



Milwaukee Police Department

Bus Checks 2012-2018 | City of Milwaukee

July 12, 2018

Milwaukee Police Department

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 Office of Management, Analysis & Planning
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Bus Checks 2012-2017 Average by District

District	2012	2013	2014	2015	2016	2017	2018*	2012-2017 Average
District 1	1,764	1,472	522	1,350	4,144	2,284	178	1,922.7
District 2	3,808	6,345	1,828	5,363	3,481	1,983	541	3,801.3
District 3	4,180	2,302	1,926	5,094	3,706	1,952	483	3,193.3
District 4	4,271	1,684	1,175	1,081	1,032	1,185	1,905	1,738.0
District 5	5,747	4,381	2,727	4,666	3,864	2,325	428	3,951.7
District 6	2,025	1,580	432	325	1,267	1,323	154	1,158.7
District 7	3,382	3,532	1,166	2,231	2,501	2,529	499	2,556.8
Unknown**	94	230	225	1,276	1,452	977	200	709.0
Total	25,271	21,526	10,001	21,386	21,447	14,558	4,388	19,031.5

**Police district field is based on the police reporting districts, unknown category is due to the reporting district field not being filled out.

Month	2012	2013	2014	2015	2016	2017	2018*
January	1,842	2,954	1,848	3,634	2,704	2,297	1,312
February	3,249	3,780	1,260	3,278	2,481	2,056	1,154
March	2,761	2,913	1,080	2,634	2,106	1,928	819
April	2,185	2,389	647	1,852	1,651	1,215	536
May	2,423	1,786	442	1,516	1,286	825	320
June	1,511	965	294	891	1,655	924	198
July	1,552	890	305	1,127	1,140	804	48
August	1,267	816	254	1,369	733	999	0
September	1,373	913	251	994	1,000	760	0
October	1,698	1,150	1,113	953	1,568	960	0
November	1,773	1,067	875	1,001	1,719	806	0
December	3,637	1,903	1,632	2,137	3,404	984	0
Total	25,271	21,526	10,001	21,386	21,447	14,558	4,388

Bus checks were obtained from the Computer Aided Dispatch System (CAD) for the time period of January 1-December 31, 2012-2017. *Year to date January 1-July 11, 2018.

County Delinquent Tax Payment and Collection

Background on Intergovernmental Agreement

The City and County currently have an intergovernmental cooperation agreement under which the City purchases outstanding delinquent property taxes from Milwaukee County and then collects these delinquent taxes.

In 1988, the Wisconsin State legislature adopted 1987 Wisconsin Act 378 which amended numerous statutes governing property tax collection. Section 74.83 authorized any 1st class city to enter into an agreement with other governmental jurisdictions, including Milwaukee County, to pay delinquent real or personal property taxes, including accrued interest and penalties thereon, applicable to property located in that city at any stage in the proceedings for collection and enforcement of those taxes and thereafter collect and enforce those taxes, including interest and penalties on them, in its own name in accordance with any of the procedures or remedies applicable to the collection and enforcement of delinquent taxes.

Milwaukee Common Council Resolution File Number 871189, adopted on October 27, 1987, authorized and directed the execution of an agreement on behalf of the City of Milwaukee and the County of Milwaukee for the enforcement of delinquent County real estate and personal property taxes.

The intergovernmental agreement was approved by the Common Council in File Number 901408, adopted December 21, 1990. The agreement covered collection of taxes beginning with the 1989 tax levy.

Under the agreement, the County is paid in full for the County-portion of delinquent taxes against parcels in the City. The agreement prevents the County and City bringing property tax foreclosure actions against the same parcel, and it allows the City to be the sole enforcer regarding delinquent taxes. The assumption underlying the agreement was that centralizing delinquent property tax collection in the City provided operating efficiencies for both governments while allowing taxpayers to make payments to a single government. It was understood to be in the best interest of both governments and taxpayers to provide a more efficient and effective system of tax collection. Continuing separate collection and enforcement of delinquent taxes placed an unnecessary burden on delinquent taxpayers as they had to make payments to two separate government units and these governments had to duplicate their enforcement and collection efforts.

While the City has sole control and responsibility for delinquent tax enforcement, including collection efforts, foreclosure actions, managing and maintaining properties, razing and demolition of properties, and marketing and selling properties, it also incurs all enforcement costs. The offset to these costs is that the City is the sole recipient of all the benefits of enforcement, including payment of delinquent taxes, payment of interest and penalties, and payment of any rent or property sale proceeds. While the City incurs all the fiscal costs of delinquent tax collection and enforcement, the City also receives all the fiscal benefits of delinquent tax collection and enforcement.

Another assumed benefit of the agreement was that it made foreclosure actions more rational. Prior to the agreement, there may have been inaction by both the County and the City regarding foreclosing on tax delinquent properties. Both the City and the County had the right to foreclose. However, neither government might initiate a foreclosure action because the government that initiated foreclosure had to pay off the other government's unpaid taxes in cash. If neither government believed the tax delinquent property would sell for more than the outstanding property tax amount due to the other government, there was a financial disincentive to foreclose on the property. The agreement circumvented potential stalemate on foreclosure actions by giving the City the sole authority to foreclose. Since the City has a more immediate interest in resolving tax delinquencies on properties located in the City, it made sense to have the City assume sole authority over these foreclosure actions.

Agreement Provisions

The principal provisions of the agreement are:

1. The City must pay the principal of the uncollected delinquent County real estate for lands located within the City returned delinquent as of January 31st. The City must make such payments to the County on or before the 25th day of February.
2. On or before the 15th day of each succeeding month through August, the City makes additional payments for uncollected delinquent installment taxes. Such payments include the principal of the outstanding delinquent taxes with interest and penalty thereon through the previous month end.
3. Following the August payment, the City collects and enforces uncollected delinquent County real estate taxes with interest and penalty thereon and retains all collections of tax principal, interest and penalties.

The rate of interest and penalty on delinquent taxes is established in s. 74.47, Wis. Stats. The interest rate is one percent per month, or 12% on an annual basis. The penalty rate may be up to 0.5% per month, or 6% on an annual basis.

In Rem Foreclosure

When delinquent taxes remain uncollected, the City has the authority to pursue *in rem* foreclosure. "*In rem*" refers to a legal action directed toward property, rather than toward a particular person. Enforcement of the foreclosure judgment is upon the property and not a person. State statutes require that the City wait one year after a property becomes tax delinquent before commencing an *in rem* foreclosure action.

Under the intergovernmental agreement, the City pays the County its share of uncollected property taxes before they become delinquent or immediately thereafter. The County receives payment in full for all outstanding uncollected taxes. In exchange for this payment to the County, the City has the right to collect and retain the interest and penalties that accrue on delinquent County taxes and the right to foreclose against tax delinquent parcels. The City is the sole collector and enforcer of taxes and keeps all interest and penalties.

The agreement is in the County's fiscal interest because the County gets paid in full immediately for outstanding taxes due and does not have to deal with either delinquent taxes or foreclosure on tax delinquent properties located in the City of Milwaukee. The benefits to the County are several: it gets paid in full and on time for its property taxes; it avoids the expense and effort to collect against delinquent accounts; and, it avoids the expense and effort of foreclosing on properties.

