



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

OUTSTANDING DEBT WORK GROUP

Ald. Terry Witkowski, Chair

Lt. Donald Baral, III, Mayor Tom Barrett, Linda Burke, Sheldyn Himle, James Klajbor, Ghassan Korban, Ald. Nik Kovac, Ald. Khalif Rainey, Mark Rohlfing, Sharon Robinson, Lynne Steffen, Rocky Wruck

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Thursday, June 30, 2016

2:00 PM

Room 301-A, City Hall

Meeting convened: 2:07 P.M.

Present 11 - Witkowski, Burke, Klajbor, Barrett, Robinson, Kovac, Himle, Rainey, Wruck, Baral III and Riegg

Excused 2 - Korban and Steffen

1. Introduction of members.

Other city individuals present: Jacque Carter representing Mayor's Office, Rocky Wruck representing Comptroller's Office, Tom Woznick on behalf of DPW Commissioner and Tom Mishefske on behalf of DNS.

2. Introduction of city contractors or others present relating to debt collection.

*Brian Dunn - Duncan Solutions
Arnie Harris - Harris & Harris
Rob Potrzebowski, Jr. - Kohn Law Firm*

3. Review and approval of the minutes from the June 16th Meeting.

Mr. Klajbor moved for approval of the minutes. There were no objections.

4. Appearance by the state relating to collection of municipal debt.

Susan Dukes, Dept. of Revenue (DOR) provided a handout (attached to file 160350). In 2006, the Dept. of Revenue purchased a new revenue and collections program (Winpass), which has brought them up-to-date in collections and they can now do things extremely efficiently. The department will collect more than \$230 million in revenue. Every agent now answers the phone, rather than a limited number for each time period. There is also an online satisfaction survey and they are getting high results (99% satisfied and 99% knowledgeable). In 2009, the Dept. of Revenue took on state debt collection for both the state and local government. The state is also

willing to have the state debt be paid after another debt if the other agency requests that, even if the state is collecting that debt. The department handles a large amount of debt - it handled \$10 million in debt from the university system transferred over at one time. If the debt can be spaced out, that does help.

Once an agreement has been reached, a letter must be sent to the debtor noting that the debt will be transferred to the DOR. The debt must be at least 90 days old. If the debtor does not respond to the letter for 30 days, then the debt can be transferred to DOR. They have agreements with municipal courts and municipal utilities. The government can determine what kind of debt is included in the agreement; it does not need to be all debt. The agreement is a standard agreement which is non-negotiable. The agreement is voluntary and can be terminated at any time. They have a total of 17 agents collecting debt and one supervisor- they previously had 6 agents, but added 11 more in October. They are currently in a big growth stage as they are doing outreach in order to grow the program. The program is self-funded by a fee charged to debtors. They also have agents in other units that can temporarily assist if needed.

There is a 15% or \$35 fee charged to the debtors (whichever is more). If the debtor doesn't pay the full amount, the DOR takes the collection fee out of the amount paid and passes along the rest to the city. Thirty six percent of debtors voluntarily pay with the receipt of the first letter. Payment plans can span a maximum of two years - if more time is requested, then the debtor must submit financials proving that they cannot pay. Most debts are resolved within 2 years. The city letter should note that the debt will be passed along to the DOR. Most customers do sign up for a voluntary payment plan.

If not paid within 30 days, then they attach to the individual's wages (they can attach up to 25% of the worker's wages). If a financial hardship is claimed, a form can be completed for financial hardship and that will be reviewed (and usually approved). They currently don't use tax liens as those can be in place for 20 years. DOR encourages the municipality to also use private collection agencies for smaller amounts. They issue quite a few wage attachments. They also do tax refund offsets, which covers about 90% of all debts. The other 10% is done as a bank levy, which won't be done for less than \$200, and is expensive for the debtor. The funds in their accounts are seized and then, if contacted by the debtor, will work out a payment plan and release that exact amount. The municipality can also include monthly interest to include in the debt. DOR will attempt to collect a debt for 2 years prior to returning it as uncollectible.

