City of Houston
Citywide ARC Project

Budget & Fiscal Affairs Committee

January 31st , 2012

Finance Department

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Executive Summary

In February 2011, the City began an effort to clearly understand its total outstanding Accounts Receivable (AR). City Council passed the Mayor's budget in June 2011 including funding for a Citywide Accounts Receivable function in the Finance Department. In September 2011, Council approved a contract to initiate the Accounts Receivable and Collections (ARC) project to provide clarity around Citywide AR and its collectability, improve collection activities across the City, and identify revenue enhancement opportunities across ten departments. This presentation is an analysis of Citywide outstanding debt for in-scope revenue streams and recommendations for a path forward.

Working collaboratively with each of the departments, the project team completed the initial analysis of AR, collectability, and improvement opportunities and has begun execution against a number of quick wins. This has involved significant effort and support from each of the departments and the external vendors to gather, analyze and format the data to determine improvement opportunities. This report includes contributions from over 100 people both internally and externally.

The team has concluded that there is a significant amount of outstanding debt that is greater than two years old which is most likely uncollectable.

The project team is now moving into the implementation phase of the project focused on building sustainable processes to more effectively manage collection efforts including:

1. **Implementing specific activities to collect against outstanding debt**
2. **Implementing citywide practices that will improve the collection processes going forward including:**
    a. Collection enforcement mechanisms such as Credit Bureau Reporting, Scofflaw, and Legal Action
    b. Citywide skip tracing capabilities to obtain correct contact information on City debtors
    c. Metrics for reporting on internal collections' operations and external vendors
    d. Developing the infrastructure to support the reporting process, customer master data, and skip tracing

Implementing the above recommendations is expected to yield an incremental FY13 Budget impact of $9.3 MM ($8.6 MM to General Fund). *

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* This produces a FY13 Return on Investment (ROI) of over 5 times the cost of the project (FY12 & FY13 City and Contractor costs of $1.6 MM). This does not include larger incremental increases expected in FY14 from system and process changes and ongoing incremental revenues first attained in FY13.

Project Timeline
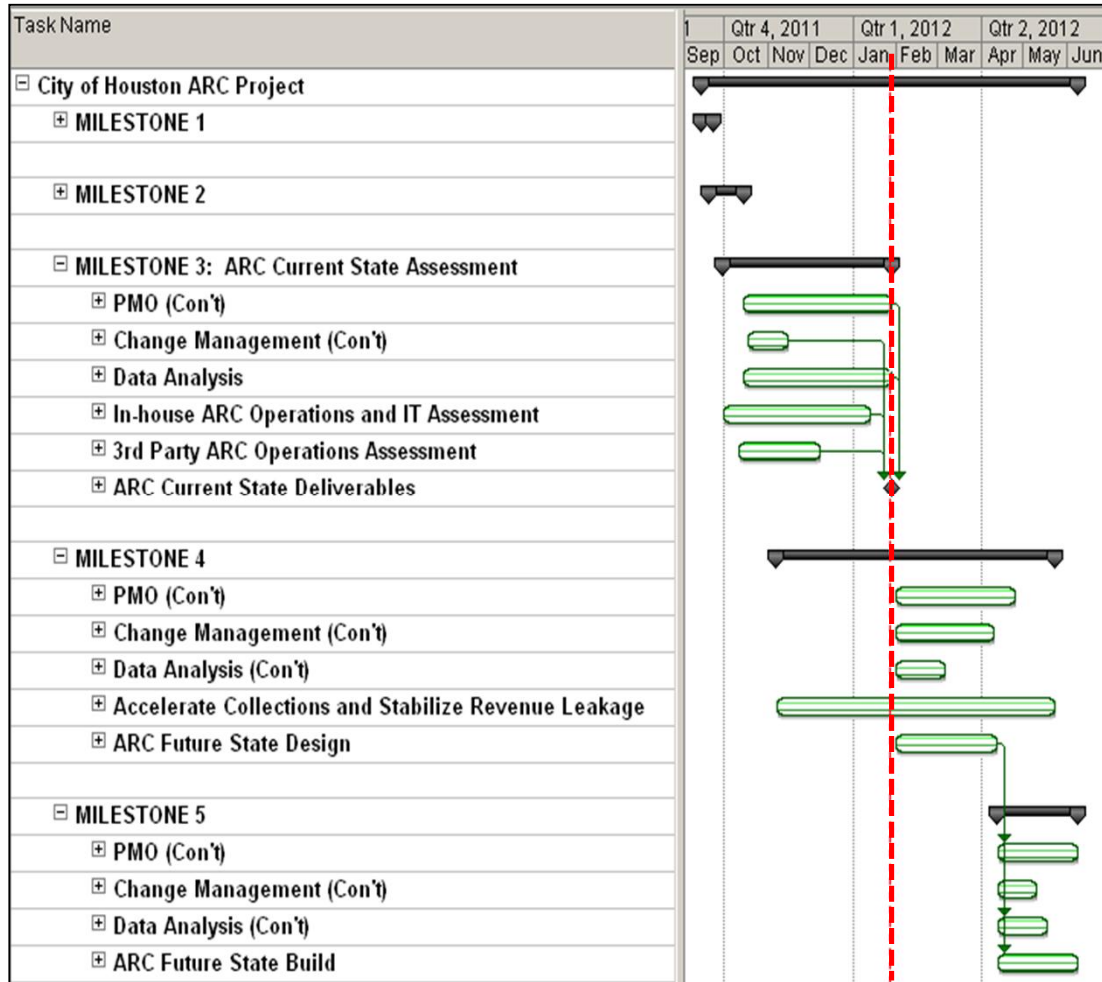
▲ Operations and IT Assessment
– Complete