Moreover, allowing the City to retain penalty and interest and sale proceeds involves no fiscal loss to the County if no taxes are paid or the property has to be demolished or sale proceeds are less than outstanding taxes due. In the agreement, the City assumes all risk for financial losses. The City only avoids financial loss if the majority of taxes are paid with sufficient penalty and interest payments to offset any losses incurred on properties for which there are no payments and either need to be demolished or sold at a loss.

If taxes remain uncollected, the interest and penalties that presumably benefit the City provide no benefit. Eighteen percent of uncollected taxes is zero. If taxes are paid along with penalties and interest, there may be a fiscal benefit or at least a minimal fiscal loss. However, as the number of properties with no payments that enter foreclosure increases, fiscal losses increase. As property conditions worsen and sale values and the number of sales decrease, fiscal losses increase. All of these losses diminish any potential advantages to the City under the agreement.

The potential fiscal problem under the agreement is that the City could acquire increasingly worthless receivables (if the taxes remain unpaid) and cannot offset the unpaid taxes because the properties either have to be demolished or sell for less than the unpaid taxes. The ability to foreclose is meaningless from a financial perspective if the underlying asset (the property on which taxes remain delinquent) has a value less than the outstanding taxes due. While there may be value to demolishing a nuisance or unsafe property, and there may be value in moving a property to private ownership even if the sale proceeds do not offset the loss of uncollected taxes, this is a non-fiscal value that does not change the calculation of net loss on a foreclosed property.

Issue of Analysis

A question was raised regarding whether the City receives net fiscal benefits or net fiscal costs as a result of the City-County intergovernmental agreement.

The City's costs and benefits of participating in the agreement are sensitive to economic conditions. If the number of parcels acquired by the City through *in rem* property tax foreclosure increases and the length of time that the City holds these properties increases, the City's costs will increase. If property conditions deteriorate and there are fewer sales, the City's costs will increase.

The best case scenario for the City is that all delinquent taxes are collected in a timely manner and the City does not have to pursue any *in rem* foreclosure action. In this case, the City's only costs are the initial purchase of the delinquent County taxes and the costs of collecting delinquent taxes. Under this scenario, the net costs to the City are minimized. The worst case

scenario is that the City has to foreclose on all properties with delinquent County taxes and has to conduct extensive repair and demolition of these properties. The best-case and worst-case scenarios form two ends of a continuum in which costs increase as the inventory increases, property conditions and sales activity worsen. The agreement's fiscal impact moves along this continuum as economic conditions change.

Because there is a continuum of costs that constantly changes with economic conditions, there is no single, definite net cost or net benefit of the agreement that can be identified. In general, there are fewer costs under positive economic conditions.

Moreover, the agreement provides the City with non-fiscal advantages that cannot be measured. First, convenience for property taxpayers in that they deal with a single government – the City – in paying delinquent taxes. There is a value to making the process of paying delinquent taxes simple and convenient for the taxpayer. Second, control over foreclosure actions and property disposition. There is a value to the City in having complete control over whether and when to initiate a foreclosure action; and controlling disposition of any properties acquired through foreclosure. As stated previously, removing an unsafe or nuisance property from a neighborhood provides a non-fiscal benefit. Whether or not these non-fiscal advantages outweigh any net fiscal costs is an issue for City policymakers to determine.

Delinquent Tax Collection Timeline

The delinquent tax collection timeline is listed below, using the 2012 levy for illustration purposes.

1. 2012 property tax payments are due by January 31, 2013
2. Accounts either not paid or on installment plan by January 31, 2013 are considered delinquent
3. County paid an amount for outstanding delinquencies (February through August)
4. Installments are paid over 10 months through October 2013
5. Treasurer sends out four letters and City Attorney sends out one letter to delinquent accounts between February 2013 and October 2013
6. Outstanding delinquencies referred to Kohn for collection in November 2013
7. Kohn takes collection efforts from November 2013 through November 2014
8. Comptroller issues borrowing for outstanding delinquencies not collected December 2014
9. Collection efforts stop and Treasurer moves to foreclosure action
10. Treasurer reviews all delinquent accounts and puts them on foreclosure filing list
11. Foreclosure filings made
 - o 2015 Filings: 2/25; 3/25; 6/3; 7/15; Sept
12. Some taxpayers pay outstanding delinquencies to avoid foreclosure
13. County Court adjudicates *in rem* foreclosures
14. City takes title to foreclosures
15. Once the City takes title, a list of acquired properties is sent to City departments (DCD, DNS, Health, Water Works, Assessor, Comptroller)
16. DCD takes ownership of *in rem* foreclosures and determines which to maintain, rehab, sell or raze

A more detailed discussion of the delinquent tax collection and foreclosure process is included in Appendix A. A flow chart of the process is included in Appendix B.

Foreclosure and Sales Trends

Data on in rem foreclosure filings and acquisitions is shown below. As the table shows, foreclosure filings and acquisitions both decreased in 2003 based on a policy change in delinquent tax collection. Starting in 2003, the City Treasurer began using the Kohn Law Firm to attempt to collect delinquent real estate property taxes prior to the City taking legal action.

Foreclosure Filings and Acquisitions			
Year	Filings	Acquired	<u>Percent Acquired</u>
1998	747	332	44.4%
1999	1,141	386	33.8%
2000	1,253	459	36.6%
2001	2,755	723	26.2%
2002	1,577	373	23.7%
2003	389	149	38.3%
2004	413	180	43.6%
2005	598	263	44.0%
2006	417	160	38.4%
2007	385	155	40.3%
2008	508	184	36.2%
2009	892	461	51.7%
2010	1,089	532	48.9%
2011	991	597	60.2%
2012	1,152	744	64.6%
2013	1,101	748	67.9%
2014	1,096	751	68.5%

The result of this change in collection method resulting in fewer tax accounts requiring legal action, fewer foreclosure actions, and a decrease in parcels acquired through *in rem* foreclosure.

