



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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Legislative Liaison, Aaron Cadle, 286-8666*

Thursday, July 14, 2016

2:00 PM

Room 303, City Hall

Meeting convened at 2:06 PM

1. Introduction of members.

Present 9 - Witkowski, Burke, Klajbor, Robinson, Kovac, Himle, Wruck, Baral III and Riegg
Absent 2 - Korban and Rainey
Excused 2 - Barrett and Steffen

Other Individuals present:

Kohn Law Firm - Rob Potrzebowski
Harris & Harris - John Zugschwert
Kevin Sullivan - ACA
Carrie Lewis - Water Works
Yvette Rowe - Fire Dept
Scott Spiker - Ald. Witkowski's Legislative Assistant
Steven Riegg - Fire Department
Aaron Cadle - LRB
Brenda Wood - CC CC
Tom Mishefske - Commissioner DNS
Thomas Woznick - DPW Parking
Calvin Fermin - ACA

2. Introduction of city contractors.

3. Review and approval of the minutes from the June 30th Meeting.

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

4. Report by Comptroller of the 2016 Outstanding Receivables.

Mr. Wruck explained the distributed 2016 Outstanding Receivables Report (included). The Comptroller's 2016 Report on Outstanding Receivables as of December 31, 2015, is being issued as a requirement by Ordinance 304-3-3 and 304-1-5. This ordinance requires Comptroller to submit an annual report analyzing delinquent outstanding debt. Sections II through V of the report provide summary information on City receivables including Delinquent Taxes, Parking Fund Citations, Municipal Court Judgments, Miscellaneous Accounts Receivables, and the Fire Department Advanced Life Support (ALS) Billings.

Outstanding receivables for the City of Milwaukee as of December 31, 2015, total \$135.5 million. The largest category of outstanding receivables is Delinquent Taxes, totaling 37%, Current Year Delinquent Taxes (2014 taxes for 2015 purposes) account for 19% of this total, while Prior Years' Delinquent Taxes (2013 taxes and prior) total 18%. Municipal Court outstanding judgments and Parking Citations are the next largest categories, 30% and 25% respectively. Miscellaneous Accounts Receivables totals 5% while Fire Department Advanced Life Support (ALS) Billings is the smallest category totaling 3%.

Mr. Klajbor putting the Delinquent Tax collection in perspective said that Treasurer's average collection rate is 99%. The majority of tax delinquencies are in the 53206 zip code area.

5. Discussion relating to the State collection services and possible uses.

Ms. Himle said that Municipal Court has been contemplating the use of state collection services; however, the largest issue Municipal Court sees is that some of the judgment collection falls on people who are in a lower economic situation and because the state assesses \$35 or 12% fee for everything they collect, she finds it difficult to collect from these debtors; Ms. Himle submitted data sheets reflecting demographics by zip code, race, gender and age; Zip code 53206 is at the top of the list.

Ms. Burke said that State does not have the capacity to take on a large amount of debt, and do they understand the demographics.

Mr. Klajbor said that Treasurer's office sent 7,447 Delinquent Real Estate accounts to the Kohn Law Firm for a little over \$20 million and they collected in six months 60% of that already, so Treasurer's office has a concern would the State really be able to take on that volume, would they have the expertise to deal with municipal debt. Recommendation should be that since the City is kind of an arm to the State, the municipality should have access to DOR database which will make all collection easier.

Mr. Potrzebowski said that the idea of taking money in a form of wage attachment without certain garnishments rule is already available to the City under a different statute 812.34. Years ago the City declined the use of it.

Mr. Sullivan said that City is allowed to use the remedies that appear to be successful vs remedies that appear not successful.

Ms. Burke said that we may have to pass a certain kind of debt for collection.

6. Report by parking sub groups on towing, booting, payment of unpaid citations and adjudication.

Mr. Woznick submitted a written report on towing, booting, payment of unpaid citations and adjudications:

- 1. Re-initiate a process which allowed City staff at the Tow Lot to schedule a court date for customers who wish to adjudicate past due citations. Although it has been several years since Tow Lot staff have actively used this tool, we do have the ability to schedule a court date and are moving forward with the necessary steps to provide this option for customers.*
- 2. Continue to pursue changes to the Wisconsin State Statutes to authorize cities to tow and/or boot any vehicle with 3 or more unpaid parking citations (currently we only have the ability to tow illegally parked vehicles). This is currently part of our State Legislative Package.*
- 3. Recommend the creation of a work group with representation of DPW, Municipal Court, City Attorney's Office, and the Common Council be formed to determine the recommended adjudication time frame to be included as part of an ordinance proposal for this purpose. City Attorney's Office has raised questions related to process – court process, staffing considerations, changes required to citations (specifically dates) – which need further evaluation.*
- 4. Recommend consideration of an ordinance to boot illegally parked vehicles as booting may be a more effective method of creating compliance and potentially less inconvenience for customers.*
- 5. Evaluate options for current debt which is deemed as reasonably uncollectible (\$16.9M).*
- 6. Consider adding a collection fee to past due parking tickets (Duncan Solutions proposal attached to this document)*

Ald. Witkowski approved for the work group Mr. Woznick mentioned above to go ahead with their meetings.