▲ 3rd Party Vendor Assessment
– Complete

▲ Data Analysis
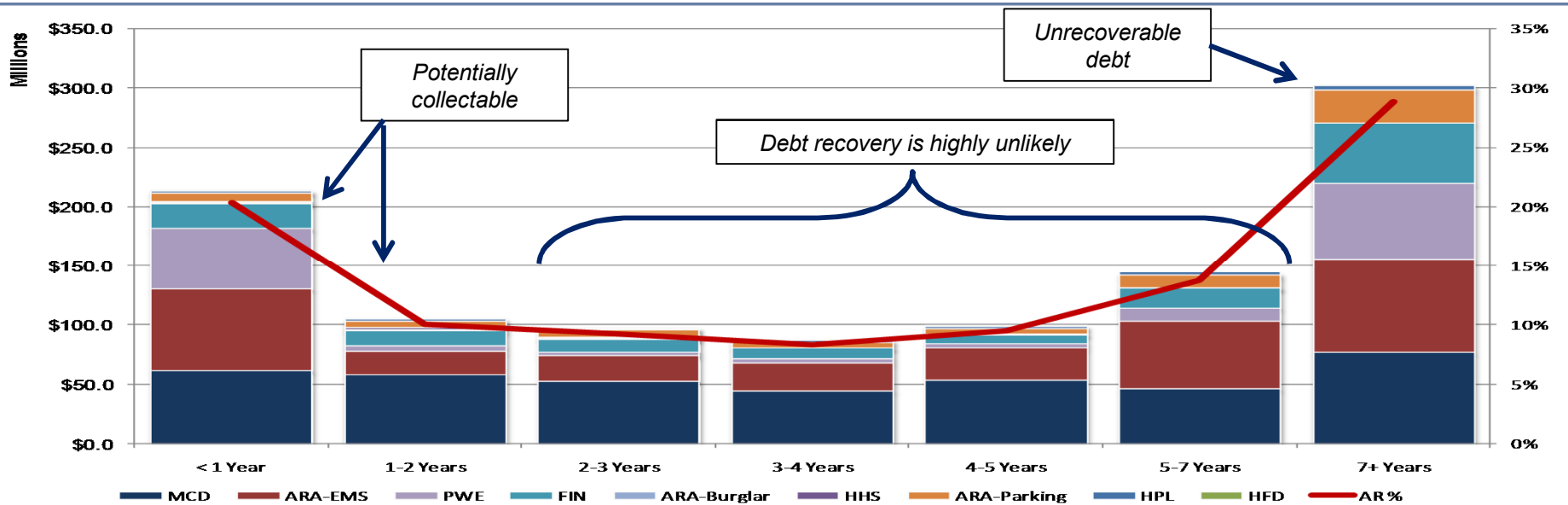– Ongoing analyses for ARA - EMS and MCD

▲ Implementation of Quick Wins
– Communication
  – BFA
  – Individual Director Meetings
  – All Directors Meeting (tentative)
– Implement Quick Wins
– Start Future State Design Phase

Citywide Outstanding Debt: $691,814,350

(In Scope Revenue Streams as of November 2011)

Potentially collectable

Unrecoverable debt

Debt recovery is highly unlikely

Legend: MCD ● ARA-EMS ● PWE ● FIN ● ARA-Burglar ● HHS ● ARA-Parking ● HPL ● HFD ● AR %