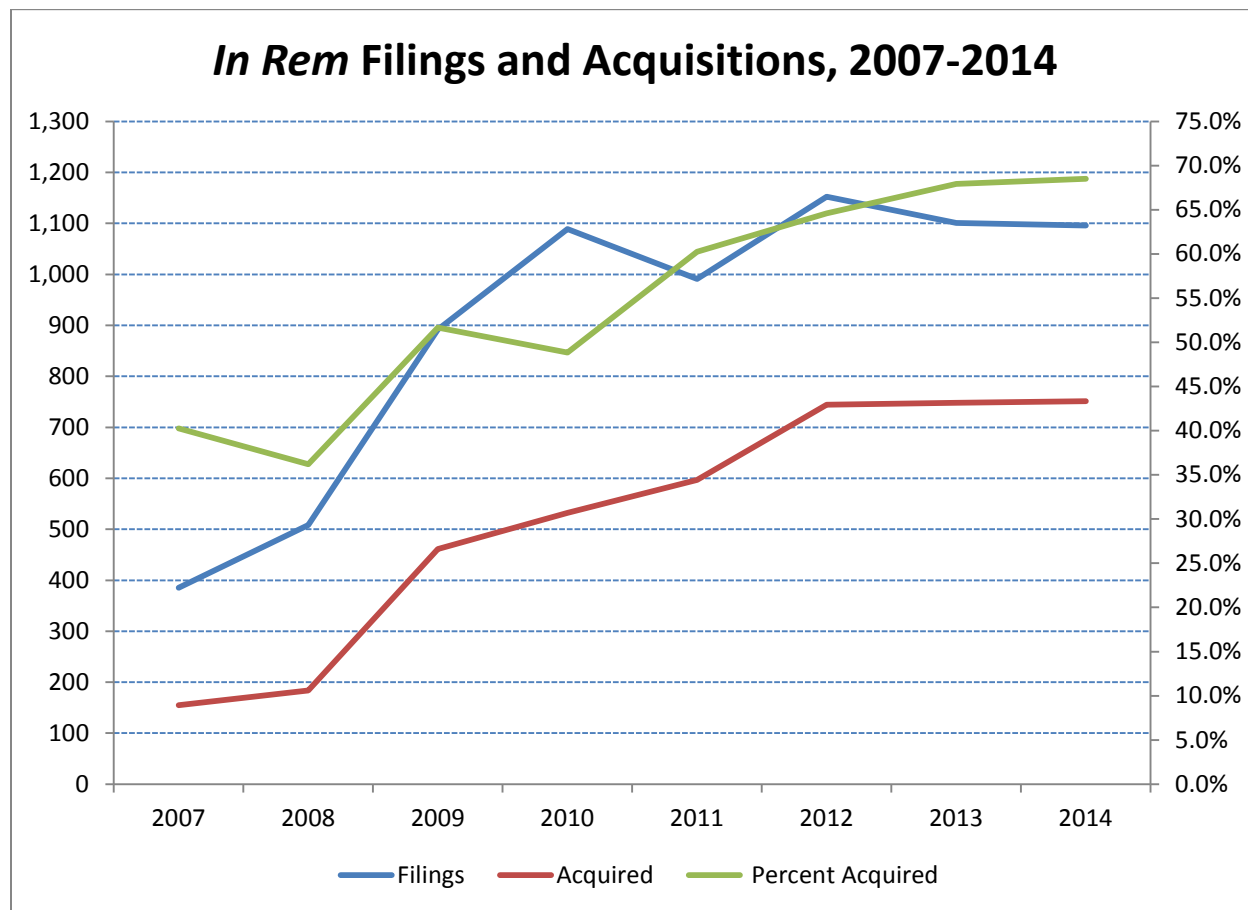
However, filings and acquisitions increased after 2007. This increase was the result of the collapse of the housing and financial markets. The disruption of the housing and financial markets contributed to an extended recession. The combination of increasing unemployment, decreasing housing values, and problematic mortgage financing practices resulted in an increase in the number of properties facing delinquency.

The result was an increase in the number of properties that went tax delinquent. This increased the number of in rem filings and the number of in rem acquisitions. Between 2014 and 2007, the number of filings increased by 711 (185%) and the

number of acquisitions increased by 596 (385%). The percent of foreclosed properties acquired, increased from 40.3% to 68.5%. The large increase in the acquisition rate indicates increasing financial stress made it more difficult for property owners to retain their property after the City filed foreclosure against the property. If the acquisition rate in 2014 had been the same as in 2007, the number of properties acquired in 2014 would have been 441 instead of 751, or 41% lower.

While filings and acquisitions have increased significantly since 2007, the trend has stabilized in recent years. Filings and acquisitions have been consistent since 2012. Improvements in the economy and housing market are needed to begin reducing filings and acquisitions.

The impact of the financial crisis that began in 2007 is shown in the chart below. The number of in rem filings and acquisitions and acquisition rate accelerated significantly following 2007. The chart also shows stability in these numbers since 2012.



The result of increased acquisitions through *in rem* foreclosure is a larger inventory of City-owned properties. Once the City acquires the property, a determination is made whether the property needs to be demolished or whether it could potentially be sold. Since 2009, the number of in rem properties demolished and sold have both increased. The following two tables show the number of property sales and the number of demolitions conducted through DCD of City-owned properties.

As shown in the sales table below, sales reduced significantly following 2007, but began to rebound in 2010. Since 2009, property sales, including both improved properties and vacant lots, have increased by 617%. Improved property sales have increased much more than vacant lot sales. The City is pursuing several initiatives, primarily through the Strong Neighborhoods Program, to both help property owners avoid foreclosure but to also increase the sale of City properties.

DCD Property Sales, 2002-2014

Year	Improved Properties		Vacant Lots		All Properties	
	Number Sold	Sales Revenue	Number Sold	Sales Revenue	Number Sold	Sales Revenue
2002	165	\$2,248,349	207	\$1,632,974	372	\$3,881,322
2003	200	\$3,058,143	335	\$1,058,692	535	\$4,116,835
2004	67	\$1,182,477	211	\$378,196	278	\$1,560,673
2005	63	\$1,284,066	153	\$1,013,752	216	\$2,297,818
2006	75	\$1,713,957	151	\$398,533	226	\$2,112,490
2007	49	\$1,567,630	125	\$611,690	174	\$2,179,320
2008	30	\$652,556	50	\$65,838	80	\$718,394
2009	29	\$763,425	46	\$6,933	75	\$770,358
2010	47	\$910,037	93	\$1,339,681	140	\$2,249,718
2011	149	\$3,615,734	88	\$18,676	237	\$3,634,410
2012	231	\$11,470,243	36	\$334,343	267	\$11,804,586
2013	291	\$10,748,141	32	\$35,830	323	\$10,783,971
2014	438	\$3,598,118	100	\$56,032	538	\$3,654,150

DCD Property Demolition

Year	Number
2002	48
2003	66
2004	31
2005	34
2006	25
2007	17
2008	10
2009	15
2010	26
2011	87
2012	103
2013	114
2014	207

Demolition of DCD properties has experienced a trend similar to property sales. Since 2009, as shown in the demolition table, the number of demolitions has increased significantly. However, part of the increase in 2014 is the result of increased funding for demolition through the Strong Neighborhoods Program. A goal of the Strong Neighborhoods Program is to reduce the backlog of properties that require demolition because they are deteriorated beyond repair, present a safety hazard, or have an extensive history of nuisance or criminal activity. Expediting the removal of these properties, which cannot be rehabbed nor sold, reduces blight in City neighborhoods. This effort to increase in the number of demolitions reflects the conflict inherent in the City's assumption of sole authority for demolition of tax delinquent property. From a public policy perspective, increased demolition is necessary to improve neighborhood conditions and stimulate improvements. However, increasing demolitions increases the fiscal cost to the City.

Fiscal Impact

The County has receives full payment of all taxes in a timely manner, and does not incur any effort or cost for delinquent collection or foreclosure efforts. The City has no certainty of any collections and incurs the entire cost of managing the delinquent collection and foreclosure efforts.

