

Jackie

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: BUDGET MEMO #3: REVENUE FROM CITY DECALS AND PARKING VIOLATIONS

This responds to Councilman Macdonald's request for the amount of revenues lost annually for uncollected parking tickets and personal property taxes. More specifically, Councilman Macdonald asked:

1. "How much revenue is lost annually because we cannot find, or boot folks who owe multiple parking tickets? (I understand that the list is purged frequently.)"
2. "How much revenue do we estimate is lost yearly because people do not pay their personal property taxes? (How does the City check this number?)"

1. PARKING TICKETS

The City purges approximately \$900,000 annually in parking tickets that remain unpaid more than three years after their issue date, of which \$270,000 is from vehicle owners with multiple parking citations. Of the \$270,000:

- \$60,000 is from Virginia license plates that the Virginia Department of Motor Vehicles (DMV) cannot provide the City with the owner's information;
- \$60,000 is from out-of-state license plates that the respective state's DMV cannot provide the City with the owner's information;
- \$125,000 is from Virginia license plates that the Virginia DMV has provided the owner's information, but we have been unable to compel the vehicle owner to pay the outstanding fine despite the collection efforts identified below;
- \$25,000 is from out-of-state license plates that the state's DMV has provided the owner's information, but we have been unable to compel the vehicle owner to pay the outstanding fine despite the collection efforts identified below.

Background

State Code Section 46.2-1225 provides that, "Every action to collect unpaid parking citation penalties imposed for violation of a city or county ordinance regulating parking under this article shall be commenced within three years of the date upon which such penalty became delinquent." Accordingly, the City purges and archives all citations that remain unpaid more than three years after their issue dates.

The City issues approximately 96,500 parking citations annually, of which 75,000, or 77.7 percent will be paid; 5,300, or 5.5 percent will be voided; 16,200, or 16.8 percent will be purged after three years. The City collects approximately \$2,770,000 annually in parking citation fines. The City's collection rate of 77.7 percent exceeds the International Parking Institute's benchmark clearance rate for municipalities of 70 percent. To achieve this collection rate, the City contracts with Professional Account Management for parking ticket processing and collection services. Professional Account Management uses a detailed collection process to pursue the City's outstanding parking citations. The following is a summary of Professional Account Management's collection process:

1. The vehicle owner's information is requested from the respective DMV if the citation remains unpaid 7 days after issue date.
2. A Courtesy Notice is mailed to the vehicle owner if the citation remains unpaid 12 days after issue date.
3. A \$25 late payment penalty is assessed if the citation remains unpaid more than 30 days after issue date.
4. Delinquent Notice 1 is mailed to the vehicle owner after a late payment penalty has been assessed and the citation remains unpaid.
5. Delinquent Notice 2 is mailed to the vehicle owner 28 days after the Delinquent Notice 1 was mailed and the citation remains unpaid.
6. A Boot Notice is mailed to the vehicle owner if three or more parking citations are unpaid more than 30 days after their issue dates.
7. The citation is referred to Professional Account Management's collection branch for third-party collection action if unpaid 90 days after issue date.
8. The vehicle owner's address is reformatted to National Change of Address standards and a Collection Notice is mailed to the vehicle owner if the citation remains unpaid.

9. Professional Account Management's Skip Trace/Locator Department acquires the vehicle owner's telephone number and initiates telephone collection if the citation remains unpaid.
10. Follow-up letters and telephone calls are made until the citation is paid in full or deemed to be uncollectible. Transient vehicle owners are also located through extensive use of skip-tracing tools.

In addition to Professional Account Management's collection efforts, the City's Parking Enforcement Officers search for boot-eligible vehicles that have three or more parking citations unpaid more than 30 days after their issue dates. Once a vehicle has been booted, the vehicle owner must pay all outstanding fines and penalties within 24 hours or the vehicle is towed to the City's Impound Lot.

The Finance and Police Departments jointly explore new technologies that could further increase the collection rate. For example, CRM, Inc., an Alexandria-based company, recently demonstrated an innovative product called BootFinder (which costs \$20,000 per unit). BootFinder is a mobile license plate reader that compares license plate numbers on parked and moving vehicles against pre-loaded databases in real-time. BootFinder identifies boot-eligible vehicles, stolen vehicles, or vehicles registered with the Virginia DMV but not with the City of Alexandria. The City is continuing to evaluate the purchase of BootFinder units.