There is a hierarchy of how debt is paid, with local debt being the middle tier. The municipality can include any debt as long as it isn't contrary to state statutes. With the tax filing, they do have current addresses, which is an advantage. There is also an agreement with Minnesota relating to debt collection, which they collect and will then return to Wisconsin and vice versa. The municipality can set up multiple accounts to disburse funds into them. For individuals, the typical debt is \$2,500-\$3,000 while municipal debts tend to be in the \$300-\$500 range and can typically be handled in 6 months. The municipality can pull back a specific debt, but should contact DOR to ensure they aren't in the middle of a collection action. A municipality can take cash if the person appears in person, but can also refer them to the DOR Milwaukee office. They've collected \$18 million from January - May of this year. Next week she wants to ascertain debt payment rate for municipal courts and utilities - for universities, it's 36% and for DOR debts, it's 22%. DOR accepts either driver's license numbers or social security numbers. The municipality would have to go through other agencies to obtain those numbers if need be.

5. Report by each department on its total outstanding debt and its implementation of the 2005 recommendations of the Outstanding Debt Task Force.

With the arena bill, the city can now get default judgement on parking tickets (which

aren't personally served), which means the city needs to change some of its notices and also work with Municipal Court. The affected departments need to get together and get needed changes approved by Council.

Mr. Woznick said city does have the ability to boot vehicles through state law and DPW will need to work with the city attorney to do this and have the ordinance approved by Council. The city can boot illegally parked cars if it passes an ordinance. If the city wishes to boot or tow legally parked cars with numerous unpaid tickets, there would need to be a change in state law. The city of Chicago does seize legally parked cars for unpaid tickets. Mr. Woznick said if the city tows an illegally parked car, the owner isn't currently required to pay all the tickets before release of the car. Currently the tow lot doesn't serve a summons and complaint, but does encourage people to sign up for a payment plan. Mr. Woznick would like to have a payment plan be required prior to the return of the car. The city of Chicago does boot legally parked cars for unpaid tickets. Brenda Wood said that, because of Sutton, the city chose not to collect at the tow lot. The person has forever to come in and adjudicate for those outstanding tickets. The chair encouraged Mr. Woznick, Ms. Burke and Ms. Wood to get together and come up with some recommendations of what to do with cars in the tow lot with unpaid tickets.

Ms. Himle and Ms. Wood will look into income assignment through Municipal Court. Robert Potrzebowski, Kohn Law Firm, said that if the court can perform income assignments it would be cheaper for the debtor and more efficient for the city. Ms. Himle said the municipal court fee has increased over the past couple of years and the computer system has been modified for state or county fees.

Mr. Wruck said a written response was provided for updates on the 2005 recommendations (attached to file 160350), with recommendations having been adopted. A recommendation will be submitted as part of this body's report to include a delinquent interest amount (1.5%). Advanced Life Support billings are getting higher recovery rates as a collection agency was hired in 2014. They also have a "soft billing" company, Intermedics, which has improved its collection rate. Ald. Kovac would like to find out what was billed and what was collected, rather than what was just collected.

The city's write-off policy is set by ordinance and page 6 of the comptroller's annual report notes the amount being written off for that year. This work group will also look at selling debt. DPW currently uses standard cost, but that's the only department that does (and they do that for tree damage or sign damage), so not a lot of billings using standard costs.

The Treasurer's office hopes that with the new software going online in December 2017, it will be able to electronically, rather than the current manually, track those individuals who continually pay taxes late just prior to foreclosure.

The City Attorney's office introduced a file to extend the contract with Kohn Law Firm (file 160200 - going to Council Wednesday) one tax season to include the work group recommendations and also interface with the Treasurer's new software. The Milwaukee Fire Department is in its first year with Harris & Harris so not looking at extensions. DPW will ensure that any contracts or extensions will implement the 2005 recommendations for Requests for Proposals. The Treasurer's Office does monitor the collection rates of the Kohn Law Firm and each can see the other's accounts and the average fee rate is less than 11%.

Sgt. Baral said that there is currently a push by the police department (MPD) for the top 100 egregious offenders for outstanding debts and warrants. MPD does promote having people come forward who have seen hit and run accidents, as well as other crimes. The Work Group also encouraged the online publication of those egregious offenders. DPW will also check with its media person about a media campaign recommended as part of the 2005 recommendations.