	< 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5-7 Years	7+ Years	Total
AR %	23%	8%	7%	7%	8%	15%	33%	100%
HPL	$1,653,167	$1,601,690	$1,515,859	$1,230,555	$1,306,503	$2,706,367	$3,551,805	**$13,565,946**
HFD	$619,222	$441,446	$411,872	$489,770	$1,471,418	$0	$0	**$3,433,728**
MCD*	$3,820,412	$7,621,578	$7,200,576	$6,777,820	$6,195,863	$4,586,258	$0	**$36,202,507**
HHS**	$1,307,978	$2,031,562	$1,364,038	$0	$0	$0	$0	**$4,703,578**
FIN	$20,702,780	$12,863,845	$10,450,817	$8,530,620	$7,778,959	$16,499,672	$50,410,039	**$127,236,732**
ARA-Parking	$6,817,930	$5,305,736	$5,856,751	$4,877,522	$5,055,303	$10,840,441	$28,787,000	**$67,540,683**
ARA-Burglar	$1,148,184	$898,627	$497,929	$97,574	$122,934	$90	$15	**$2,765,352**
ARA-EMS	$68,397,585	$19,437,215	$21,087,615	$23,544,152	$27,131,979	$57,510,479	$78,389,199	**$295,498,224**
PWE***	$51,276,884	$4,470,012	$3,251,076	$3,667,803	$3,319,188	$10,758,185	$64,124,452	**$140,867,600**
Total	**$155,744,142**	**$54,671,711**	**$51,636,533**	**$49,215,816**	**$52,382,147**	**$102,901,492**	**$225,262,510**	**$691,814,350**

* MCD outstanding debt excludes all cases in Rumba system (approximately $127MM) and un-adjudicated cases ($228MM)

** HHS outstanding debt represents 3 years of data

***PWE debt outstanding is as of 12/2010

Red light camera outstanding debt ($28MM) is out-of-scope for the project

Financial Breakdown – AR & Collections

Revenue Category	Total Debt Outstanding (as of November 2011)	Debt Collectability			FY13 Estimated Revenue w/out ARC Project (FY 12 Budget)	FY13 Incremental Revenue with ARC Project (Project Initiatives)
		Unrecoverable	Highly Unlikely	Potentially Collectable		
ARA - Burglar Alarm Penalties	$2,765,352	$0	$742,248	$2,023,104	$1,958,000	$300,000
ARA – EMS Transport Fees	$295,498,224	TBD	TBD	TBD	$27,442,000	$2,000,000
ARA - Parking Citations	$67,540,683	$28,787,000	$26,630,018	$12,123,665	$10,655,500	$1,000,000
FIN - Ad Valorem Property Tax	$127,236,732	$26,009,024	$26,946,110	$74,281,598	$842,478,000	$0
HFD - Fire Alarm Penalties	$3,433,728	$1,463,178	$493,548	$1,477,002	$1,327,100	$1,400,000
HHS - Health Clinic	$4,703,578	$4,349,354		$354,224	$295,332	$200,000
HPL - Library Fines	$13,565,946	$3,551,805	$6,759,284	$3,254,857	$500,000	$250,000
MCD - Municipal Courts (adjudicated)	$36,202,507	$4,586,257	$20,174,260	$11,441,990	$35,889,129	$1,000,000
PWE – Utility Customers	$140,867,600	TBD	TBD	TBD		
Permitting Project *(Slide 10)*						$3,185,778
Total	$691,814,350	TBD	TBD	TBD	$920,545,061	$9,335,778

- Excluding Ad Valorem collections, 90% of all payments are within the first year of collection activity, 98% of all payments are within the first two years of collection activity
- Collection activity for Ad Valorem is still ongoing past the first two years due to the nature of the debt. As a result, payments will continue to come in for a period of years beyond the initial turnover year
- The older the debt, the ability to collect significantly decreases for multiple reasons
- As debt ages, the cost to collect significantly increases
- Refer to pages 16 – 34 for additional details for each revenue stream

ARC Themes & Opportunities – Credit Bureau Reporting & Scofflaw

Revenue Stream	Credit Reporting	Scofflaw *	Targeted Group	Rationale
Burglar Alarm Permits & False Alarms	Investigating	N/A	Delinquent with high dollar amounts outstanding and accurate contact information	• Provides collection enforcement mechanism that does not currently exist • Majority residential debt
EMS	No	N/A	N/A	• Population does not seem to lend itself to credit reporting being effective
Municipal Courts	Investigating	Investigating	• Scofflaw – Failure to Appear • Scofflaw > 90 Days Delinquent • Credit Reporting >90 Days Delinquent Adjudicated	• $0.5 -1.0MM one time improvement. • An ongoing financial impact will also be felt. This can be more significant if unadjudicated traffic cases are included in scofflaw.
Parking Management	Recommend	If Statute Changed	3+ Delinquent or 1+ Delinquent Handicap	• $750 K - $1.5 MM one time improvement • $250 K - $500 K annual • Proven successful in other major cities
Public Library	Current	N/A	Adults	• Proven successful with other library systems
	Recommend	N/A	Parents or Guardians of Juveniles	• Would credit report the guardians of the juveniles with outstanding fines • Proven successful with other library systems
Public Works	Current	N/A		

* *Scofflaw Program - Section 702.003 of the Texas Transportation Code provides that a county tax assessor-collector may refuse to register a motor vehicle, if the department receives under a contract, information from a municipality that the owner of the vehicle has an outstanding warrant from that municipality for failure to appear or failure to pay a fine on a complaint that involves the violation of a traffic law.*

