

DOOR COUNTY TOURISM ZONE COMMISSION

FINANCIAL COMMITTEE MINUTES OF NOVEMBER 23, 2009 Kerber Rose Offices/Sister Bay

ACTION ITEMS:

Committee Members Present: Bob Kufrin, Tom Benzshawel, Andy Coulson, Bryan Nelson, Dick Skare

Also Present: Dianne Lensert, Kerber Rose; Kathy Kirkland, Administrative Assistant; Greg Swain, Bay Lake Systems

Call to Order

Kufrin called the meeting to order at 2:08 p.m.

Discussion on Modifications to Commission Accounting Software

Greg Swain asked about possible changes in software from Bay Lakes, especially somehow linking Lodgical so Kerber Rose does not have to spend hours inputting by hand agents' and other Lodgical filers. Agents use their own codes for properties, so they're hard to decipher. Lodgical seems to have a glitch in regard to showing exemptions or exceptions. Swain said linking is something that could be done.

Another issue with the Bay Lake software is that people say that they filed online, but it doesn't show up on our end. Swain said there is a confirmation screen that can be printed out. Kufrin asked about sending a confirmation e-mail as some sites do when ordering product; we could even ask that they confirm receipt. However, it was noted that there would be an unknown number of e-mails in limbo until they cleared. Swain noted there would be many entries and it would be hard to automate. Coulson asked if, rather than Bay Lake sending a receipt, if The Zone could send it. Then the person filing has a record of sending and receipt. Lensert felt it has to be automated and not take more people-time. If there were automated e-mails that people didn't acknowledge, we'd have a report of "e-mail sent without acknowledgment."

Kufrin asked if we still want people to be able to submit online and then send a check. Skare asked how many forget to send the check. What's the dollar amount? Lensert said submitting online versus sending in checks, it's the ones-and-twos that take all the time, and if it's linked, it'll be huge saving in itself. Kufrin felt if we change compliance or collection fees for not paying on time or make the leap of moving from "late" to "delinquent," we need to make sure the computer side is tracking properly. If the programming doesn't work correctly, we can't fine people. Swain asked whether we want to accept PayPal or credit cards. It wouldn't be the first option because it there are fees, but we could offer it with a surcharge if it's legal with our type of collection. That fee wouldn't be associated with the percentage split because it's a processing fee. Kufrin said property tax works that way but it's a hefty charge. DOT also charges a surcharge for credit cards.

Kufrin felt that if there were enough credit card transactions, it would all be computerized; from an administrative point of view, we pay Kerber Rose to process hundreds of manual transactions monthly. Benzshawel asked if there's a cost savings without manual data entry. Lensert said any improvement that could be made will save time. Nelson said it was calculated at about 20 hours a month billable, about \$1,000/month or \$12,000/annually.

Kufrin suggested that if the payment is over \$1,000 that we not accept a credit card charge because of fees. Coulson felt larger lodgings might be irritated by that. Swain has done PayPal and credit cards before but has to go over it with Justin and the Milwaukee programmers to see the cost of programming that. We have to find out if, for example, PayPal has regulations about tax payments. How much of a discount are we willing

1 to accept on the bill? If it's 4% on \$10,000, is that worth it to us? Properties will complain about surcharges
2 on them. Nelson said will it cost us \$10,000 to save the same amount in one year? Kufrin felt until Swain
3 comes back with the cost and implementation schedule, no one can say "yea" or "nay."
4

5 Swain asked what we're hearing from small properties. Kirkland said they complain about password and user
6 name; they want to choose their own rather than have computer-generated ones. Lensert said we could still
7 access information even without knowing their password. Kufrin said number of ACH payers in terms of
8 total number is relatively low but represents the larger properties/units. How many are ones-and-twos, say, in
9 August? Lensert said it's the usual 80/20 rule, so probably 20% filing online. Larger businesses have
10 bookkeepers; Swain said the smaller owners are not used to filing online. For the smaller properties, he might
11 propose an additional \$4 or \$6 if they pay by credit card if allowed. Coulson asked about giving a discount
12 like the State does one-half percent); right now we're not. Can't we offer a discount if we don't have to
13 manually file? Kufrin said ACH for ones-and-twos is not attractive; they're giving banking information as
14 opposed to credit card number, and they may want points for using a credit card. We have to create incentive.
15 The 80% are not filing online; perhaps an incentive for using a credit card and paying by the 25th of month.
16