From a strictly financial perspective, the County has the superior position. Under the agreement the County has guaranteed payment of taxes in full and on time without any cost. The City is in an inferior position because of the (a) risk of potential non-payment, (b) the additional costs required for collection and foreclosure, and (c) the risk of assuming responsibility for a worthless asset.

The City's cost of assuming delinquent County taxes occur in two distinct phases. The first phase (Phase 1) is the cost of purchasing and collecting the delinquent taxes. These costs include:

- Purchase of delinquent County taxes
- Debt service costs for borrowing to fund this purchase
- Cost for collection efforts to recover unpaid delinquent taxes
- Write off of uncollected unpaid delinquent taxes

The delinquent tax receivables are purchased under the assumption that if the taxes are not collected, the underlying asset – the property – can be acquired by the City through *in rem* foreclosure action and sold.

The second phase (Phase 2) is the cost of acquiring, maintaining and disposing of the properties acquired through foreclosure. These costs include:

- Maintaining properties and the land upon which they are situated
- Improvements and repairs to properties
- Demolition of properties that are not inhabitable
- Marketing and sale of properties

The benefits, from a fiscal standpoint, of assuming delinquent County taxes can also be divided into the two phases. Phase 1 benefits include:

- Collection of delinquent taxes
- Collection of interest and penalties on delinquent taxes

Phase 2 benefits include:

- Collecting rent on rental properties or properties used for rental purposes after acquisition
- Proceeds from the sale of property acquired through foreclosure

Phase 1 costs

- Purchase of delinquent County taxes
- Debt service costs for borrowing to fund this purchase
- Cost for collection efforts to recover unpaid delinquent taxes
- Write off of uncollected unpaid delinquent taxes

The City initially purchases the County delinquent taxes. This is a direct cost to the City. The Treasurer makes a payment to the County for the total amount of uncollected delinquent taxes. Payment begins in February and the final payment occurs in August following the levy year. Payment is made from pooled cash in the General Fund.

Collection activity occurs on delinquent accounts for one year, from November following the levy year to November of the next year. Collection includes the amount delinquent plus penalties and interest. Collection costs for the first two months (November and December following the levy year) are charged to the Collection Contract Special Purpose Account in the General Fund and all subsequent collection costs are charged to the Delinquent Tax Fund.

Following the end of collection activity, the Comptroller issues a bond to finance the remaining uncollected delinquencies. Debt service is charged to the Delinquent Tax Fund.

Table 1 shows these costs for levy year 2002, which is the most recent year for which the collection cycle has been completed.

Table 1: Phase 1 Fiscal Impact for 2002 Levy	
<u>Payments</u>	
Delinquent County Taxes Purchased	\$8,513,955
Debt Service - Estimated County Portion	\$1,986,807
Collection Costs (Kohn Law Firm)	\$76,728
Total Costs	\$10,577,490
<u>Collections</u>	
Taxes Collected	\$8,392,714
Interest Collected	\$590,532
Penalties Collected	\$133,044
Total Collections	\$9,116,290
Phase 1 Net Cost	\$1,461,200

The Delinquent County Taxes Purchased represents the total delinquent County accounts at the starting of the collection cycle. The City makes a payment to the County to purchase these delinquencies. The Debt Service – Estimated County Portion represents the estimated debt service for the County portion of outstanding delinquencies. The Comptroller issues a bond to cover all outstanding tax delinquencies at the time of the bond issue, including both the City and the County delinquencies. The borrowing costs are for both City and County delinquencies. These costs were prorated to the County based on the percentage of all outstanding delinquencies comprised by County delinquencies. The Collection Costs are the payments to the Kohn Law Firm from both the Delinquent Tax Fund and the Collection Contract Special Purpose Account, prorated to the County based on the percentage of the initial total delinquent amount comprised by County delinquencies.

The Treasurer tracks the amount of taxes, interest and penalties collected. The taxes and interest are segregated into City and County accounts. The penalties, however, are not segregated. The penalty amount was prorated to the County based on the percentage of total redemptions comprised by the County.

As shown in Table 1, collections, including penalties and interest, are greater than the initial amount of delinquencies purchased by the County. However, when debt service and collection costs are included, the cost of collection exceeds the amount collected. For 2002, this amount was almost \$1.5 million.

Table 2 shows similar data for additional levy years following 2002. Since collections are still continuing for these levy years, there is insufficient data to determine if there will be net costs. However, the data indicate that there will be net costs in these years. Typically, 90% of delinquencies are collected within the first three years. Given this, years prior to 2010 are strongly indicative of the final numbers.

Levy Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Payments										
County Delinquent Taxes	\$8,785,085	\$8,818,975	\$9,828,814	\$12,002,314	\$12,723,762	\$12,883,548	\$11,716,384	\$11,362,381	\$10,529,770	\$9,931,715
Debt Service	\$1,870,370	\$2,028,803	\$2,304,062	\$3,289,480	\$3,571,216	\$4,234,509	\$3,992,119	\$4,201,712	\$4,279,597	\$3,539,352
Collection Costs	\$153,586	\$164,550	\$195,001	\$209,705	\$192,407	\$214,244	\$240,599	\$286,902	\$280,560	\$303,894
Total	\$10,809,042	\$11,012,328	\$12,327,877	\$15,501,499	\$16,487,385	\$17,332,302	\$15,949,102	\$15,850,994	\$15,089,927	\$13,774,961
Collections										
Delinquent Taxes Paid	\$8,551,604	\$8,704,107	\$9,609,028	\$11,665,405	\$12,278,548	\$12,193,536	\$10,838,245	\$10,381,500	\$9,314,794	\$8,503,082
Interest Paid	\$586,268	\$626,960	\$653,613	\$842,052	\$930,467	\$993,573	\$918,786	\$895,545	\$811,548	\$575,599
Penalty Paid	\$374,546	\$361,567	\$404,981	\$520,312	\$574,860	\$607,859	\$570,707	\$540,072	\$490,268	\$368,188
Total	\$9,512,419	\$9,692,635	\$10,667,622	\$13,027,769	\$13,783,874	\$13,794,968	\$12,327,737	\$11,817,117	\$10,616,609	\$9,446,869
Net Payment	1,296,622	1,319,693	1,660,256	2,473,730	2,703,510	3,537,333	3,621,365	4,033,878	4,473,317	4,328,092

Some points to make:

- The amount of delinquent County taxes increased through 2007 and has since been declining
- Debt service costs are increasing, but this appears to be the result of an increase in interest rates and a decrease in the amount of delinquencies collected at the beginning of the collection cycle
- Collection costs, through the Kohn Law Firm, have been increasing since 2007

As noted above, the trend has been for 90% of delinquencies to be collected within the first three years. However, this percentage has been declining over time. For example, for the 2002 levy year, 93.3% of delinquencies were collected in the first three years. For the 2010 levy, this had reduced to 89.4%. Similarly, for the 2002 levy, 68.9% of collections occurred in the first year, while for the 2011 levy, only 54.7% of collections occurred in the first year. Fewer collections are being made initially, which, all else being equal, increases the amount borrowed and collection costs. Moreover, collection costs further increased starting in 2013 with a change in the collection cycle. Collections are starting in November of the levy year, rather than starting in

January of the year following the levy year. The impact of this change is not reflected in Table 2.