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ARC Themes & Opportunities – Skip Tracing & Customer Matching

Opportunity	Observations	Next Steps
Skip Tracing ▲ Use Citywide skip tracing synergies to obtain contact information for in-house for debtors	▲ All divisions have customer information, but most of this customer information has no link to any other division's systems ▲ There is generally little recourse to find a debtor if their information is incorrect ▲ Internal data exists – HCAD, InfoUSA, department databases – but is not shared	▲ Mapping out the current volumes of accounts with bad or incomplete data, and technical implications to updating customer addresses in decentralized systems ▲ PWE has a collections RFP to obtain skip trace capabilities ▲ FIN has a skip tracing RFI for external vendors partners ▲ Identify criteria where City would use internal versus external skip tracing ▲ *Required: Develop an internal database, including procedures that protect sensitive information, and build fuzzy matching algorithms to cross reference City debtors across systems*
Business / Account Consolidation ▲ Consolidate accounts and collect against holistically	▲ City often does not "batch" its debts within or across revenue streams to collect against the debts holistically (E.g. a delinquent property owner who owns multiple properties and/or also requires a restaurant permit) ▲ Multi-location business are often treated as individual business rather than as a consolidated entity and then collected against (E.g. we attempt to collect against individual franchises versus parent/corporate entities)	▲ Batch accounts together within revenue streams (e.g. bill corporate offices for debts incurred by their multiple branches) as able per city ordinance / state statute and system constraints ▲ Compare debts across revenue streams and also with the City vendor list in order to begin development of a top debtor list ▲ *Required: Develop an internal database, including procedures that protect sensitive information, and build fuzzy matching algorithms to cross reference City debtors across systems*

* Skip tracing: The term "skip" refers to the person being searched for, and is derived from the idiomatic expression "to skip town", meaning to depart, leaving minimal clues behind to "trace" the "skip" to a new location. Skip tracing tactics are employed to locate a subject whose contact information is not immediately known in order to collect on delinquent debts.

ARC Themes & Opportunities – Vendor Management

Revenue Stream	Vendor	AR w/ Vendor	Vendor Collection %	Observations & Next Steps	Potential Contract Amendments
Billing and Collection Vendors (Fully Outsourced)					
ARA – Burglar Alarm Permits & False Alarms	PMAM (niche)	$3 MM	73%	• Historic focus on false alarm reduction and revenue increases • **Increase alignment of goals and objectives**	• Contract expires May '14 • Performance Metrics
ARA – EMS	ACS	TBD	TBD	• Delays in receiving data • Data analysis just beginning • **Reinstatement of mileage fee (and reduced transport fee to offset) would net $2 MM**	• Contract expires Aug '16
Delinquent Collection Vendors					
ARA – Parking Management	Duncan (niche)	$55 MM	29%	• **Incorporate additional collection tools (e.g. Credit Bureau Reporting, Legal)**	• Contract expires Aug '12 • Performance Metrics
FIN – Ad Valorem	Linebarger	$127 MM	59%*	• Need internal understanding of process • **Establish vendor performance metrics**	• Contract expires Jun '13 • Data access • Performance Metrics
HFD – False Fire Alarms	Linebarger	$2 MM	37%	• Majority of false alarm bills are sent to "Occupant", significantly decreasing ability to collect • **Increase default mailing to named business owner**	• Contract expires Jun '12
HPL – Public Library	UMS (niche)	$13 MM	27%	• Key information to help with skip tracing was not being provided by HPL (now fixed)	• Contract expires Jun '13 • Performance Metrics
MCD – Municipal Courts	Linebarger	$392 MM	18%**	• **Establish vendor performance metrics** • Need stronger enforcement mechanism for adjudicated cases (i.e. scofflaw and credit bureau reporting)	• Contract expires Jun '12

*Note: Ad Valorem collection calculation differs from standard reports. Calculation above is for collection on all transactions with Attorney's Fees for Tax Year 2008 delinquent accounts between 7/1/2009 and 10/31/2011; Collection % = (Base Collected) / (Base Turnover) excluding refunds
** Note: MCD collection rate is calculated from 2008 thru 6/2010

ARC Themes & Opportunities – Measurement and Reporting

Observations	Next Steps
▲ Focus has historically been on revenue growth or public service delivery, not collections ▲ Internal metrics not often tracked or measured ▲ Vendor metrics, when formalized, are at too high of a level to effectively drive collections improvement or measure activity versus performance ▲ Scorecards and dashboards are generally not in place to more effectively track and measure key metrics (revenue, collections, operations)	▲ Increase focus on collections in addition to revenue growth, cost management, and operations by implementing goals, metrics, and tracking ▲ Increase awareness and understanding of collections metrics through training (overall and revenue specific) ▲ Use City's Business Objects data warehouse to consolidate collection related transactional data from various systems and external vendors in order to support departments in tracking and managing collections and revenue ***Challenges:*** ▲ Varying levels of data quality from internal and external systems creates difficulty in tying data together for analysis and reporting ▲ Resource constraints impact ability to monitor and act against established metrics ▲ Need increased awareness and understanding of key collection metrics and impact on financials