17 Swain said Step One is to come up with prices. Kufrin asked Lensert if we can create distribution chart to
18 show how many payments fall in certain financial ranges such as \$0-50, \$50-100, to \$200, 10 groups to
19 identify how many fall in categories of dollar ranges. If ACH is only 20% of totals, is it 80% of total
20 payments that month? Lensert said the big dollars come in ACH except agent properties. Big businesses are
21 doing what we want them to do; it's the smaller locations that are not using ACH.
22

23 Kufrin said when someone pays online, the transaction is due end of month. The five days is an unpublished
24 grace period. Do people have to pay a \$25 late fee? Lensert said if we send out "lates" on the 6th or 7th, we
25 haven't charged a late fee for that in-between period. Nelson said we established the 6th as the grace period;
26 otherwise, we'd have to start checking mailing dates; the 6th gives a window and the benefit of the doubt.
27 Lensert said it's approximately the 6th; the dates vary. Kufrin said if they're routine tasks, can the system do
28 it automatically? Kirkland said the simple late letters take an hour, hour and a half. Invoices for lates and
29 penalties are automated (currently by Kerber Rose) with a quick formula but they still take time to do.
30

31 Swain has a good idea of what we need. Kufrin said the human interaction should be an exception rather than
32 the norm; if even late notices could be generated off Inlnline that would be ideal. Swain said rather than
33 sending out invoices, each property could go to its profile to see about lates. Lodgical costs a lot in
34 development, especially generating forms. Some ideas will be easier than others. Kufrin asked that Swain
35 pull numbers together sooner than later. December 17th is the date we have to present the budget; we should
36 meet as a committee no later than Monday or Tuesday of the prior week. Swain will shoot for next week for
37 a proposal and will break the proposal into segments.
38

39 Another issue is people putting in the wrong routing numbers, etc. Kufrin asked Kirkland to call Jay Zahn
40 and see if County accepts credit cards for tax bills and how they do it. Kufrin asked if the online system
41 generates our accounts receivable; Lensert said the late fee is separate because it's not a receivable package;
42 not an accounting package. Kufrin asked about the magnitude of receivables and late payments; if there are
43 50 lates the first month and only 5 the second, what is the aging? For example, out of 500 payments due in
44 June, how many were late and still late the following month? Lensert said January through September 2009,
45 the total late fees and interest, including unpaid, is \$7,244. Of that, the "unpaid" part is almost \$3,000. Her
46 report doesn't show when it's collected, though. Kufrin discussed the cost of doing compliance: Is it \$100 a
47 month, \$2,500 a month? Have to get a feel for the number and the value of late bills. Lensert said when some
48 don't file at all, it's hard to say. The number of certified letters will be overkill, Lensert feels, as each costs
49 \$4.80. All are small-dollar properties. When Vande Castle is recommending sending both regular and
50 certified mail, at what level does he mean? Tice wants it for each step; what does Vande Castle require?
51 Kufrin says there's a difference from being late to being delinquent; perhaps if they've failed to respond
52 within 60 days, they're delinquent.
53

1 Swain said regarding late fees or assessments, with quarterly taxes, the entity can say, "Last year, your filings
2 were \$X amount," and send a bill based on the previous year. You can calculate the amount from rates given
3 in ads, etc. If we can make it automated late fees, we may have to get rid of "send a check" online. Kufrin
4 said we have look at the cost of computer software, cost of hands-on, cost of Compliance policy, and see if
5 makes sense. Benzshawel feels linking would save a lot; Lensert is eager for that. With Lodgical owners, tell
6 them to use that system to file and perhaps require it, Nelson felt. Swain said single properties will like it as
7 well. Swain left the meeting.
8

