Strategies to Improve Your Municipality's Finance$

IMLA's 76th Annual Conference Chicago

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City of Chicago, Department of Law

DIVISION OVERVIEW

Collections

Ownership

1500%
Collection Increase
in 8 years

Liens & Acquisitions

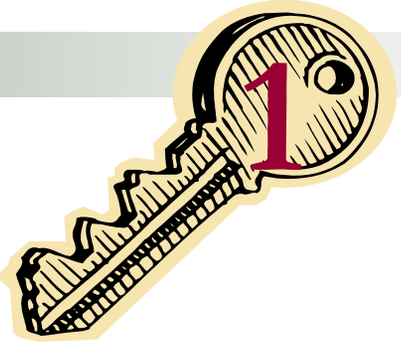
Administrative Litigation

Five Key Questions



- Where is the Debt?
- How Easy is the Debt to Collect?
- What is the Most Cost Effective Method of Collecting the Debt?
- Which Programs Can be Implemented to Generate New Revenue?
- Can Debt Collection be Improved?

Where is the debt?



Types of Debt

Conduct a Debt Review

Types of Debt

- Administrative and Circuit Court Judgments
- Enforcement Fines and fees
- Bounced Checks
- Delinquent Loan Payments
- Delinquent Taxes
- Tuition Reimbursement
- Property Damage Reimbursement

- Delinquent Water Debt
- Improperly Used Health Benefits
- Inspection Fees
- Delinquent Permit Fees
- Demolition Costs Reimbursement
- Medical Expense Reimbursements (Subrogation)
- Emergency Medical Services Reimbursement

How Easy is the Debt to Collect?



- **Things to Consider**
  - **Is the debt a judgment or does a judgment have to be obtained?**
  - **What is the cost to obtain a judgment?**
  - **How large is the debt vs. how much it will cost to enforce?**
  - **Can you collect the debt yourself or do you need help?**



COST RECOVERY

The City of Chicago Concentrates on Several Cost Recovery Areas

- **Property Damage**
- **Demolition Costs**
- **Water Debt**
- **Employee Debt**



Municipal Code of Chicago Chapter 1- 20



COST RECOVERY – LIABILITY FOR COSTS OF PROVIDING SERVICES

- **1-20-020 Liability designated – Collection.**

  Any person who causes the city or its agents to incur costs in order to provide services reasonably related to such person's violation of any federal, state or local law, or such person's failure to correct conditions which violate any federal, state or local law when such person was under a legal duty to do so, shall be liable to the city for those costs. This liability shall be collectible in the same manner as any other personal liability.

- **1-20-090 Failure to pay debt due and owing the city.**

  (a) The failure to pay any debt due the city, including, but not limited to, amounts owed on account of a fee, lease, rent, service, sale of real or personal property, overpayment, administrative or judicial judgment, fine, penalty, restitution, damages, interest, tax, reimbursement, recovery of a cost incurred by the city or other source of indebtedness to the city, after the period granted for payment has expired by any person liable for such debt shall constitute a violation of this Code. Judgment shall be entered against any person who violates this section in the amount of the debt remaining unpaid on the date the judgment is entered plus litigation and collection costs, attorney's fees and an amount representing all fines and penalties assessed pursuant to this section. An administrative penalty of .75 percent of the amount of debt remaining unpaid on the date the judgment is entered shall be assessed for each month or portion thereof in which the debt remained unpaid.

  (b) In addition to any other means authorized by law, the city may enforce this section by instituting an action with the department of administrative hearings.

  (c) Nothing in this section shall preclude the city from seeking to collect any debt due the city through the use of any other administrative procedure or court proceeding authorized by law.

What is the Most Effective Method of Collecting the Debt?



In-House Collections
(Suggestions)

- Delinquency Notices from Client Departments
- Demand Letters
- Payment Plans
- License Holds § 4-4-150(b)
- Permit Holds § 3-32-080(c)
- Driver's License Suspensions § 9-100-130

- Vehicle Boots § 9-100-120
- Liens on Real Property
- Foreclosure On Liens
- Obtain Court Judgments
- Post Judgment Enforcement
- Credit Reporting-FCRA

Effective Methods (cont.)

- **Example**

Parking Debt Demand Letter

$10,000,000 in 2010

CITY OF CHICAGO DEPARTMENT OF LAW
(Sample Demand Letter)

Re: Judgment Amount Due $150.00

Dear Mr. Smith:

Attached is a list of outstanding parking debt for which you have been sent notices by the City's Department of Revenue. You have failed to respond to the Department of Revenue's notices and a **Judgment** has been entered against you in the amount noted above. This debt has now been referred to the City of Chicago's Department of Law for enforcement.

You must pay the total final determination debt immediately to avoid collection proceedings. If you fail to pay now you may be responsible for additional amounts, including attorneys' fees and collection costs. Also, the City may garnish your wages and bank accounts, file a lien against your property and notify the credit bureaus, any of which may affect your credit.

You may make your payment in any of the following ways:

1. Pay by credit card online at www.cityofchicago.org/revenue.
2. Send a check or money order payable to the City of Chicago Department of Revenue with the payment coupon below.
3. Pay by credit card by completing and mailing the attached payment authorization form.
4. Pay in-person at any one of the Department of Revenue payment facilities.
5. Enroll in a Payment Plan. For additional information about parking and red-light ticket payment plans, please visit us at www.cityofchicago.org/revenue or call at 312.744.PARK(7275)

For locations, directions, hours of operation, or if you have questions, please call 312.744.PARK(7275) or visit the City's web site at www.cityofchicago.org/revenue.

Collections Unit
Department of Law

Payment Coupon

Effective Methods (cont.)

Debt Collaboration
(Partnerships)

- Refer Debt to a Law Firm or Collection Agency
- Consolidate Debt
- Fees
  - Contingency Fees
  - Hourly Fees
  - Flat Fees
- Fees/Costs May be Recoverable- Municipal Code of Chicago Chapter 1-19
- Effective Management
- Brainstorm

CHAPTER 1-19
DEBT DUE AND OWING TO THE CITY

- **1-19-020**

  …(a) any person who fails to pay any debt due and owing, which debt is a result of that person's default in the payment of a fine or any installment of a fine, shall be liable for the city's collection costs and attorney's fees incurred by the city in the collection of the debt; and …

- **1-19-030**

  …(a) any person who fails to pay any debt due and owing, other than the debt specified in Section 1-19-020, shall be liable for the city's collection costs in the collection of the debt; and …

Implement New Revenue Generating Programs!



BE CREATIVE !

- Bounced Check Program
- Delinquent Loan Payments
- Health Benefits Overpayment
- Remember …
  - Balancing Test
  - Political Implications

Additional Programs Implemented by the City of Chicago

Future Plans

- Proposed Tax Intercept Program

How to Improve Debt Collections



TRAIN, TRAIN, TRAIN

- **Client Departments**
  - **Cost Recovery**
  - **Remind Your Client You Can Help**
- **Enforcement Bureaus**
  - **Drafting Accurate Citations**
  - **Identifying Proper Parties and Service Addresses**
- **Outside Law Firms/Collection Agencies**
  - **Expectations/Goals**
  - **Ordinances and Uniqueness**