

November 17, 2015

Alder Chris Able, Chair
Public Safety Committee
CITY OF MANITOWOC
900 Quay Street
Manitowoc WI 54220

RE: Municipal Court Judgments

Dear Mr. Able:

You will recall that I recently met with the Committee regarding old unpaid Court judgments from 1989 through January 1, 2007. Those were 3,466 judgments with a total value of \$485,988.59. As to those judgments, for most we had information to continue collection efforts. However, we found my predecessor at one point had sent letters to at least some of the defendants indicating that if they did not pay, they would be suspended or jailed *as an alternative to payment*. When we attempted collection, one defendant brought his letter in from 1999. Our records did not show whether a suspension or jail commitment was ever ordered or served. Accordingly, since the letter offered an alternative to the defendant and we did not know what had occurred, I decided these judgments should be written off. Public Safety concurred.

There are an additional 4,421 judgments with a total value of \$704,514.95. They also predate January 1, 2007. There is one significant difference with these judgments from the 3,466 noted above. For the 4,421, the Court did not have sufficient information to attempt collection, while it did on the 3,466. For the 4,421, the Court did not have any current address or employer, nor did we have the defendant's Social Security number. A Social Security number is necessary to attempt collection through either the Tax Refund Intercept Program, or the State Debt Collection Service. In addition, Section 893.42, Wis. Stats., precludes beginning an action in Circuit Court to collect on a Municipal Court judgment after 6 years. Accordingly, even if we later discovered an employer, it was too late to begin a garnishment.

In 2012, in consultation with City Attorney McDaniels, it was decided to internally write off the 4,421 judgments for which we had no information to put into collection and the statute of limitations had run. At that time, a manual entry was added to each judgment that it was closed. However, the amount owed remains on the books of the Municipal Court. In other words, it still shows as an Account Receivable, even though it will never be collected. I did not consult the Public Safety Committee in 2012 since there were no options other than what was done.

Recently Finance Director Corbeille and I have been discussing the situation with the two different batches of written off judgments. He informs me that simply adding a 'Closed' notation to either of these batches of judgments is not the way they should be handled from an accounting standpoint. They will still show as owing. What might happen 15 years from now when we are all gone and no one knows why these judgments show as owing but with a 'Closed' notation? Will the order I issued in 2012 for the first batch or the order I issued after appearing

before the Committee recently regarding the second batch be found? Mr. Corbeille also indicates auditors recently questioned the mechanics as to how these judgments were handled.

Our Court software vendor, TIPPS, has provided a bid to write a program to zero out these written off judgments in a batch format, along with adding a history note as to why that was done. The software program would then remove them from the Tax Intercept program as well. Their bid is \$1500, valid through 12/31/15.

Realistically, with 7,893 judgments, it is not feasible for the Court Clerk to do this manually. When she added the 'Closed' note to the 2012 judgments, she had to individually look up each judgment and manually add that single notation. To zero them out would require significantly more. Each judgment has money owed to the City for the forfeiture, the Court for court costs, as well as an amount to the County and State. Depending on the offense leading to the judgment, some would have additional charges such as OWI surcharges, domestic violence surcharges, etc. Each line item would have to be manually changed to zero, as well as the final total. As to the second batch of judgments from 2015, many had been submitted to the Tax Intercept Program. After zeroing out the individual components of each judgment, the Court Clerk would then have to perform a separate operation to remove them from Tax Intercept.

The Court does not have \$1500 in its budget for 2015 and did not request that amount for 2016, since this issue arose after the budget submission was complete for individual departments. Yet, from an accounting standpoint, Mr. Corbeille believes it is important that the books be corrected. Although I am less concerned about how the books appear, I do have worries about what might happen 15 years from now. Might someone again attempt collection, launching the City down a path to being sued because double collection was attempted? Mr. Corbeille has some ideas for funding this batch format write-off which I believe he will share with Council.

One concern the Committee may have is the amount at issue. It totals \$1,190,503.54. That's obviously significant. However, it appears that no write-offs have occurred since likely dating back to about 1989. In 2012 there was some consideration given to exploring combining the Manitowoc and Two Rivers-Mishicot Municipal Courts. I did a detailed investigation to examine feasibilities, finances, etc. I found that the Manitowoc Court collects about 72% of its judgments. Anecdotally, this is above average for Municipal Courts in Wisconsin. Annually, the Court has been collecting well in excess of \$500,000 in recent years. This significant number to be written off is no more than the 28% uncollected which has been building up for decades.

I look forward to hearing from the Committee. If you wish me to appear at a meeting, please let me know.

Sincerely,

Steven R. Olson
Municipal Judge