7. Discussion relating to demographics of debtors.

Mr. Riegg distributed a memorandum regarding breakdown of amount billed versus amount collected for Intermedix (soft billing) and Harris & Harris (collections). (included in the file)

Intermedix totals as of 5/31/16

Net billable minus Write Offs = \$38,859

Receipts of accounts = \$34,935,395

Balance due = \$3,815,464

Collectable rate = 90%

Harris & Harris totals as of 5/31/16

Net collectables minus Write Offs = \$12,417,343

Gross collections (including TRIP) = \$1,093,831

Balance due = \$11,317,986

Collection rate = 8.8%

The report submitted reflects payments analysis.

The majority of these accounts are in the top 4 zip codes that are poverty stricken in Milwaukee.

Mr. Cadle gave an overview of three memos (attached to the file), City Debt Collections - Best practices, Debt Collection Vendor-contract Expirations, Statue of Limitations and the Sale of Debts Owed a Municipality, and City Debt Collection service Providers.

8. Discussion on different TRIP fees by collection agencies.

Held with the comment that Harris & Harris has lowered its TRIP fees for MFD to 4.9%, matching the fees they charge to Municipal Court. Duncan Solutions was not present to discuss this.

9. Discussion relating to including delinquent water bills, DNS charges and DPW charges on the tax bill or should these be sent to a collection agency.

Mr. Mishefske said that the only fees DNS uses a collection agency for are those instances where dept. raised privately owned property which results in a vacant lot. About 60 cases a year are referred to Kohn Law Firm; this referral process started in 1994 and over the past 22 yrs. Just over 1,400 cases have been referred to Kohn for collections.

Ms. Lewis said that by State Statue the Delinquent Water bill is required to go on the tax bill. Other parts such as sewer treatment, sewer maintenance and the City charges go onto the tax roll by City Ordinance.

Ald. Witkowski asked Ms. Lewis, how many Municipalities City of Milwaukee sells services to. Ms. Lewis said there are three municipalities: Greenfield, Hales Corners, St. Francis and small portion of retail customers of Franklin.

Ms. Wood said that by law once unpaid charges have been put on the tax roll, they are not appealable.

It was questioned whether all uncollected debt should be transferred to the tax rolls.

Mr. Mishefske said that there is a provision where department can defer sending unpaid accounts to the tax roll up to one additional year. This is done with property owners that are making progress with their compliance within the up coming tax year. Once it is on the tax bill unless department made an administrative error, it can't go back.

Mr. Kjabor said that once the tax roll is closed and settled, things can't be removed from it. They have to be remitted or paid.

99% of tax bills get paid, should we add the other debt and ship it over to the state, it would not help regarding residents who do not own property in the City.

10. Discussion relating to the oversight and centralization of collection.

Ald. Witkowski said that Aaron Cadle's best practice report indicated that centralization of debt collection was a best practice.

Currently, each department collects debt as it sees fit, independently of the others. Question: should there be centralization of debt collection. Specifically, should there be one oversight agency for collection of all city debt?

Ms. Robinson would like to discuss the recommendation as to the impact of this action in all different departments. Because the Budget Office was not present, she asked that it be held.

11. Discussion relating to possible recommendations to the Common Council.

Next meeting will be in two weeks.

There is a possibility that this work group life will be extended longer than July.

Based on all information presented in the last three meetings, Ald. Witkowski asked members to send their recommendations to the chair.

Possible future topic of discussion newspaper article regarding landlords, municipal court, city attorney and lack of coordination on properties in the City of Milwaukee.

Reviewing and update of public outreach

Municipal services past due notices will be updated.

For Comptroller's to reflect on their annual report ending balances, build-up debt, and details as to what made up the current total.

Comptroller's office recommends that accounting system has the ability to charge interest on invoices that are past due and to have an ordinance to authorize city to do this.

Recommend creating an ordinance relating to booting illegally parked vehicles.

The chair requested that all departments with collection agencies form a subgroup that would meet without their respective collection vendors to examine best practices and the possible use of the State collection agency for some functions, Sheldyn Himle was asked to chair this subgroup.

12. Meeting adjourned at 3:57 P.M.

Joanna Polanco
Staff Assistant

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