If delinquent taxes are not collected, the City may pursue *in rem* foreclosure against tax delinquent properties. Table 3 shows a range of possible costs and revenues in Phase 2.

Table 3: Range of Phase 2 Costs and Revenue

	<u>Low</u>	<u>High</u>
Uncollected Taxes	\$259	\$403
Property Maintenance	\$175	\$175
<u>Demolition</u>	<u>\$0</u>	<u>\$1,892</u>
Total Costs	\$434	\$2,470
<u>Sale Proceeds</u>	<u>\$585</u>	<u>\$0</u>
Total Revenue	\$585	\$0
Phase 2 Net Impact	\$151	-\$2,470

It must be emphasized that these are estimates based on average data across numerous properties. Each property is unique and the actual impact can vary significantly from the estimates shown in Table 3. For example, some properties have much higher amounts for uncollected taxes. Even if these were sold immediately, there would still be a loss, possibly in terms of thousands of dollars.

The uncollected taxes are average delinquent County tax amounts based on the most recent delinquent account listing for the 2014 levy year for residential properties. The property maintenance costs are an estimate, incorporating DPW, DCD and RACM costs for grass snowing, snow removal, debris removal, and other maintenance costs. The costs were prorated to the County based on the percentage of outstanding delinquent amounts comprised by County delinquencies. The demolition cost is based on averaging the full costs of demolishing *in rem* properties in 2014, assuming the need to abate asbestos or other hazardous materials. The sale proceeds are based on average 2014 sale proceeds, prorated to the County in the same manner as the property maintenance costs.

Table 3 illustrates the possible net fiscal impact of Phase 2 for specific properties. As shown in the Table, if there is a smaller amount of delinquent taxes owed, the property is held for no more than one year and sold, then the net impact of Phase 2 could be positive revenue of \$151. It should be noted that this is the gross sales proceeds, including the 30% received by RACM. So even though there may be a net gain, there may be no net gain in the City's General Fund, as the sale proceeds are shared with RACM. In contrast, if the property has a higher amount of delinquent County taxes, is maintained for one year, and then demolished, then the net impact of Phase 2 could be a loss of \$2,470. If an *in rem* property is sold within one year of acquisition, it is possible that sale proceeds will offset the uncollected delinquent County taxes and the

maintenance costs. But if the property is held for more than one year, it is likely that costs will exceed any sale proceeds.

Again, these are illustrative examples and the actual fiscal impact will vary widely for each property. Numerous variables affect the actual fiscal impact of any specific property. However, these numbers do illustrate that acquiring tax delinquent properties through *in rem* foreclosure more than likely involves a net fiscal loss.

While we have prorated costs to impute a “County” portion of the costs, there really is not a separate County cost that can be segregated from the costs incurred by the City. Phase 2 involves properties that may have both delinquent City and County taxes. It is also possible that a property has no delinquent County taxes. Moreover, the decision on whether or not to acquire a property through *in rem* foreclosure is not based on whether or not there are delinquent County taxes or the amount of delinquent taxes outstanding. The foreclosure decision is made on the basis that foreclosure is the best policy option for the City.

Delinquent Tax Fund. The delinquent tax fund is established in section 304-49-14 of the Milwaukee Code of Ordinances. Proceeds received from sale of city-owned real estate acquired through *in rem* tax foreclosure, other than disposition of appropriation of such property and all rentals received from the use of such property, shall be credited to the reserve for tax deficit fund or to the fund to which property is or was considered an asset.

While assuming sole authority over demolition of properties by purchasing County tax delinquencies serves certain policy goals, there is also a substantial cost involved, particularly when the number of foreclosures increases as property conditions worsen.

The City could consider discussing with the County some options that would allow the City to recover a portion of the net cost involved in foreclosing on properties that require demolition, cannot be sold, or sell at a significant loss. While the City understood this risk when it entered into the agreement, the worsening economic conditions since 2007 have likely made the agreement more costly to the City than was anticipated. Since both the County and the City have a strong interest in maintaining the agreement, the County may be willing to consider some financial concessions that mitigate the fiscal costs incurred by the City.

Appendix A: Property Tax and In Rem Foreclosure Processes

Property taxes are divided into two categories: personal property and real estate property. Personal property taxes are charged to individuals based on property needed to run a business. Real estate property taxes are charged to parcels of land and buildings that sit on the land. A property owner may be charged either or both personal and real estate property taxes.

When a property owner receives his/her tax bill, charges for the City of Milwaukee, Milwaukee County, Milwaukee Public School Board, Milwaukee Area Technical College, and Milwaukee Metropolitan Sewerage District are all included on the one bill. Therefore, the City collects all taxes and disperses each portion of taxes due to each of the taxing entities that appear on the tax bill.

Taxes are due to the City of Milwaukee on January 31 of each year. If a property owner is not paid in full or on an installment plan by that date, the owner is considered to be permanently delinquent. If a property owner becomes delinquent, the City of Milwaukee may take action against the property owner to attempt to collect the taxes. However, the actions taken by the city differ by the type of property being taxed. No foreclosure can be taken against personal property, so these are resolved through judgments. Therefore, the delinquent tax collection process must be divided between the two categories of properties for purposes of further explanation.

Personal Property

As all personal property taxes are due to the city on January 31 each year, a property owner has two payment options. The owner may either pay his/her taxes in full by January 31, or be instated on an installment plan and pay the first installment by January 31. If the owner pays the taxes in full, the process ends at this point. If the owner is on the installment plan, monthly payments are made so that all taxes are paid off interest free in 10 months. However, the county does not offer an installment plan for its portion of personal property taxes. Therefore, the county portion of an owner's tax bill must be paid in full by January 31. If this portion is not paid in full, the owner becomes permanently delinquent. If the owner does pay the county portion of taxes in full by January 31, and makes all of his/her installment payments on time, all taxes are paid in full by October 31 and the process is complete.

If an owner misses an installment payment over the 10 months, the owner has one opportunity to be reinstated on the installment plan by paying the current month plus 1% interest on the missed payment. That is, the owner is allowed one missed payment. The property owner is sent a letter notifying them of the missed payment and providing for the opportunity to be reinstated on the installment plan. Therefore, if an owner misses a payment, becomes reinstated on the installment plan, and makes all other installment payments, the taxes get paid in full and the process ends.

If an owner misses two installment payments, the owner becomes permanently delinquent and the Treasurer sends a letter notifying the owner that they are delinquent and that if they do not pay in full, they will be referred to the Kohn Law firm for legal action. Once a property owner

becomes permanently delinquent, all legal proceedings continue until either a judgment is made or the taxes are paid in full, regardless of whether the owner is making payments during the proceedings.

If the City did not receive any payment by January 31, the owner immediately becomes permanently delinquent. At this point, the case is referred to Kohn Law firm for legal action, which continues until the taxes are paid in full or a judgment is issued, regardless of whether the property owner makes payments throughout the legal proceedings. At this point, the first of two letters from the City is sent out in February requesting payment for the delinquent taxes. If no payment is made after this first letter is received, a second letter is sent out in March requesting payment. This second letter also informs the owner that the case has been referred to Kohn Law firm for legal action if the delinquent taxes are not paid. If the property owner pays the taxes in full at any point throughout the legal proceedings, the process ends.