9 **Discussion on the 2010 Budget**

10 Without addressing compliance as it relates to the cost of mailings and the impact on Kerber Rose, we can't
11 properly develop a budget. There's still nothing in the budget on Compliance Enforcement. Compliance
12 Policy doesn't clarify costs. Kufrin discussed it with Money Penny but more in terms of the big issue of trying
13 to achieve compliance; we're not able to do it with our current operation. He didn't talk specifically about
14 1% from DCVB. Benzshawel asked about a reserve account: If we take 1% of the room tax in 2010 as a
15 reserve, we may find out we can adjust to a half percent the following year. All agree we have to establish a
16 reserve account for funding. Nelson talked to Money Penny at meeting and Jack was saying, "We're willing
17 to help." Coulson said the DCVB has the most to gain, most to lose; they have a vested interest. How do we
18 make it legal? We'd need to get a rebate. Coulson offered that, without going back to change every
19 agreement, the DCVB Board could make a 1% line item in their budget paid to the Commission for
20 compliance. Nelson said we're the entity charged with compliance, so we can't bill them per se. If DCVB
21 bought into it and said it's in their best interest to give 1/66% of what they get, it would total about \$27,000.
22 Coulson suggested trying it for a year and see if we're able to get compliance; if we don't get enough money
23 to justify the cost, the DCVB may not be willing to do it again. Benzshawel left the meeting (3:00 pm).
24

25 **Discussions on the Costs of Compliance Enforcement Options**

26 Kufrin said if DCVB is asked to pay for compliance, it'd be easier to buy into it if we have a Compliance
27 Policy and "here's what it'll cost. We're going to keep late fees, and we think compliance is 1/2%, but we
28 have documentation." Municipalities are promised only the 30%. Nelson said it was voted that we agreed
29 we'd split all income 30/4/66, the same as everything else, so we'd have to reverse it in a meeting internally;
30 it's a Commission decision. What about interest, Lensert said? Coulson said maybe we should ask
31 Money Penny about a half-percent.
32

33 Coulson said Tice raised the issue of collection agencies; if we just had a collection agency, would that be
34 more efficient? They take 50% of whatever's collected. Can we provide an estimate from places that
35 advertise online to extrapolate? "Here's how much they've left on the table that represents \$X over the past
36 2 1/2 years." Coulson asked if collection agencies have the legal ability to make them pay or is it threats and
37 hassling. His experience is that collection agencies don't really have legal power. Skare said if there's a
38 renter who doesn't pay a utility, it winds up on his tax bill; is any way to do that? Kufrin said State statute
39 permits utility bills to do that but not others. Coulson said if it winds up that we're paying an attorney 70% of
40 what we get back and a collection agency is 50%, we can weigh the two.
41

42 Kufrin asked about General Compliance and Compliance Enforcement. General Compliance is work with
43 Tice's committee and anything that happens before it goes to court. Kufrin feels Compliance Policy attorney
44 fees, etc. should come under Administrative. Compliance Enforcement is meant to be fees we could
45 theoretically recoup. Nelson said we have more casework going on, so we'll spend more money this year.
46 Skare said there's no line in the budget for Compliance Revenue; if we figure what that could be, we can
47 balance it out. If further computerization saves \$1,000/month, there's \$2,705 to balance out. Can we take it
48 out of General Compliance and take it out of Kerber Rose? That would be reasonable, Lensert said. Coulson
49 said if Compliance Enforcement is still at \$0 and we have to pay Bay Lake frontloaded in 2010 that has to be
50 in the budget. Perhaps Kufrin should have a conversation with Money Penny and Elliot about the half-
51 percent. The communities are used to getting money including late collections as well as lates; but they may
52 not notice the difference if we don't give them fees and penalties. Lensert said it still keeps the room tax

1 percentage but the TZC keeping late fees/penalties can help balance things. Should most be moved to
2 Legal/Administrative; cut that amount in half?

