

# Memo

**To:** Mayor Feiszli, Bryan Gazda, Common Council

**From:** Lori Crompton

**CC:**

**Date:** 9/14/2010

**Re:** Auction Proceeds

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As you all know, the City had its' first Tax Foreclosure Auction in over 20 years. Of the 20 properties auctioned, the City has completed the transfer of 18 properties to new owners. The transfer of one of the remaining properties is being held up due to a question of clear title and whether all of the heirs were notified, and it appears that the bidder for the other property is no longer interested. After numerous attempts by Elaine Doe to contact the bidder, a Return Receipt Certified letter was sent by Corporation Counsel Walsh notifying the bidder that they have relinquished all rights to the property (including the deposit paid at the auction), but the bidder is still not responding. Once we are assured that the bidder has received the notification, the next bidder will be contacted to see if they are still interested in purchasing the property.

The receipts have been held in Trust & Agency until all the transfers were completed. Elaine has balanced the receipts for the 18 properties, and the breakdown of how the proceeds will be applied is attached. A total of \$298,356.77 will be transferred to the General Fund. Of this amount, we are requesting Council approval to appropriate \$21,558.32 to the General Fund Budget to cover the fees as follows:

A1325-41502 <i>In Rem</i> Fees due to Phillips Lytle	\$13,434.82
A1325-41500 Fee to prepare deeds due to Attorney M. Robinson	\$ 1,620.00
Fee for filing of deeds with the County Clerk	\$ 4,995.00
Fee for filing of discharges of old Tax Sale Certs.	\$ 858.50
A3621-41400 Outstanding Code Enforcement receivables for property maintenance	\$ 650.00

The remaining proceeds will be applied to outstanding taxes as listed on the attached sheet. All outstanding City/County base taxes for 2009 and 2010 and the 2009-10 School base taxes will be satisfied, with the remaining proceeds being applied to previously filed Tax Sale Certificates. This results in a favorable adjustment to Deferred Tax Revenue of \$353,740.37 and a Loss on the Sale of Real Property of \$120,141.98. The net is the revenue of \$233,598.39, which we are asking the Council to recognize as follows:

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A1051 Gain on Sale of Tax Acquired Property	\$233,598.39
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Please note that the proceeds can only be applied to base taxes. Although the City would have collected an additional \$237,000+ in interest and penalties had the taxes been paid in full, this amount is not accrued as a receivable and is only booked as revenue when we collect it. Thus, although it is foregone interest, it is not reflected in the recognition of the proceeds.

	Dr.	Cr.
Cash	A200	
Appropri. Exp.	A522	21,558.32
Current	A250	31,100.96
Prior	A260	25,106.44
School	A290	12,099.10
		<u>89,864.82</u>
Tax Sale	A320	208,491.95
		<u>298,356.77</u>
		120,141.98

Gain/Loss on Sale	A980	120,141.98
Tax Sale	A320	120,141.98

Def. Tax Revenue	A694	353,740.37
Gain/Loss on Sale	A980	353,740.37

Interest Write off	No - Per Duane	237,276.55
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Although we would have received this amount had the taxes been paid, it is not accrued on the books as a receivable (it's just booked to revenue when we collect it) so there is no no entry for the interest foregone.