If the taxes are not paid in full after the second letter is sent, the City refers the case to Kohn Law firm for legal action. At this time, Kohn sends a letter to the property owner requesting payment and informing the owner of legal action that will be taken if no payment is received. In some cases, Kohn may provide its own installment plan, which will pay the taxes in full through 10 installment payments. If the property owner is instated on this plan and makes all payments, the taxes get paid in full and the process ends. If no payment is received, or if the property owner misses an installment payment, the process continues.

After Kohn sends the letter to the property owner, the firm investigates the individual case to determine whether or not the taxes are collectable. For example, if Kohn discovers that the owner has filed bankruptcy, the firm may declare the taxes to be uncollectable. If Kohn deems the delinquent taxes to be uncollectable, the firm turns the case back over to the City. At this point, the City either writes off the taxes if they are legally unenforceable, or holds them and includes them in the following year's delinquency proceedings against the property owner if new delinquencies occur. If the City writes off the taxes, it must account for the loss. Therefore, the City will only write off the delinquent taxes for the following reasons:

- An Erroneous Doomage Assessment resulted in an illegal tax
- The tax receivable has been partially reduced by a court order
- The tax receivable has been totally discharged by a court order
- The statute of limitations for collecting the taxes has expired
- The debt has been partially reduced by bankruptcy court
- The debt has been totally discharged by bankruptcy court

On the other hand, if Kohn determines that the delinquent taxes are collectable, the firm proceeds and gets a judgment in circuit court. Once a judgment has been issued, the taxes are no longer considered to be taxes. They are recorded as liens against the property. At this point, if the taxes are paid in full, the process is complete. On the other hand, if the City still has not received payment, the judgment is held and added to a future judgment that may result from continued delinquency in the following year. On the other hand, if the taxes are still not paid in full when the judgment expires, the City writes off the taxes as being legally unenforceable.

Real Estate Property

The real estate property tax collection process begins much the same way as the personal property tax collection. Real estate property taxes are also due by January 31 of each year. Again, the property owner may either pay the taxes in full by January 31, or be instated on an installment plan and pay the first installment by January 31. If the owner pays the taxes in full, the process ends at this point. Similar to personal property taxes, if the owner is on the installment plan, monthly payments are made so that all real estate taxes are paid off interest free within 10 months. However, the county does offer an installment plan for its portion of real estate taxes, which allows the property owner to pay the county portion of their tax bill interest free within 7 months. Therefore, if the owner makes all installment plan payments, the county portion of taxes will be paid in full by July and the city portion of taxes will be paid in full by October 31. At that point, the process is complete.

If an owner misses an installment payment, the owner again has one opportunity to be reinstated on the installment plan by making a payment. The property owner is sent a letter which notifies them of the missed payment and provides the option for the owner to be reinstated on the installment plan. Therefore, if an owner misses only one payment, becomes reinstated on the installment plan, and makes all other installment payments, the taxes get paid in full and the process ends.

If an owner misses a second installment payment, the owner becomes permanently delinquent. At this point, the property owner will receive a letter with a tax certificate notice and notification of possible legal action that may be taken against them. When an owner has become permanently delinquent, the City has the option to pursue either In Rem Foreclosure or In Personam legal actions. In Personam legal actions may begin at any time after delinquency, however, Foreclosure proceedings may only begin one year after the date that the owner became delinquent. Both actions may be taken against an owner regardless of whether the owner makes payments throughout the year or the legal proceedings. Both actions are only stopped when the taxes are paid in full.

After an owner becomes permanently delinquent, the City sends a series of a possible three more letters throughout the year, depending on when the owner became delinquent and if and when payments are made. Each letter is sent after 60 days of nonpayment. Depending on when the property owner became delinquent, and when 60 days of nonpayment is reached, the property owner may receive up to four letters throughout the year.

If the City did not receive any payment by January 31, the owner immediately becomes permanently delinquent. In such case, the first of four letters is sent to the owner. The first letter requesting payment is sent in February, which includes a tax certificate notice, information to the owner regarding eligibility for foreclosure after one year of delinquency, and information regarding other possible legal action that the City may take. If the owner makes a payment toward the delinquent taxes at any time during this process, the owner will receive the credit card type statement that calculates monthly payments to get the taxes paid in full by October 31. Therefore, the longer the owner waits to make a payment, the higher his/her monthly installment payments will be. Once the taxes are paid in full the process ends.

On the other hand, if no payment is received for a period of 60 days from the closing date in the month the previous letter is sent, the owner will receive three subsequent letters requesting payment and notifying the owner of possible legal action. If no payments are made, the owner receives all four letters. If payments are made and then stopped, the owner will receive the subsequent letter from the previous one received after 60 days of nonpayment.

The city has the option to pursue In Rem Foreclosure or In Personam legal actions against delinquent property owners. In Personam action involves using other assets of a property owner to get payment for delinquent taxes. For example, a judgement could be issued to freeze some of the owner's other assets or to garnish the owner's wages directly until the delinquency is paid off. Generally, the process for In Personam begins at the determination of the Kohn Law Firm. At this point, the City Attorney's office takes over the case and sends a letter to the owner notifying him/her of the legal action. The case is subsequently taken to court and a judgment is issued for the delinquent taxes. As mentioned earlier, once a judgment is issued for the delinquent taxes, the taxes are considered as liens against the property and are no longer considered to be taxes.

The process for In Rem Foreclosure is more complex. This type of legal action involves the city obtaining ownership of a property that has been tax delinquent for one year. The process begins with the City Treasurer's office grouping similar delinquency cases into three or four main files to be submitted into court. A list of properties in each file is sent to the Department of City Development for environmental testing. However, residential property, larger apartment buildings, condominiums and 4-person townhouses are excluded from this list because the potential for environmental concerns on these properties is very low. If the Department of City Development concludes that possible environmental concerns exist on the property, they recommend holding foreclosure either permanently or temporarily until further environmental testing can be completed. In such case, if the property is known or suspected of having environmental concerns, it is placed on a "Do Not Acquire" list, and the City will not pursue foreclosure. At this point, the process ends.

If there are no environmental concerns regarding the property, the foreclosure process continues. The City Treasurer's office conducts title search reports for each of the remaining properties grouped in the file. In particular, the Treasurer's office checks to see if each mortgage has been cleared and if any bankruptcy claim has been filed. It is a federal offense for the city to take foreclosure action on a property owner that has filed bankruptcy. Therefore, if a property owner has filed bankruptcy, the foreclosure process stops and the city files a bankruptcy claim. On the other hand, if the title search results in no evidence of bankruptcy, the City files a claim and the case goes to court for foreclosure proceedings.