3
4 Kufirin said we have to create distinctions among legal services. Attendance at meetings is Administrative. If
5 Kirkland has a single problem, that would be Legal Compliance. Between General and Compliance
6 Enforcement, what makes sense? Maybe contact Tice and say, "What's this policy going to cost us? Have
7 you cost it out and how much money we can recoup?" One phrase was that all the cost of certified letters
8 could be captured as part of the settlement in court. If we send out 50-75 letters a month, only the certified
9 letter fees that get to court are recouped. If it costs \$15,000 and we collect on only a couple court cases, it
10 won't cover the costs. Lensert said only a court case can recover attorney fees. Kufirin asked if \$25 is a
11 standard late fee. The Department of Revenue is \$20 plus interest, Lensert said.

12
13 Coulson said need to make up \$2,705 and build in more. Nelson said we could get \$8,000 more in revenue
14 by keeping the late penalties; that will take out the Administrative allocation. If we take Compliance
15 Enforcement and add \$400 month, the annual total is \$4,800. We come up with \$495 in the black. Can we
16 shift \$350 a month over to Compliance Enforcement? Instead of \$8400, it will be \$4,200 and \$9,000 for
17 Compliance Enforcement. That addresses compliance somewhat realistically. Kufirin said Tice may have a
18 policy without a way to pay for it. If a half-percent of total collections is \$15,000, it won't be in the budget
19 (and shouldn't be). If they want to negotiate, we can give it a try at \$7,500. Whatever is left over goes back
20 to DCVB. Kirkland has stopped efforts at compliance at a certain point because of lack of a policy; there
21 may be more cases and costs once we have a policy in place. Coulson said the \$9,000 and additional \$15,000
22 may be enough. We have to consider Bay Lake's costs as well. We are still carrying \$20,000 forward from
23 the first year as a reserve. Kufirin said it was part of beginning balance. Coulson asked if we can pay Swain
24 out of that money. Lensert felt the upgraded system will pay for itself. Coulson felt comfortable about paying
25 Bay Lake out of the reserve.

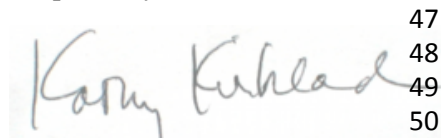
26
27 Kirkland said there is about \$13,000 outstanding in late fees/penalties; Lensert noted that much of that is
28 from one permit holder. Skare asked how other communities handle it. Kirkland said the towns she surveyed
29 have been in a tourism zone so long, they don't seem to have much of a compliance problem. Kufirin said his
30 understanding was that the City of Sturgeon Bay didn't pursue compliance. He said we send lists for the
31 town clerks to look, and after all this time, some properties are still in the wrong municipalities. An
32 alternative is for Commissioners to look at permit locations and see if the numbers appear normal. Coulson
33 said businesses are more honest, more visible. Nelson said most of Baileys Harbor is complying but for loyal
34 rents, some are keeping it off the books. Kufirin said the biggest complaint is that the lodgings "don't get
35 anything from the DCVB." Even if that's true, but Door County is an attractive place and marketed, there
36 will be more demand for those spaces. Coulson noted that Fish Creek fills up after all larger places become
37 "no vacancy," then houses start getting rented. Compliance with Room Tax Notices are going out in property
38 tax bills. We'll continue to aggressively monitor websites, letters to associations. Kufirin will contact Tice
39 and have him at the next meeting.

40
41 **Adjournment**

42 Coulson moved; Nelson seconded. All ayes. Meeting adjourned at 3:50 p.m.

43
44 The Finance Committee will reconvene Monday, December 7, at 2 p.m. at Kerber Rose.

45
46 Respectfully submitted,

47
48
49 

50
51 Kathy Kirkland

52 Administrative Assistant

53