2. PERSONAL PROPERTY TAXES

Vehicle Personal Property:

There is not an accurate way to estimate of the loss of revenue from vehicles parked in the City that maintain out-of-state license tags and registration. However, staff has developed programs to locate and identify as many vehicles as possible. We are currently working with the Virginia State Police to access the Virginia Criminal Information Network (VCIN) system to assist in identifying the owners of these vehicles. We plan to be connected to the VCIN system within the next three months. Also, the Police Department periodically establishes roadblocks to get out-of-state vehicle owners to comply with City personal property tax regulations, as well as Police Department tag enforcement officers periodically patrol City streets and multi-family residential property parking areas.

As described in an earlier docket item (October 14, 2003, #17), because the City's population is very transient, collecting personal property taxes on vehicles is challenging. Many taxpayers leave the City during the year without notifying the Finance Department of their new addresses. However, these taxpayers are billed for the full year because staff is not aware that the taxpayers have left the City. A tax bill is reduced (prorated) if and when the Finance Department is informed that a vehicle has been removed from the City. As a result of proration, a significant portion of the delinquent personal property tax on vehicles is relieved or adjusted once the taxpayer contacts City staff.

State Code 58.1-3940 provides that, "collection of local taxes shall only be enforceable for five years following December 31 of the year for which such taxes were assessed." Accordingly, on December 31 of every year, staff purges the tax files of approximately \$1,300,000 in delinquent vehicle personal property taxes that are more than five years old. However, we do not know if the taxes were actually due for the reasons given above.

Background

Even though a significant portion of the delinquent taxes are relieved or adjusted, the Finance Department still aggressively pursues the collection of all delinquent taxes by taking the following actions:

1. A series of City dunning letters, ranging from a friendly notice to notification of legal action, are mailed to delinquent taxpayers;
2. A warning letter is mailed to property owners with delinquent taxes warning that their names will be published in a local newspaper and/or on the Internet, unless their delinquent taxes are paid;
3. Delinquent accounts are forwarded to a collection agency for collection; and
4. If the taxpayer lives in Virginia and takes no action as a result of the preceding steps, staff requests the DMV to withhold the vehicle's registration until the taxes are paid and/or sends the account to the State of Virginia's Set-Off-Debt Collection Program, where delinquent taxes are withheld from the individual's State tax refund. Last year, staff collected over \$450,000 from these two State run collection programs.

Business Personal Property:

The Finance Department uses the same aggressive collection techniques to collect delinquent business personal property taxes as it does to collect other delinquent property taxes, including placing bank lines on business accounts and conducting business personal property tax field audits to find and assess additional personal property on non-compliant businesses. Last December, staff purged City files of less than \$100,000 of business personal property taxes that were outstanding for over five years.

The Code of Virginia gives localities the authority to issue statutory or estimated bills. Because the validity of these billings cannot be known at the time personal property taxes are levied, they are included in the total levy which artificially inflates the amount of outstanding taxes and reduces the City's collection rate.

In FY 2003, staff levied approximately \$7.8 million in estimated business personal property taxes to businesses that failed to file a return. Of these estimated bills, approximately 16.6 percent, or \$1.3 million, were paid without any adjustments. This represents an annual revenue source that the City would not have received if it did not issue estimated bills. During 2003, staff wrote off

approximately \$4.8 million of the billed taxes after receiving evidence that businesses ceased operation or left the City before the January 1 assessment date.

While the majority of City businesses comply with their business personal property tax obligations, there are a few that do not. Businesses that are non-compliant are statutorily assessed by either one of two methods: 1) staff assesses the taxpayer 115 percent of the previous year's tax assessment, providing the taxpayer has previously filed, and 2) staff levies an assessed value based on the businesses gross receipts. For example, businesses with gross receipts of \$500,000 or less receive a flat business tangible personal property assessment of \$75,000. Businesses earning gross receipts between \$500,000 and \$1,000,000 are assessed personal property taxes at \$100,000. Those businesses earning gross receipts over a million are assigned an assessed value of \$150,000 for personal property taxes.

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