ARC Themes & Opportunities – Permitting Project Revenues & Next Steps

Dept	Permit Category	FY12 Current Budget	Revenue Leakage (One-Time)	Revenue Leakage (Renewal)
▲ ARA	▲ Burglar Alarm Permits	$ 6,000,000	$ 480,467	$ 409,393
	▲ Commercial Permits	$ 4,220,776	$ 632,615	$ 482,240
	▲ Alcohol		*$ 516,915*	*$375,540*
	▲ Transportation		*$41,000*	*$32,000*
	▲ Other		*$74,700*	*$74,700*
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	TBD
		$15,788,776	$1,113,082	$891,633
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 1,607,300	$ 1,205,475
	▲ Special Fire Permits	$ 5,000,000	TBD	TBD
		$ 5,288,205	$1,607,300	$1,205,475
▲ HHS	▲ Ambulance Permits	$ 316,950	$ 36,000	$ 28,800
	▲ Fats/Oils/Grease Permits	$ 1,616,788	$ 103,776	$ 103,776
	▲ Food Service Permits	$ 5,225,200	$ TBD	$ TBD
	▲ Source Registration Permits	$ 1,156,200	$ 144,600	$ 144,600
	▲ Swimming Pool Permits	$ 789,000	TBD	TBD
		$ 9,104,138	$ 284,376	$ 277,176
▲ HPD	▲ Auto Dealers Permits	$ 3,119,975	$ 181,020	$ 165,600
▲ PWE	▲ Building Code Permits	$ 32,366,100	TBD	TBD
	▲ Occupancy Fees	$ 4,157,400		
	▲ Sign Permits	$ 1,711,700		
		$ 38,235,200		
▲ SWM	▲ Dumpster Permits	$ 2,600,000	TBD	TBD
	Total:	**$ 74,136,294**	**$3,185,778**	**$2,539,884**

▲ **Project Due Diligence Near Completion**
 – Reviewing all permits, licenses and fees to identify staff, systems, permit & inspection processes, and current permit holders
 – Identifying inter-departmental permit links
 – Documenting permits by category of business

▲ **Next Steps**
 – Performing audit of permit-requiring categories of business to identify those not in compliance
 – Piloting notices/billing of businesses identified as not in compliance
 – Develop plan to contact and bill all businesses not in compliance
 – Develop web/customer tool for businesses to identify what permits and licenses they need
 – Draft plan to share information across departments and systems
 – Craft permit non-compliance ordinance to penalize businesses when they are willfully negligent

▲ **Long Term Vision**
 – Develop database to store permit and business category information
 – Identify opportunities to simplify processes
 – Develop formal tools to foster greater collaboration and enforcement between departments
 – Launch tools to improve customer experience
 – Develop self service and additional payment options

These findings indicate areas of revenue leakage (potential revenue owed to the City but not currently captured or reported) within permitting, thereby presenting opportunities for process improvement and departmental interaction to identify and close the procedural gaps, raise community awareness and collect delinquent funds.

Definitions

Debt Collectability: Internal City payment trends show that 90% of payments are received on debts less than one year in age and 98% are received on debts less than two years in age. An incredibly small amount of payments are received on debts older than two years and payments are practically non-existent for debts over five years old. General private industry practice is to send debts to collections at 90-120 days in age, and write off debts at one year in age as they are considered unrecoverable at that point (assuming accounts were aggressively worked in the first year).

Unless otherwise specified for a revenue stream (e.g. FIN-Ad Valorem and HHS-Clinics), the general definition of collectability applies:

- **Unrecoverable** – Debts over five years in age. It is **extremely** unlikely that the City will ever be able to collect on these debts. The cost to recover even a very small % of the debt would likely far exceed the value collected. This is due to weaker enforcement tools, very poor customer contact information, aged systems technology, and extremely unreliable data.
- **Highly Unlikely** - Debts between two and five years in age. It is highly unlikely that the City will be able to collect on these debts. The cost to recover even a small % of the debt would likely exceed the value collected. This is due to weak enforcement tools, very poor customer contact information, aged systems technology, and unreliable data.
- **Potentially Collectable** - Debts under two years in age. These debts currently outstanding will be difficult to collect on, but a portion are potentially collectable out to the second year (primarily since the debts are not aggressively worked in the first year currently versus best practices). The cost to recover these debts is generally not greater than the value of the debt and the City should pursue collections.

Scofflaw Program: Section 702.003 of the Texas Transportation Code provides that a county tax assessor-collector may refuse to register a motor vehicle, if the department receives under a contract, information from a municipality that the owner of the vehicle has an outstanding warrant from that municipality for failure to appear or failure to pay a fine on a complaint that involves the violation of a traffic law.

