

**MINUTES FROM THE DECEMBER 5<sup>TH</sup>. COUNCIL MEETING PERTAINING TO THE VISIT FROM GABRIELLE SUMME, KENTON COUNTY CLERK, AND IN REGARDS TO THE POSSIBILITY OF COUNTY COLLECTING CITY TAXES FOR BROMLEY AND THE LENGTHY DISCUSSION FOLLOWING HER VISIT.**

**Kenton County Clerk, Gabrielle Summe** and Theresa Reilly, from Summe's office, have approached the Mayor and Council about providing Bromley with tax collection services. A brochure (available in the office for review) has been distributed. Summe feels that Bromley could utilize her office for this purpose which would help Bromley economically.

Kenton County currently collects a sticker fee for all vehicles registered in Bromley. They forward the money on to us with a list of those who did and those who did not pay this fee.

Ms. Reilly stated that an ad valorem tax is just a tax on a vehicle which can be collected along with the sticker fee which is paid when vehicles are registered annually and, per Ms. Reilly, this tax is very easy to implement. She also stated that this would not be considered raising taxes. An ordinance would have to be enacted by the City in order for this tax to be collected. Ms. Reilly stated that their office would do everything for Bromley once the ordinance is passed. They would send the information to the State where an ad valorem rate would be set. This fee would be, according to Ms. Reilly, a much bigger fee than the City sticker fee. Other cities have made thousands of dollars by allowing the County to collect the ad valorem fee (\$72,000, \$45,000). According to Summe, Ludlow, Villa Hills and Taylor Mill are coming on board as a way to assist them in taking care of City issues financially.

Summe feels that the City tax issue would be beneficial to Bromley. County has the infrastructure to collect taxes for Bromley. They also can collect delinquent taxes. Bromley would provide tax records to them. They can send bills or we could send the bills and they could collect the taxes for us. This would eliminate some of Bromley's administrative fees. We could allow our Attorney to pursue the collection of delinquent taxes or County could take over this procedure using the Kenton County Attorney's office at no additional cost to Bromley. County would sell our delinquent taxes to a third party purchaser. A percentage would be determined setting a fee that County would receive for this service. Bromley is the first City that Kenton County has approached related to this particular issue.

Ms. Reilly stated that the production of our bills would be very easy for her department. They would craft their bills to suit our purposes setting up the bills to our specifications. Ms. Reilly stated that Bromley would have a check in August for collected taxes and a spreadsheet showing which bills were paid and which were not paid. She stated that Kenton County has sold over 1.3 million dollars in delinquent tax bills this year.

Attorney Vocke asked Ms. Reilly if there was any statutory authority allowing the County to collect taxes for cities. Ms. Reilly said, "HB 262".

Summe stated that many counties collect taxes for their cities. Kenton County has just begun to pursue this possibility. They are regulated and audited by the Department of Revenue who would make sure that we received the money that is due to us. Tax bills are sold with penalties and interest included. Tax sales are usually done the last week of July. Ms. Reilly stated that, basically, they are tax collectors. She has twenty-eight companies registered that they use to purchase their delinquent tax bill. They draw numbers, and five bills at a time are sold. This is all done through HB 262.

The Attorney stated that the purchasing companies come in and they get a bunch of additional fees.

Ms. Reilly said that the companies get 12%. The Attorney stated that they get the percentage, plus \$700.00 in pre-litigation Attorney fees, plus a \$300-\$400 administrative fee. Ms. Reilly stated that they changed that last year. They can only charge reasonable administrative fees now and she believes that the fees cannot be over \$300.00.

Dan was informed that Kenton County does indeed collect \$1.00 (10%) of every sticker fee that is paid to Bromley. The fee that they would charge to collect our taxes is negotiable. There is a statutory limit of 4%, which is what the Sheriff's office gets to collect Kenton County taxes. The fee would depend on how much of the profit we would want them to take. We should keep in mind that they would have to cover postage expenses plus the production of the tax bill. Everything else is internal. They are already doing it. Kenton County has just turned over the collection of their bills from the Sheriff's office to the Kenton County Clerk's office.

Charlie Foulks was told that they have set no fee at this time because they have never done this before. The cap is, however, 4%.

Summe stated that persons with delinquencies are given notice from the Kenton County Attorney's office that they have a delinquent bill. The bills are not automatically turned over to the purchasing company. Ads are run in the paper also before sales are made. The owner of the tax bill is given every opportunity to pay their bill before it is sold.

