



MEMORANDUM

LEGISLATIVE REFERENCE BUREAU

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To: Ald. Terry Witkowski
From: Aaron Cadle – Legislative Fiscal Analyst
Date: February 8, 2016
Subject: City Debt Collection Service Providers

Per your request, this memo summarizes the City's use of outside debt collection service providers.

The City has separate collections contracts with the following vendors to collect unpaid City charges.

1. Kohn Law Firm, S.C. (delinquent property taxes and other charges).
2. Duncan Solutions (parking charges).
3. Intermedix Corporation and Harris & Harris, Ltd. (ambulance service charges).
4. Harris & Harris, Ltd. (Police citations - Municipal Court).

Kohn Law Firm, S.C.

Collections:

Delinquent Personal & Real Property Taxes

- Including items added to the property tax bill, e.g., water, sewer, storm water management fee, snow & ice fee, solid waste fee, special assessments for code violations, capital improvement, police board-up, tree encroachment, tall grass abatement, bulky waste collection, snow removal, hazardous trees, solid waste & recycling bin management and apartment garbage collection.

Department of Public Works Charges

- Property damage claims.
- Delinquent home repair loans.
- Judgments against uninsured motorists.
- Various judgments or claims arising from time to time.

Department of Neighborhood Services Charges

- Razing condemned buildings.

Kohn cannot “negotiate” discounts on personal & real property charges. All other claims are negotiable; however, Kohn must get City Attorney approval for discounts less than \$5,000, and Common Council approval for discounts greater than \$5,000.

Procedures:

- Delinquent Property Tax Items: The Treasurer seeks to collect delinquent property tax items by sending monthly letters to property owners from February 1 through October 31, and assigns unpaid tax bills to Kohn Law for collection on November 1. Kohn solicits collections for one year. Kohn may bring an *in personam* lawsuit against the property owner personally for collection. Tax bill charges which ultimately go unpaid are returned to the City for foreclosure.
- Both the Departments of Public Works and Neighborhood Services seek to collect charges not eligible for addition to the property tax bill for 30 to 90 days or more before assigning these charges to Kohl Law. Kohn may bring an *in personam* lawsuit against the property owner personally for collection. Kohn may also make collections by attaching the debtor’s tax refund through the state’s Tax Refund Intercept Program (TRIP).

Collection Fees:

All collection costs are advanced by Kohn Law, and Kohn Law is paid the following percentages of amounts collected as a fee for services:

	Personal & Real Property Taxes	All Other City Receivables
Pre-Lawsuit		
<\$10,000	9.50%	14.00%
>\$10,000	6.50%	9.00%
Post-Lawsuit		
<\$10,000	17.00%	24.00%
>\$10,000	13.00%	14.00%
TRIP Collections	N/A	5.00%

Duncan Solutions

Collections: Duncan collects all parking citations issued by the City's parking checkers.

Procedure:

Duncan makes 3 types of parking citation collection.

1. Primary collections are made from citation issuance through 79 days. Two notices are sent during this period
2. Secondary collections are made from 80 days to 180 days or longer.
3. Tax Refund Intercept Program (TRIP) collections, if possible, begin 6 months after citation issuance.

Collection Fees:

Duncan's fees for services are as follows:

- Primary Collections: A flat fee of \$2.12 per electronically-issued citation and \$2.17 per manually-issued citation is charged for each citation. This fee is a processing and recordkeeping fee, and there are no other fees if the citation is collected within 79 days.
- Secondary Collections: Duncan is paid 27% of all collections after 79 days for citations not collected through TRIP.
- TRIP Collections: Duncan is paid 20% of all citations collected through TRIP. Duncan pays all costs associated with processing TRIP collections.

Outstanding Citations:

As of November, 2015, there were \$34.5 million in unpaid parking citations. Duncan estimated slightly less the half, \$16.3 million, were collectable.

Intermedix Corporation and Harris & Harris, Ltd. (ambulance service charges)

Collections: Intermedix collects current charges for ambulance services provided by the Milwaukee Fire Department, and Harris & Harris collects delinquent charges.

Procedure:

- Intermedix codes ambulance services provided by the Fire Department (i.e., classifies charges to comply with insurance

reimbursement protocols), and generates the initial invoice. Three additional invoices are sent if charges are unpaid after 30, 60 and 90 days. If still unpaid, a final notice is sent warning that charges will be assigned for collection if a payment arrangement or full payment has not been made within 10 days. Intermedix assigns unpaid charges to Harris & Harris for collection. Prior to October, 2014, Intermedix was the sole collection vendor used by the Fire Department. The goal is for Intermedix to assign unpaid charges to Harris & Harris for collection not later than 180-220 days after initial invoice.

- The Fire Department began using Harris & Harris to collect delinquent ambulance service charges in October, 2014, making 2015 Harris & Harris' first full year of collections for the department. Ideally, delinquent charges are assigned to Harris & Harris by Intermedix 180-220 days after initial invoice.

Collection Fees:

- Intermedix is paid 13% of all collections as a fee for services.
- Harris & Harris is paid 18% of all collections, including all Tax Refund Intercept Program (TRIP) collections. Harris & Harris pays all costs associated with collections.

Collection Amounts:

- According to the Fire Department¹, Intermedix billed \$8 million in net ambulance services during 2015, and collected \$4.7 million of these charges (59%).
- According to the Fire Department¹, Harris & Harris was assigned \$7.1 million in unpaid charges by Intermedix during 2015, and collected \$382,560 of these assignments. Ninety-five percent of these collections (\$362,575) were TRIP recoveries.

Collection Notes:e

- Intermedix often does not assign newly delinquent charges to Harris & Harris for collection as soon as these charges go 180 days without payment, and has been slow to assign the backlog of older uncollected charges Intermedix held before

¹ LRB was unable to independently verify department assertions because reports provided by both Intermedix and Harris & Harris were unclear.

the Harris & Harris contract took effect. The Fire Department is working with Intermedix to remedy this problem.

- Occasionally, the Fire Department receives payments for services after the debt has been written off as uncollectable. When this happens, the Fire Department returns the payment on the advice of the City Comptroller.

Harris & Harris, Ltd. (Police citations – Municipal Court)

Collections: Harris & Harris collects unpaid Police citations processed through the Municipal Court.

Procedure:

The Municipal Court attempts to collect unpaid citations for 30-60 days after a judgment has been rendered, and gives the debtor an additional 10-day grace period before assigning unpaid citations to Harris & Harris for collection.

Collection Fees:

- The Parking Fund pays Duncan Solutions a flat fee of \$2.12 per electronic citation, and \$2.17 per manual citation issued by the Milwaukee Police Department through the Municipal Court. This fee is a processing and recordkeeping fee.
- Harris & Harris is paid 14.95% of all conventional, non-lawsuit collections as a fee for services.
- Harris & Harris is paid 4.9% of all collections through Tax Refund Intercept Program (TRIP) recoveries. All costs associated with TRIP recoveries are paid by Harris & Harris.
- In the event of a lawsuit, Harris & Harris is paid 21.95% of the amount collected if the lawsuit is not litigated, and 25% if the lawsuit is litigated. All lawsuit costs are borne by Harris & Harris.