Skip tracing: The term "skip" refers to the person being searched for, and is derived from the idiomatic expression "to skip town", meaning to depart, leaving minimal clues behind to "trace" the "skip" to a new location. Skip tracing tactics are employed to locate a subject whose contact information is not immediately known in order to collect on delinquent debts.

Revenue Leakage: Potential revenue owed to the City but not currently captured or reported. For permitting this represents businesses that are not currently identified in City systems as needing a permit that is required by their category of business. Revenue leakage represents opportunities for process improvement and departmental interaction to identify and close the procedural gaps, raise community awareness and collect potential revenues.

Recommendation Impact

Dept.	Recommendation	Financial Impact				Timing/Impact	Effort
		Collections Current AR	Collections Future AR	Revenue	Total		
Citywide			TBD		TBD	Beyond FY13	High
ARA - Burglar	Program on reducing current outstanding AR	$.10 MM-.30 MM	$.07 MM-.13 MM	$1.5 MM	$1.67 MM-1.93 MM	FY13, One time	Moderate
	Improve skip tracing capabilities					FY13, Ongoing	Moderate
	Use combination permit					FY13, One time	High
	Implement late fee					FY13, Ongoing	High
	Alarm company interface					FY13, Ongoing	Moderate
ARA - EMS	Reinstatement of mileage fee would garner over $1 - $2 MM			$2.0 MM	$2.0MM	FY13, Ongoing	Moderate
ARA - Parking	Implement credit bureau reporting and increase use of Legal notices	$.75 MM-1.5 MM	$.25 MM-.50 MM		$1.0 MM-2.0 MM	FY13, Ongoing	Minimal
HFD	Add Fire Alarm Permit requirement to Plan Review	$.08 MM-.135 MM		$1.21 MM-2.375 MM	$1.29 MM-2.51 MM	Beyond FY13	High
	Use OL* and S9* past inspections to identify delinquent businesses					FY13, One time	Low
	Use Burglar alarm database to identify potential non-complying owners					FY13, One time	Low
	Use HCAD, sales tax, InfoUSA and other COH databases to get names of generic name delinquent businesses					FY13, One time	Low
	Send reminder notices to business owners via email					Beyond FY13	Moderate

OL and S9 are types of fire permits

Recommendation Impact

| Dept. | Recommendation | Financial Impact | | | | | |
		Collections Current AR	Collections Future AR	Revenue	Total	Timing	Effort
HHS	Assisting HHS and HPD with Source Registration collaboration			$.20 MM-.50 MM	$.20 MM-.50 MM	FY13, Ongoing	Low
	Work with HHS to implement the necessary checks and balances to ensure claims are filed, reconciled and posted appropriately						
HPL	Provide date of birth and/or Texas driver's license number to collection vendor	$.15 MM-.50 MM	$.05 MM-.09 MM	$.01 MM-.03 MM	$.205 MM-.615 MM	FY13, Ongoing	Completed
	Mail overdue notices on day 30 instead of day 42.					FY13, Ongoing	Moderate
	Credit bureau report the parents of juveniles					FY13, Ongoing	Low
	Redesign reminders, invoices and applications					FY13, Ongoing	Low
	Reassess the end-to-end collections strategy					FY13, Ongoing	Low
	Send Legal notices to patrons owing over $1000					FY13, Ongoing	Low

Recommendation Impact

| Dept.	Recommendation	Financial Impact				Timing	Effort
		Collections Current AR	Collections Future AR	Revenue	Total		
MCD	MCD implemented new Linebarger contract terms	$1.0 MM-1.5 MM	TBD	$1.0 MM-1.97 MM	$2.0 MM-3.47 MM	FY 13, Ongoing	Completed
	Design C-Smart collections algorithm to target accounts and maximize collections					FY13, Ongoing	Low
	Implement scofflaw for all adjudicated traffic cases					Beyond FY13	High
	Credit bureau report adjudicated cases (non-traffic and out-of-state residents)					Beyond FY13	Moderate
	Conduct skip trace of existing accounts with bad addresses against the PWE water database.					FY13, One-time	Moderate
	Revise the mail strategy to include mailings to updated addresses					FY13, Ongoing	Low
	Set a minimum fine associated with Failure to Appear cases (10-20% minimum)					FY13, Ongoing	Low
	Revisit the collection strategy with the collection vendor and implement a vendor management program					FY13, Ongoing	Low
	Develop a robust collections algorithm					FY13, Ongoing	Low
	Conduct awareness training with departmental inspectors					FY13, Ongoing	Low
	Overall Total Financial Impact	**$2.08 MM - 3.94 MM**	**$0.37 MM - 0.72 MM**	**$5.92 MM-8.38M**	**$8.37 MM-13.04 MM**		

