



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, September 29, 2016

2:00 PM

Room 303, City Hall

Meeting convened at 2:05 PM

1. Introduction of Members.

Present:

Tom Mishefske - DNS

Jacque Carter - Budget Office

Thomas Woznick - DPW Parking

Sheldyn Himle - Municipal Court

Adam Stephens - ACA

Arnold Harris - from Harris & Harris

Moir Fitzgerald - Lobbyist for Harris & Harris

Rocky Wruck - comptroller

Linda Burke - designee for CA

Jim Klajbor - Treas

Aaron Cadle - LRB

Calvin Fermin - ACA

Kevin Sullivan - ACA

Steve Riegg - MFD

Sharon Robinson - DOA

Rob Potrzebowski - Kohn Law Office

2. Review and approval of the minutes from September 15th meeting.

Mr. Klajbor moved approval of the minutes.

There were no objections.

3. Discussion of Harris and Harris recommendations.

The group discussed the recommendations that Mr. Harris presented included in the file. While all revenue enhancement initiatives should be considered, many may have negative ramifications that could outweigh the benefits.

Below is a listing of a number of initiatives for discussion, some of which are highly recommended by Harris & Harris, while others are not.

Revenue enhancement initiatives

Amnesty program

Consideration of a short period of amnesty offering various alternatives for payment and payment plans

TRIP – limitation of contingent fee

Require department to use outside experts to increase match rate, apply analytics, and handle interface, however mandate a contingent fee of 5% of collections

3. *Court debt initiative*

- *Judges require defendants to meet with vendor reps if not paying full fine at court date – vendor sets up payment terms, takes financial applications and demographic information*

4. *Ordinance for debt settlement*

Provided certain terms are met, allow vendors to negotiate settlement based on debt age, debt amount, payment plans

5. *Hardship payment plans/discount*

- *Provided certain terms are met, allow vendors to negotiate settlement based on debt age, debt amount, payment plans*

6. *Implement convenience fees*

- *Cover City cost of credit card and in-person transactions*

7. *Coordinate City vendor contracts*

- *Coordinate end dates of all City collection contracts allowing for bidders to bid on multiple business lines simultaneously to drive down vendor fees for additional market share*

8. *Ordinance for addition of collection fee*

- *Allow City to be at least partially reimbursed for vendor collection fees with partial add-on of percentage of debt when placed for collection*

9. *Stepped up enforcement tools*

- *Booting, driver's license suspension, arrest warrants, license plate recognition*

10. *Less aggressive enforcement tools*

- *Business license holds/revocations, garnishment, city vehicle sticker*

11. *Aggressive revenue thoughts*

- *Red-light violation cameras, speed enforcement cameras*

4. **Discussion on selling debt.**

Point 12 of Mr. Harris recommendations regarding Debt selling

- *Abusive practices, Federal Government scrutiny, lone wolf strategy, loss of control*

- *White paper attached*

The debt buying industry has been decimated by both federal and state regulatory bodies, sometimes even unfairly. Consumer advocates have convinced the relevant watchdogs in government agencies and the media that debt collection sales occur flippantly within that industry and usually long after documentation is available to substantiate the debts. In turn, they say, this has led to the collection of debts from the wrong people, or in the wrong amounts, and sometimes purposefully. Naturally, due to the fact that these accounts were already worked heavily and unsuccessfully, legal action is often necessary to effectuate solid recoveries, and as a result, high volumes of lawsuits are filed – which only makes people more afraid and skeptical of the process. This is compounded by the fact that the debts are bought fairly cheaply, which makes sense for all parties financially but casts the debt seller and buyer in a very “greedy” or negative light when they file a lawsuit to recover upon a debt they purchased for pennies. A government associating with debt sales does not sit well politically in light of all the government-initiated efforts to introduce widespread reforms and the media following closely along (see government efforts below).

In light of the above, the Consumer Financial Protection Bureau (CFPB), the Federal agency newly charged with regulating the industry, has already taken steps to create new rules and regulations in the debt buying field which has put new responsibilities on the buyers (and in turn, sellers). This will be exacerbated when the CFPB engages in debt collection rulemaking, which may very well be coming soon if industry sources are correct. The CFPB has already released certain checklist items in their field exam reviews they conduct for debt buyers and others. These items indicate that examiners should be looking at such areas as the "nature of the account-level information provided to the debt buyer" and "any representations or disclaimers made relating to the accuracy of the account-level information provided to the debt buyer," among other things. Essentially, regulators of all types now seem to be moving down a path where efforts from creditors to debt buyers must be supported by the possession and review of media at different stages of the process – and this is just the beginning of the scrutiny. More than 3 consent orders from the CFPB since 2012 have contained provisions about media gathering requirements for debt buyers and these same requirements are finding their way into laws in various states and local jurisdictions.