The Mayor stated that he and Summe had spoken regarding payment plans being set up for persons who cannot pay the full amount of the delinquent bill. Bromley does not offer payment plans. If this procedure is set up the tax bill becomes locked and cannot be sold to a purchasing company as long as the payments are being made as scheduled.

Mayor Radford suggests that Council think over the possibilities presented to us by Summe and email any questions to her attention with a cc to him.

**Ms. Summe and Ms. Reilly left at this time (6:55 p.m.)**

Denham was told by the Attorney that Kenton County collects a sticker fee (which is basically a road tax fee) for Bromley. There is no ad valorem tax included on this bill. The Mayor stated that, as an example for uses of ad valorem taxes from vehicles, we could incorporate the sewer project or other types of utility or asset projects and tag the funds for these purposes.

The Attorney stated that an ad valorem tax is not raising taxes, but, it is creating a new tax.

The Attorney is not convinced that there is statutory authority to sell city tax bill. County has the authority to sell county tax bills. The Attorney explained how this procedure would affect Bromley by using the Hildebrant property as an example. There is a hearing coming up on this property on Monday. The original bill was approximately \$400-\$500. The purchasing company has added a \$700.00 pre-litigation attorney fee and a \$350.00 administrative fee. They charge 12% annual fees (1% monthly) and are asking an additional \$2,800 attorney fee for a foreclosure that we filed.

The Baker property has three different agencies involved with the tax bill sale. They're asking for the same thing on this property. They bought three different county tax bills for three different years. This is what is going to happen. The properties down here will sell for \$10,000, \$15,000, \$20,000 or \$30,000. We have to share, pro rata, because the statute says that they step into the shoes of the State tax lien, so, not only do we have to pay the tax lien, pro rata, but we have to pay administrative fees, per rata, so instead of splitting costs 50/50 we will be sharing 10/90 and this is what is going to happen in all of these cases, per the Attorney. The Attorney told Denham that he does not know if there would be an advantage or not to the County collecting the tax bills, but there is a lot more involved with this situation than meets the eye. He explained to Denham that, for instance, an elderly lady misses paying a tax bill, and every year there are a dozen that get missed for one reason or the other, and county sells that bill.

That person could end up paying \$4,000-\$5,000 for a bill that would have originally cost them \$500-\$600. The Mayor said that Summe had stated that they could not charge that much. The Attorney stated that the county couldn't, but the buying companies could. The Mayor said that Summe stated that we could take six to nine months and even give them a year. The Attorney said that Bromley can do whatever they want, but cautions us to be really careful because the numbers that get charged, after the sale, are incredible. County is not going to collect the fee for free.

Charlie Foulks wondered what was wrong with the way we are billing and collecting now. Schutzman stated that what they are trying to do is make everything County.

Dan said if you pay a \$500.00 tax bill and county charges 4% you can just add another \$20.00 to that tax bill and we say we don't want to raise taxes and yet we are going to turn around and impose a \$20.00 fee and then inconvenience the people to have to go to Covington to pay the bill. Maybe we should just be a little more aggressive in collecting the bills. The Attorney keeps hearing that, but, percentage-wise, Bromley has very few tax bills that aren't collected.

The Mayor stated that, in the meantime, we are paying \$80.00 for their garbage bill and Smith said we are also paying their road and fire tax.

The Attorney stated that some of these companies will file foreclosures because people are behind on their mortgages and then they decide that they don't want any part of this so they'll file a motion to cancel the sale and let it sit for another six months or they'll sell the property and won't record a deed for six months or a year.

The Mayor stated that we would get the money up front by selling the tax bill. Right now, every time we take action we get a foreclosure or we get a bankruptcy. We are not getting the money now. We should either go with County or get more aggressive.

Smith asks if we are out of the picture if we sell the tax bill. The Attorney explained that they would sell the delinquent tax bills. Our bills run from July through June of the following year. County is proposing that they sell the delinquent bills the following July. They can sell those tax bills at that point and we would get whatever is due on that bill, but Smith should remember that her neighbor just went from a \$300-\$400 bill to a \$3,000, \$4,000, or \$5,000 bill. The Attorney believes that the statute specifies that the tax bill being sold has to be for the previous year's bill. He will review the statute.

The Mayor stated that we would be giving the citizens another option of ways to pay their taxes and not just come up with a check one time a year. He suggests that everyone review HB 262. He also felt that, due to the size of our city, and the fact that County is getting 4% from some of the other cities, it would tend to lower the percentage that we would be charged. Schutzman stated that this is a test and no other cities are doing this at the present time. The Mayor said that Summe did say that Ludlow and some of the other cities had come on board with this and we would not be the first. Rob stated that she meant that the other cities had come on board with some of the other services previously mentioned. The collection of taxes would be a new area for them to pursue.