ARA – Burglar Alarm Permits & False Burglar Alarms Outstanding Debt

- **Vendor: PMAM Corporation**

Debt Aging – Less Than One Year
(As of 1/15/12)
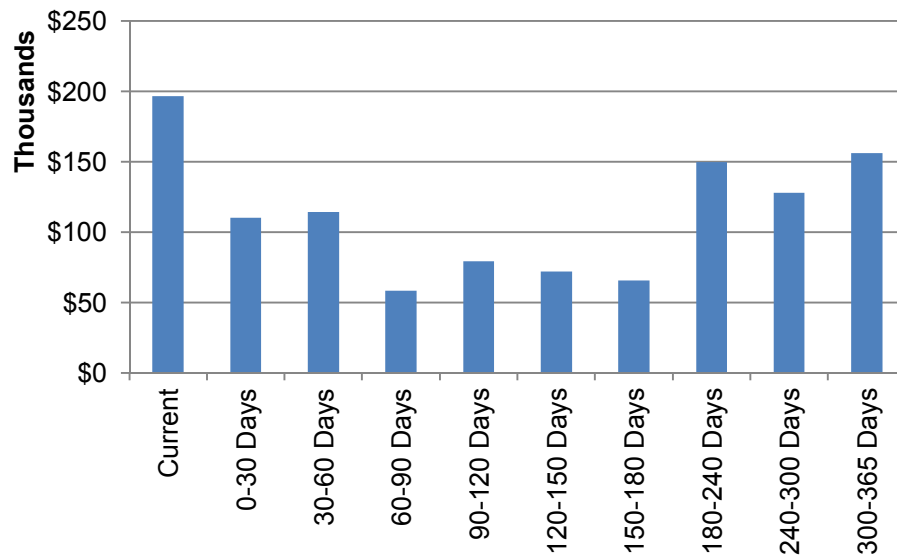
Debt Aging – All Years
(As of 1/15/12)
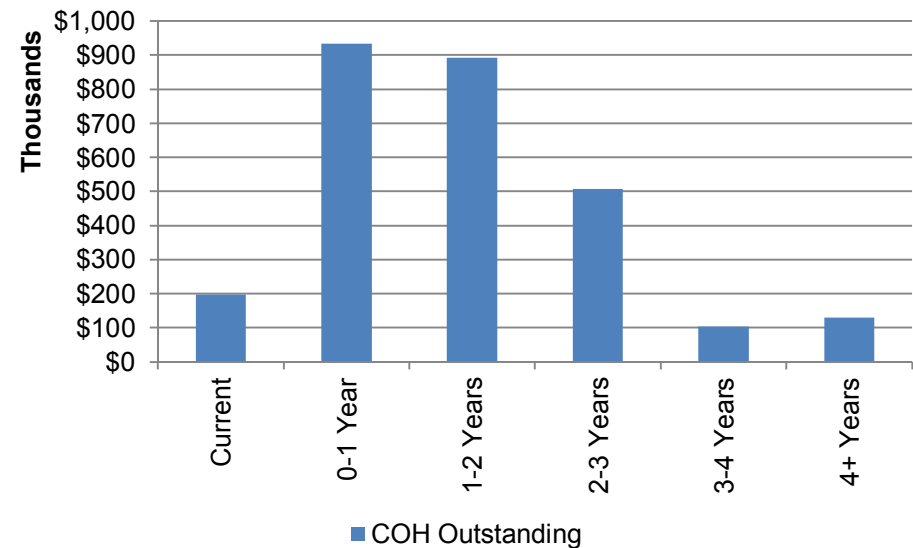
■ COH Outstanding

Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$0**	**$742 K**	**$2,023 K**	**$2,765 K**
Current State Process Collection Estimate	$0	$0	$280 K	$280 K
Focused One Time Collections Improvement Effort	$0	$0	$200 K	$200 K
Total Collections Estimate	**$0**	**$0**	**$480 K**	**$480 K**

Incremental FY '13 Impact	
One Time Collection Effort Estimate	$200 K
Ongoing Process Improvement Estimate	$100 K
Estimated Incremental FY13 Impact	**$300 K**

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ARA – Burglar Alarm Permits & False Burglar Alarms Observations & Next Steps

| Observations	Achievements, Challenges & Next Steps
▲ Vendor has successfully focused on reducing false alarms and managing burglar alarm permits ▲ Monthly vendor meetings need to shift focus from accounting and reconciliation to a review of performance metrics related to revenue ▲ Skip tracing capabilities are limited, impacting ability to contact delinquent accounts ▲ Strong payment enforcement mechanisms are not in place such as credit reporting and legal action ▲ False alarms and other permitting processes are not effectively used to drive compliance	**Achievements:** ▲ Reduced payment terms from 45 to 30 days ▲ Conducted initial meetings with the vendor to formalize and improve current vendor management processes ▲ Began update of customer treatment strategy (calls, mailings, emails, collection enforcement mechanisms) **Next Steps:** **One Time Improvement Activities:** ▲ Skip trace accounts with resident / occupant and accounts with invalid phone numbers ▲ Develop and execute one time targeted call and letter campaign for likely collectable accounts ▲ Consolidate multi-location business and collect against as a single account **Ongoing Process Improvements:** ▲ Update and execute against customer treatment strategy ▲ Establish, track, and jointly review vendor performance measurements and metrics ▲ Utilize credit bureau reporting as a collection enforcement mechanism **Challenges:** ▲ Lack of enforcement mechanisms for delinquent accounts ▲ Establishment of skip tracing processes and supporting technologies

