

# CITY OF MILWAUKEE FISCAL NOTE

A) DATE May 28, 2002

FILE NUMBER: 020209

Original Fiscal Note  Substitute

SUBJECT: Resolution authorizing an amendment to the contract between the City of Milwaukee and the Kohn Law Firm.

B) SUBMITTED BY (Name/title/dept./ext.): James L. Hanna / Deputy City Treasurer / Office of the City Treasurer / Extension 3761

C) CHECK ONE:  ADOPTION OF THIS FILE AUTHORIZES EXPENDITURES  
 ADOPTION OF THIS FILE DOES NOT AUTHORIZE EXPENDITURES: FURTHER COMMON COUNCIL ACTION NEEDED. LIST ANTICIPATED COSTS IN SECTION G BELOW.  
 NOT APPLICABLE/NO FISCAL IMPACT.

D) CHARGE TO:  DEPARTMENT ACCOUNT (DA)  CONTINGENT FUND (CF)  
 CAPITAL PROJECTS FUND (CPF)  SPECIAL PURPOSE ACCOUNTS (SPA)  
 PERM. IMPROVEMENT FUNDS (PIF)  GRANT & AID ACCOUNTS (G & AA)  
 OTHER (SPECIFY) - Delinquent Tax Fund

E) PURPOSE	SPECIFY TYPE/USE	ACCOUNT	EXPENDITURE	REVENUE	SAVINGS
SALARIES/WAGES:					
SUPPLIES:					
MATERIALS:					
NEW EQUIPMENT:					
EQUIPMENT REPAIR:					
OTHER:	Collection Agent Fees	634005-0110-2210-2645-R999-2002	T B D		
TOTALS					

F) FOR EXPENDITURES AND REVENUES WHICH WILL OCCUR ON AN ANNUAL BASIS OVER SEVERAL YEARS CHECK THE APPROPRIATE BOX BELOW AND THEN LIST EACH ITEM AND DOLLAR AMOUNT SEPARATELY.

<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	If this pilot program proves successful and is implemented on an annual basis, expenditures would be incurred in future years.
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	
<input type="checkbox"/> 1-3 YEARS	<input type="checkbox"/> 3-5 YEARS	

G) LIST ANY ANTICIPATED FUTURE COSTS THIS PROJECT WILL REQUIRE FOR COMPLETION:

H) COMPUTATIONS USED IN ARRIVING AT FISCAL ESTIMATE:

PLEASE LIST ANY COMMENTS ON REVERSE SIDE AND CHECK HERE

## **ADDITIONAL COMMENTS:**

The purpose of the pilot program is to test the effectiveness of having the collection agent "work" delinquent real estate tax accounts for a period of time, in this case three months, prior to the City taking legal action. Currently, the Office of the City Treasurer pursues foreclosure actions against delinquent tax parcels with the exception of some brown field parcels and some small balance accounts, which are being pursued in personam. The City Treasurer believes that by having the collection agent work the accounts first, prior to legal action being initiated, the number of tax accounts requiring legal action will be reduced, resulting in fewer foreclosure actions, reducing the number of petitions for vacated judgments, and decreasing the City's inventory of properties acquired through foreclosure that it must maintain.

The fees to be paid to the collection agent are based on three factors:

1. The rate to be paid;
2. The amount transferred to the agent for collection; and
3. When the agent affects collections.

The contract amendment before the Common Council calls for a rate of 10% on collections made. This is a very competitive rate that is about 1/3 of current market rate for collection agents.

The amount to be transferred to the agent for collection is not yet known. At present, 1,942 delinquent tax accounts are in the pilot program. A letter was sent to the affected taxpayers in early May informing them that if full payment on their respective delinquent tax accounts was not received by the end of the May collection cycle, their accounts would be transferred to the Kohn Law Firm for collection in mid June. A number of taxpayers will pay their delinquency to avoid dealing with the collection agent, reducing the amount to be transferred to the agent and subsequently the fees to be paid to the agent. The threat of account transfer to the collection agent does serve as a "stick" in the enforcement of delinquent taxes.

As interest and penalty continue to accrue each month a tax account is delinquent, when the agent affects collection factors into the fee to be paid to the agent. As this is a pilot program, there is no experience on which to forecast when collections will be made and how much in fees will be paid.

The Office of the City Treasurer believes that the pilot program is worth pursuing to reduce the number of tax accounts requiring legal action, resulting in fewer foreclosure actions, reducing the number of petitions for vacated judgments, and decreasing the City's inventory of properties acquired through foreclosure that it must maintain.