The Clerk asked that, by cutting Administrative costs, as Summe put it, would that mean that she and the Treasurer would be out of a job since more work would be taken away by pursuing this matter. County has taken over the collection of City stickers and occupational license collections. The Mayor felt that there were other things that could be worked out so that the jobs would be secure.

The Attorney feels that HB 262 would only tell the Council and Mayor about these delinquent sales. It would not mention fees. Rob feels that there has to be extra fees because Summe says they make 10% off of sales and the purchasing company is making 12%. That would only allow the company to make 2%

off of the sale and Rob doesn't feel that any company is going to go along with only 2%, so there must be other fees involved. Rob also said that Summe mentioned making tax payments which sounds good but if you are delinquent on several years of taxes with penalties and interest tacked on it isn't such a good idea anymore. The Mayor said that the IRS is going to tax these people and we can't protect them from that. There are just things that have to and need to be paid so it is fair to the rest of the citizens of Bromley, and it should be addressed.

The Attorney asked that we keep in mind that when the Master Commissioner goes to send out the checks he will be sending something that is not quite pro rated as it used to be.

Rob remembers doing research in the past pertaining to having the Sheriff's office collect our taxes and Council decided against it at that time. He may review past minutes regarding this matter. Rob also remembers receiving the same brochure from Summe at a Mayor's meeting a year or so ago.

Schutzman said that he had to hold his tongue when Summe was speaking because, in the case of the Hildebrant property, the original tax bill was several hundred dollars and after American Taxes bought two years of the delinquent taxes the bill became \$3,400-\$3,500. The property remains vacant and we still have to maintain it. There are a lot more fees involved than what was stated and, if payment plans are set up, according to Schutzman, and you default on the payment, you do not get a second chance. County becomes the tax holder of the bill.

The Mayor stated that Bromley still has about \$28,000 in delinquent taxes. Smith was informed that we would get the tax money if the bill was sold but we would still have a vacant property to deal with that had to be maintained and we, or some other party, would still have to go through the foreclosure procedures, and the CEB would still have to deal with these situations. The Mayor wanted to know if the Hildebrants would have paid the delinquent tax bill if it was \$500.00 as opposed to several thousand dollars. He didn't believe that they would. The Attorney stated that it would have been more attainable. The Mayor said when you go four to five years you are not attaining it. The Attorney said that the Hildebrant property was scheduled for a sale and they knew it so they moved out and the plaintiff decided that they did not want to sell the property because they wanted to take it back. The Mayor stated that we would have still received our money if we had gone through this other method with County. The Attorney said this is true, but the property is still going to be sitting vacant because Hildebrants cannot afford to pay the taxes and keep the mortgage paid. We will have properties selling for depressed amounts which will lower our tax base so in the long run your real estate taxes are not going to bring in as much. The Attorney said that what they are proposing is not as perfect as they make it sound.

The Mayor is receiving numerous calls regarding the Hildebrant and other similar properties and feels that, with this method, we would still get our money as opposed to waiting on it and we would have the money in the bank drawing interest.

Charlie Foulks spoke of an instance where his son sold half of his property to someone else. His son believed that he would owe two months of the taxes and the purchaser would owe the other ten months but, as it turned out, the tax bill remained in his son's name, who did not pay the tax bill, which was purchased by a company and, from that one tax bill sale, the amount due to Foulk's son on that same tax bill became \$12,000.00.

Schutzman informed Denham that the Mack property has to be boarded up. Condemnation of a property is a long process. There has to be a legitimate life-safety issue and there is a Board that would have to have a hearing on it in order for the property to be condemned and torn down. There is a process that has to be followed and if we tear a property down the bank will come after us even if the County takes it over as this is a State law. It is in the State Building Codes.

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The Mayor asked if we could condemn a property for city enhancement by using the condemnation process. Schutzman said in cases of eminent domain we would try to talk the owner into giving us that property using the amount of taxes due to help our cause. The Mack property has been an issue for seven years and a commissioner's sale was cancelled at one time for this property. The Mayor asks that Council review HB 262 and send emails or concerns to him and/or Summe.

**MAYOR** \_\_\_\_\_

**CLERK** \_\_\_\_\_

**THESE MINUTES FOR THIS PARTICULAR DISCUSSION WERE TAKEN FROM THE TAPE RECORDER.**