\$ 1,731,878.82	11.08%
2013	\$ 18,882,834.84	\$ 1,992,840.54	10.55%
2014	\$ 23,026,127.29	\$ 2,525,498.76	10.97%
2015	\$ 21,288,721.94	\$ 2,324,423.98	10.92%
	<u>\$ 107,978,958.33</u>	<u>\$ 11,670,850.51</u>	<u>10.81%</u>

**Report to the Outstanding Debt Work Group
Municipal Court Collection Practices
June 16, 2016**

Current Collection Practices

Cases are assigned to collections once they are more than 10 - 21 days overdue. The contract for collections is currently held by Harris & Harris (H&H). As part of assignment to collections, H&H immediately certifies the debt with the Wisconsin Tax Refund Intercept Program (TRIP).

After 90 days, if H&H has been unable to begin collecting the debt, the collection effort is escalated to their law firm for legal services. The defendant will be notified of the debt and collection activities by the agency's law firm, which may garner better results than the previous collection agency efforts. If, after 24 months, H&H has exhausted all efforts and it is not known whether the defendant has assets the debt will be returned to Municipal Court. Beyond that amount of time, continued collection efforts are unlikely to produce results if they haven't already.

If the collection agency has been able to determine that the defendant has assets, the debt may be referred to Kohn Law Firm for litigation and the Office of the City Attorney will file a transcript of judgment (a property lien) with Milwaukee County Circuit Court.

Uncollected debt that has been returned by H&H after 24 months may be again placed with the collection agency at a later date, depending on the reason it was returned. For reasons that may change over time, such as the ability to locate a defendant or a change in their financial situation, debt is reassigned after 6 months so that H&H can attempt collections again (including TRIP certification).

The current contract for collections provides that a percentage of the debt collected be paid to the contractor in the following amounts:

- 14.95% - with the following exceptions:
 - 4.9% for amounts collected through TRIP
 - 21.95% for amounts collected through non-litigation legal services
 - 25% for amounts collected as the result of litigation

Collection activity may temporarily be placed on hold. Such situations may include the reopening of a judgment, the Court granting an extension of time to pay or notification that the defendant is in bankruptcy.