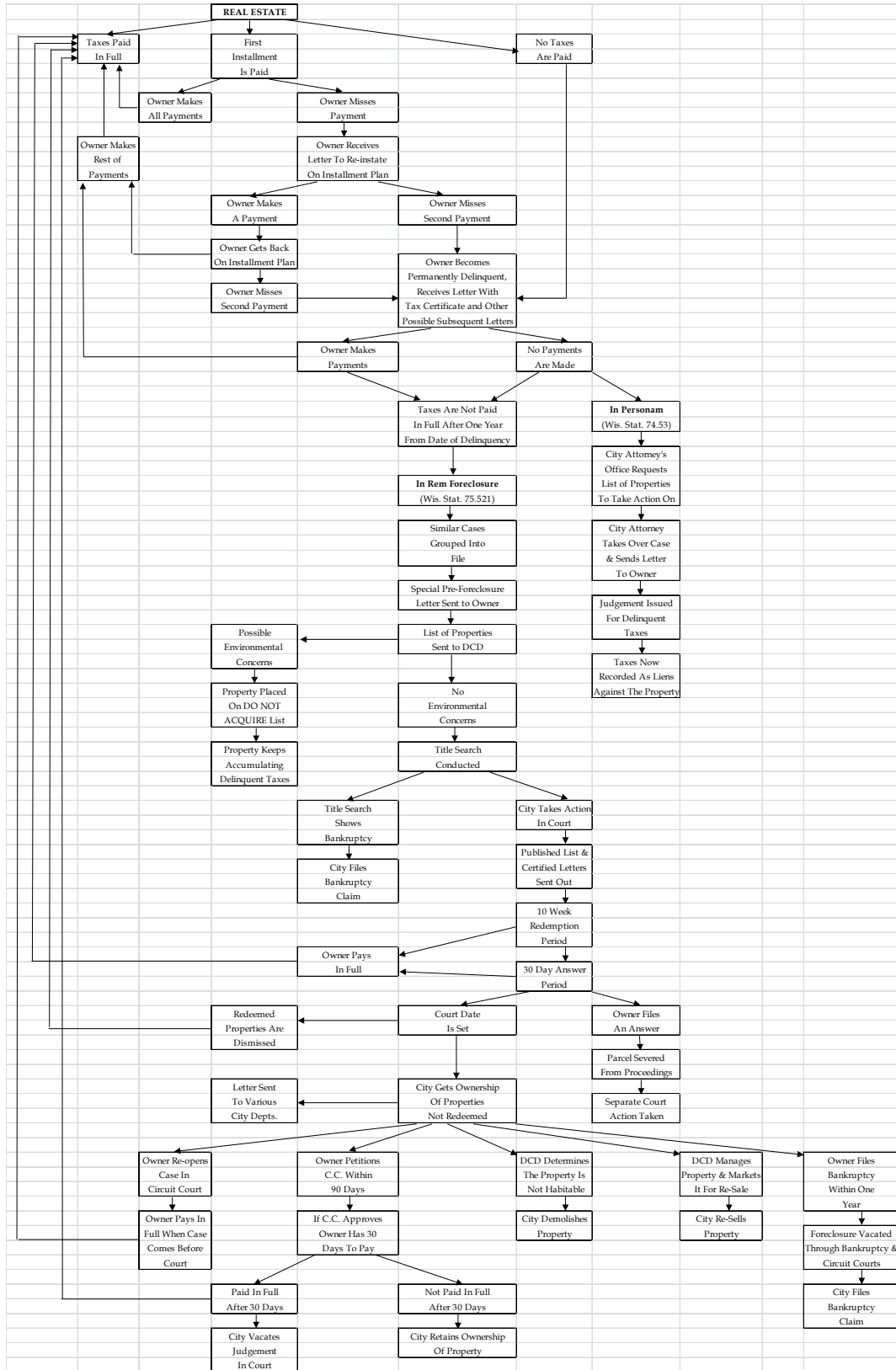
When such claims are filed with the court, the City Treasurer's office publishes a list of the properties included in the claim and sends certified letters notifying the owners of the foreclosure filing. The property owners are subsequently given an 8 to 10-week redemption period to make a payment on the delinquencies. If the delinquencies are paid, the Treasurer submits a Certificate of Redemption to the Court when the judgment is completed. After the redemption period has expired, the property owner is given a 30-day answer period. The City Attorney makes a determination, based on the answer, whether or not to pursue foreclosure, provide more

time to pay, write off the delinquency or other action. For example, the property owner may claim that the foreclosure action exceeded the statute of limitations for the case. Therefore, a separate court proceeding is pursued to determine if the taxes are warranted and if the owner must pay the delinquencies. At this point, a court date is set.

When the remaining foreclosure cases come before the court, the redeemed properties are dismissed from the foreclosure proceedings because the taxes have been paid in full. However, if the owner has not paid the taxes in full by this point, the city obtains ownership of such properties that are not redeemed. At this point, a letter is sent to various city departments notifying them of the newly acquired property.

Once the City obtains ownership of the property, four things can happen. First, the owner of the property again has the opportunity to petition the Common Council within 90 days of foreclosure to regain ownership of the property. If the Common Council approves the petition, the owner is given 30 days to pay off the delinquency in full. If the taxes are paid in full after the 30 days, the City vacates the judgment in court and the owner re-gains ownership of the property. However, if the taxes are not paid in full after the 30 days, the City retains ownership of the property. Second, if the property owner does not petition the common council, they may reopen the case in circuit court. If this is the case, the owner must pay the taxes in full when the case comes before the court again. Third, the property owner may file bankruptcy. If the property owner files a bankruptcy claim within one year of foreclosure, an adversary hearing goes before the bankruptcy court to determine if the owner will regain ownership of the property. In such case, the foreclosure is vacated through bankruptcy court and circuit court, and the City files a bankruptcy claim for the delinquent taxes. Fourth, if none of these instances occur, the City retains ownership, and the Department of City Development manages the property and places it on the market for re-sale. Generally, the amount of delinquent taxes is included in the selling price of the property. However, some properties sell for less than the amount that is required to cover the outstanding delinquencies. In such case, the city must cover the loss for the delinquencies not covered in the sale of the property.

Appendix B: Flowchart





Fire and Police Commission

La Keisha Butler
Executive Director

Marisabel Cabrera
Chair

Nelson Soler
Vice-Chair

Steven M. DeVougas
Ann Wilson
Fred Crouther
Angela McKenzie
Commissioners

Emergency Communications with City of Milwaukee and Milwaukee County 2018 Fact Sheet

State and local governments are working to develop innovative proposals and approaches to funding and operations to prepare for the impending transformational change in technologies for emergency communications. Over the past few years the federal government has been collecting data and preparing research reports to review the necessary legislative and fiscal changes that will come with this change. Ahead in the state, Milwaukee County created the Office of Emergency Management in 2016 that encompasses county emergency communications. They have begun the difficult task of forward thinking. Over the last few years representatives from OEM have proposed various recommendations to city officials regarding the management and operation of emergency communications. Below is a brief summary of some of those proposals, followed by recommendations for City leadership's consideration from City emergency communications professional staff.

The City is and will continue to be in support of efforts that effectively build relationships and communication across jurisdictional boundaries to keep its residents safe. Much of this effort is handled individually by each department at the operational level. Before adopting any plan which relinquishes current City control and/or decision-making regarding resources and information, City officials must thoroughly consider potential gains and risk with analysis that encompasses not only technological details, but the budgetary and home rule impact on the City.