These are just a few of the concerns relative to the City selling some of its debt. While we are immersed in the government collection of debt on the Federal, State, and local levels, we are not aware of any debt selling activity whatsoever being done at this time by a unit of local government.

Members went over their final recommendations as described below:

Fire Department

Cease refunds of payments made on closed accounts.

Receive an annual review (checkup) from our collections company to ensure all best practices are in place.

Continue to utilize Harris & Harris for both regular collections and TRIP accounts (contract expires in November, 2016, with an option to extend an additional year).

City treasurer's recommendations.

Each year, City departments should provide receivable collection rates and supporting data to the Comptroller no later than March 1st for inclusion as an appendix to the annual report of outstanding receivables at fiscal year-end, so as to provide the proper context to the December 31 balances summarized in the report. City departments should have staff available to answer questions on their receivable collection rates and supporting data included in the appendix at the ensuing committee hearing on the annual report.

Departments that place special charges and assessments on the property tax bill should develop easy to read and understandable notices, so that the affected taxpayers understand the ramifications of failure to act and would respond to the notices.

Every department that places special charges and assessments on the property tax bill should notify the affected taxpayers prior to doing so, thus giving the taxpayers the opportunity to pay the charges due prior to their being added to the tax bill. This can be accomplished in one of two ways. Ideally, the department would send out a separate mailing in autumn serving as the final warning that the outstanding balances will be added to the tax bill if not paid by a set certain date. If this is not practicable, the department would include a neon colored warning notice with the original billing notification informing the constituent that failure to pay by a set certain date will result in the outstanding special charge balance being added to the tax bill.

The City should pursue legislation and/or administrative rule changes that would allow the Wisconsin Department of Revenue (WI DOR) to share employment and personal information to facilitate debt collection efforts.

Office of City Comptroller

A 1.5% per month interest charge be added to overdue invoices processed through FMIS, starting in 2017. This change in policy may require the drafting of an ordinance allowing the charging of interest on overdue invoices.

Department of Neighborhood Services

Don't transfer tax debt to State for collections. Existing collection process through Treasurer's office and Kohn Law Firm have been highly successful (per Jim Klajbor's presentation).

Continue to place uncollected DNS fees (along with fees from other departments) on the tax roll as a special charge. Even Kohn Law firm agrees the City's collection of tax debt is highly successful.

Parking Fund

- 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 has 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), which is currently part of our State Legislative Package.*
- 3. Creation of a work group with representation of DPW, Municipal Court, City Attorney 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 Office has raised questions related to process – court process, staffing considerations, changes required to citations (specifically dates) – which need further evaluation.*
- 4. Consider an ordinance to boot illegally parked vehicles as booting may be a more effective method of creating compliance and potentially less inconvenient 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.*
- 7. State Department of Collections*
 - Refer all unreasonably collectible debt that has either a SSN, DLN, or FEIN (as required by the State) and isn't already listed with TRIP*
 - For the 60 day period following October 1st, split sending any citation debt that has either a SSN, DLN, or FEIN (as required by the State) between Professional Placement Services (PPS) and the SDC, which we would evaluate performance through the next tax season*

Municipal Court

Certify to Dept. of Revenue/State Department of Collections:

- DNS cases with a judgment of \$10,000 or more (a SSN, DLN or FEIN would need to be obtained).*
- Traffic cases that are 12 months delinquent and the defendant has had no contact with the Court*
- Contract with Harris & Harris expires at the end of June 2017*

Miscellaneous Recommendations

- 1. Office of Management and Budget study centralization of debt collection.*
- 2. Coordinate debt collection contracts so they all expire at the same time. Avoid entering into contracts with fees that do not reflect the collector's anticipated costs to collect.*
- 3. Determine if State will provide workplace data on debtors or other relevant data needed to facilitate collections.*
- 4. Review the City's policy on using Section 812.34 of the Milwaukee Code of*

Ordinances to attach wages of delinquent City debtors, and make recommendations, if appropriate, on how this current ordinance could be used to improve City debt collections.

5. **LRB Report.**
6. **Crafting of final recommendations.**

Meeting adjourned at 4:11 PM

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