6. Communication from City Departments on outstanding debt owed by City and non-City residents; description of current collection practices:

DPW - Parking: Brian Dunn - Duncan Solutions -- they do not garnish wages. Mr. Woznick handed out a document relating to DPW - Parking debtors (attached to file 160350). He went through the document page by page - approximately 8% of the parking citations are paid immediately. Duncan Solutions provides an annual report to the Comptroller's Office on uncollected debt and organizes it by type. He thinks booting would improve payment and it's very effective in other jurisdictions. Ms. Burke said about 10 years ago the city did boot and the Council had a lot of consternation in terms of public safety of the car owner and other concerns. There are also self-releasing boots that, if the vehicle owner provides a credit card, the company will provide the code to release the boot. With regards to adjudications most cities have a 30-60-day window to appeal and once that window has passed, then the vehicle owner is deemed liable and the process begins. The city has a parking citation review manager, but DPW gets a lot of complaints about this service. Mr. Woznick thinks a different system would work better, whether it be an administrative hearing or some other manner. An online appeal format might also be more user-friendly. The court would then be the final appeal level.

Milwaukee Water Works - Menbere Medhin - financial manager - she distributed a memo explaining MWW procedures (attached to the file). MWW has a water claims specialist who also follows up on delinquent accounts. The claims specialist also goes after billings for damaged property or issues with contractors. The Municipal Service Bill includes water charges, sewerage charges and snow/ice removal and the water part is controlled by the Public Service Commission and city ordinances. Although billings are done quarterly, invoices are generated weekly depending upon which section of the city is being billed. The claims are against the property, not the individual. No driver's licenses or social security numbers are collected and delinquent accounts are not disconnected, but, in August, letters are mailed out noting the delinquent amounts. Delinquent bills are applied to the tax roll if more than \$150. All the delinquent accounts would have been transferred to the Treasurer's Office and applied to the tax bill. All collection expenses are applied to the delinquent account, rather than to all users in general. Milwaukee sells water to Hales Corners, Greenfield and West Milwaukee; the other buyers are wholesale. For those 3 suburbs, the city collects and bills on the suburbs' behalf and the suburbs put the delinquent accounts onto their tax rolls. With the new software, the Treasurer's Office will be able to track individual payments and therefore may not be making departments whole in the spring as not all delinquencies are collected.

DPW - General - Dawn Crowbridge - Finance Manager - they have \$902,000 in debt, most of that in conduit rental, which they are in the process of collecting. They have \$775,000 with Kohn. A number of their debts are due to property damage.

Municipal Court - Arnie Harris with Harris & Harris - they have two contracts with the court; 77% of the debt is traffic and about 61% is through law firm collection and 39% through the Tax Refund Intercept Program (TRIP). Each and every year since 2012, court debt has decreased as fewer tickets are being issued as police are responding to other non-ticketing matters. Harris & Harris actively litigates through the Kohn Law Firm and has 1,500 cases currently in litigation. About 85% of the people they collect from are city residents, of the remaining 15%, 10% are in Wisconsin and 5% out of state for MFD debt; for Municipal Court debtors, 85% are city residents and 15% are non-city residents. Ms. Himle provided a graph of municipal court debtors and a breakdown of city resident and non-city resident debtors. Ald. Kovac said that although ticket revenues are down, the state of Mississippi is under federal scrutiny for using tickets to generate revenue, so he's not overly concerned about this fact. Mr. Harris said that across the country ticket writing is down 80%. The Work Group would like to get the Municipal Court data broken down by zip code.

Fire Dept - Mr. Riegg provided members with a document related to their debt and Mr. Harris said that they collect ambulance debts across the country. Harris & Harris is trying to collect the part the insurance didn't pay or of those uninsured or unemployed individuals and those individuals tend to not have a lot of financial resources. The "other Harris" is his brother.

Treasurer - Rob Potrzebowski, Kohn Law Firm, said that some of the cases tend to be quite complex and they have some attorneys on staff, as well as paralegals to handle cases. They add social security numbers to the files, asset investigations, skip traces and try to negotiate full payment or payment plans. He provided a sheet of the cases they completed in 2014 that had been referred to them 18-30 months ago and this gives members a good view of final outcomes of their cases. They charge the city less for things that are easy to collect and more for those that are harder.

7. Future agenda topics

Topics that were raised at today's meeting, as well as the state collection agenda.

*Meeting adjourned: 4:42 P.M.
Linda M. Elmer
Staff Assistant*