Every effort has been made to accurately report the statements and positions made by County officials; much of the content has originated from general statements and presentations led by County OEM officials. The field of emergency communications is extremely complex and expensive, thus this document should help provide some clarity and guidance to officials in relation to these particular inter-jurisdictional partnerships.

County Position 1: OEM currently operates one 911 center, and there are approximately 14 total 911 centers operating within Milwaukee County. OEM would prefer to see only one countywide 911 center, managed by the County, or at the very least a significant reduction in the number of PSAPs in the County. The rationale and evidence for this position has been unclear.

Response:

1. The City of Milwaukee is the only first-class city in the State, handling the highest volume and criticality of calls. As a result, our needs are unique and require autonomy to

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manage budgets, operations, policy, and staff. Because of our size and volume of calls that we handle, we employ some of the best 911 subject matter experts in the state. Along with WI being a home-rule state, state and local ordinance changes must also be considered to protect the best interests of the City in any consolidation discussion.

2. Consolidation should not be forced. Studies also show that successful consolidation requires significant support at multi-levels and top-tier partnerships by consolidating authorities.
3. The City of Milwaukee is one of the highest paying employers of 911 staff in the state (after probation), and we have some of the highest standards in training. We also have the capacity to internally manage and execute training for new 911 staff.
4. Because there are a variety of successful models for PSAP operations, no federal or state mandates currently exist requiring or recommending consolidation.
5. Very limited research analyzing the impact of 911 consolidations currently exists. The findings that are available report dramatically varying results in cost savings, especially between large and small 911 centers. Recent federally-sponsored research found that large/mega 911 centers do not realize significant cost savings, and in fact they incur more cost when compared to smaller operations.
6. Research is clear that successful consolidation requires significant work in the following areas:
 - a. High-level and elected champions that partner to see the project through.
 - b. Feasibility studies specific to first-class city before moving forward with consolidation.
 - a. Well-organized, clear, equal governance structure that provides a decision-making model for local entities that give up control and autonomy of their emergency communications.
7. The City should focus on internal efficiencies before considering any other type of external consolidation.
8. WI is only one of two states without a dedicated revenue stream for emergency communications; the City should prioritize this issue before considering consolidation with any external agencies.
9. City emergency communications professionals express concerns about a singular operation in the most populous county, as it relates to security and backup requirements in the event of an outage.
10. The City of Milwaukee's Fire and Police Commission is an established and fully staffed organization that is responsible for the oversight of the City of Milwaukee's emergency communications. No other similar entity exists in the County, thus oversight would be sacrificed in a consolidated PSAP.

County Position 2: Without multi-jurisdictional information sharing, we needlessly risk the lives of our first responders.

Response:

1. There is no evidence to support or refute this assertion, and this argument needlessly assumes that information sharing can only happen under a consolidated PSAP. Under a consolidated PSAP one could theorize just as many potential risks to first responders as one could under the current system.

2. The City of Milwaukee has been supporting interoperability and information sharing, where appropriate, with its law enforcement and fire department partners for years. For example, the City's radio division is currently working with county radio specialists to initiate new technology that will enhance system and sound quality through a new ISSI gateway system. MPD already has interoperability with the other jurisdictions.
3. City and county law enforcement agencies already partake in robust information sharing – which includes coordination led by the state Department of Justice (DOJ) and by the two Fusion centers (Milwaukee is one of two in the state).
4. MFD is already part of a countywide shared services initiative and is the largest payer into a third party software system that will enhance multi-jurisdictional dispatching of resources. This project is currently underway and the central contract for the vendor is managed by the County. The shared services initiative has been underway for over five years; once policies and logistics were determined over a three year period, the committee moved forward on technical information sharing. Given the complex nature of multi-jurisdictional operations, city emergency communications professionals recommend exactly this sort of a slow, methodical approach using evidence-based practices in any planning for consolidation.
5. The City will continue to support opportunities to share information with others to support the lifesaving efforts of first responders where appropriate.

County Position 3: The Organization of Affiliated Secure Interoperable RF Subsystems (OASIS) committee was established through an Intergovernmental Agreement (IGA) through the authority of Inter-Cooperation Council (ICC) to manage the county's Motorola radio system that is utilized by 18 of the 19 municipalities. In 2018, OASIS established a special 911 Subcommittee to address local 911 related issues including consolidation.

Response:

1. The governance authority of the OASIS committee is delineated to the management and operations of the Motorola radio system. There is no language that identifies authority to vote on matters related to 911, and thus any position taken by the OASIS committee is by definition outside of the scope of the committee.
2. Not all municipalities that operate a 911 center in Milwaukee County have equitable representation, or voting representation, on the current OASIS committee.
3. A fair and impartial review of PSAP operations in Milwaukee County should be conducted and led not by the county but instead by the ICC, prior to any creation of a committee. This review could occur directly under the authority of ICC where all mayors, who are in charge of 911 budgets (where the County is also a member), are represented.

County Position 4: The OEM no longer wishes to receive 911 wireless calls for other cities. The OEM has requested that cities work with cell phone providers to allow for cities to take on their own 911 wireless calls. If this request is not completed within an unspecified time, the County intends to charge cities a fee for each wireless call received.

Response:

1. In the past, state law allowed for only one designated PSAP per county to qualify for reimbursement for handling wireless 911 calls. At that time, Milwaukee County was

identified as the qualifying PSAP and therefore was authorized to take on all wireless calls for the County. Cities would continue to manage the landline 911 calls. However, as the use of wireless phones grew exponentially, Milwaukee County was unable to keep up with demand at their 911 center, and in 2013, executed a contract with the City to pay approximately \$454K annually for the city to handle its own wireless calls and also to cover some costs related to policing the parks. A change in state law moved funding dedicated to 911 into the shared revenue stream and the funding for wireless calls dried out. In the 2016 state budget, the language designating one PSAP per county was removed. While Milwaukee County continues to receive wireless calls for other cities in the county, it no longer receives reimbursement for those calls.

2. The City of Milwaukee continues to receive its own wireless calls, however the original agreement has since expired, and the County indicated it will no longer provide any funding to the City to cover the wireless calls.
3. Today, wireless calls are the primary method of calling 911 and the volume of wireless calls will continue to increase. Municipalities should review their capacity and develop a plan to prepare for this transition since there is no language governing the authority of 911 wireless calls in state statute.
4. The ICC should conduct a thorough review of PSAPs in the county and jointly develop a legislative plan to address emergency communication needs. In fact, state law that defines authorities and funding formulas related to emergency communications are severely out of date. The ICC needs a plan to engage the state on this issue, especially considering that new technologies require higher operating and maintenance costs. The realities of lobbying the state requires cities to join forces and send a unified message communicating the need for an updated, fair and balanced approach to properly fund emergency communications at the local level.
5. Even if all cities begin to accept their own wireless 911 calls, given the current science and geography there will always be misrouted calls going to the wrong PSAP. This is a nationwide issue that requires federal intervention. Any discussion regarding charges to other cities must account for this fact.