ARA – EMS Transports Outstanding Debt

- ### Vendor: ACS

Debt Aging – Less Than One Year
(As of 12/14/11)
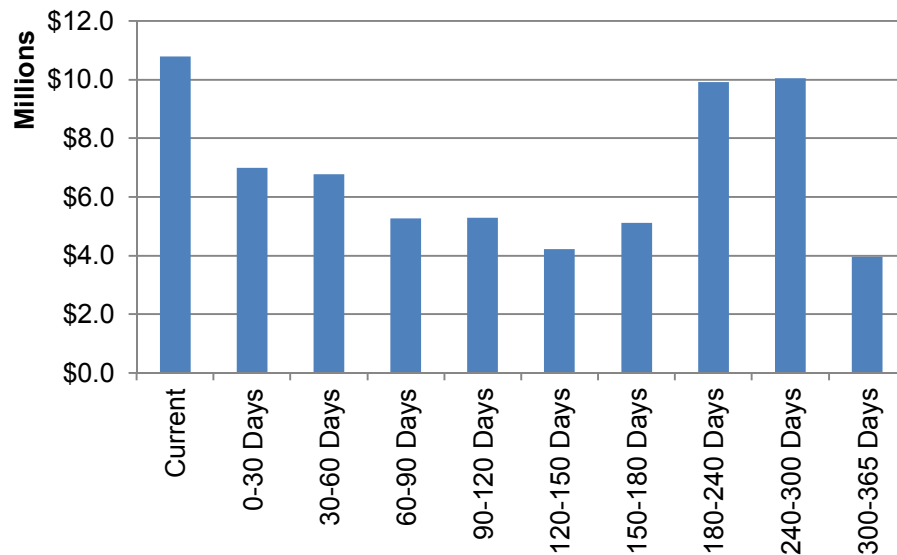
Debt Aging – All Years
(As of 12/14/11)
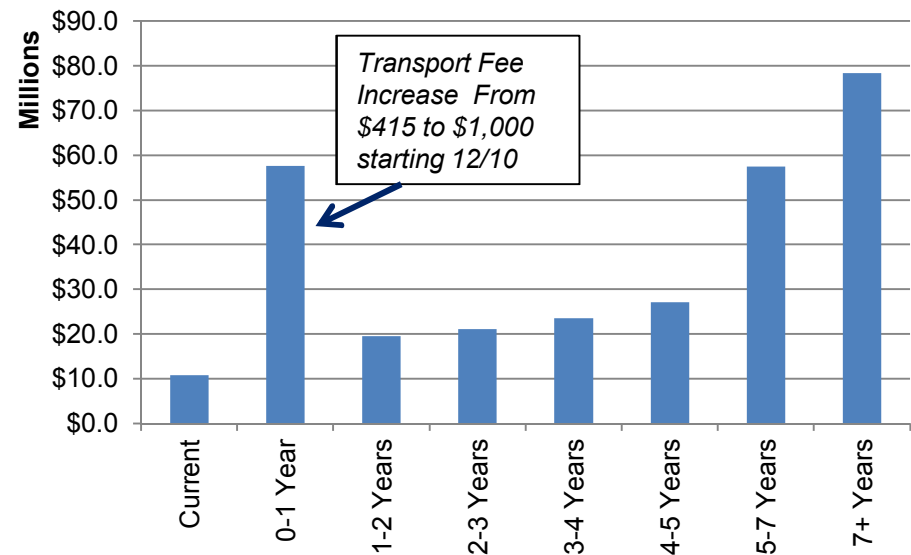
Transport Fee Increase From $415 to $1,000 starting 12/10

Likelihood of Collections

	Unrecoverable	Highly Unlikely	Potentially Collectable	Total
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**TBD**	**TBD**	**TBD**	**$295.5 M**
Current State Process Collection Estimate	TBD	TBD	TBD	TBD
Focused One Time Collections Improvement Effort	TBD	TBD	TBD	TBD
Total Collections Estimate	**TBD**	**TBD**	**TBD**	**TBD**

Incremental FY13 Impact

One Time Collection Effort Estimate	TBD
Ongoing Process Improvement Estimate	TBD
Estimated Incremental FY13 Impact	**TBD**

- *Delays in receiving data*
- *Data analysis just beginning*
- *Patients classified as unable to pay, nixie, write-off and exempt are excluded*
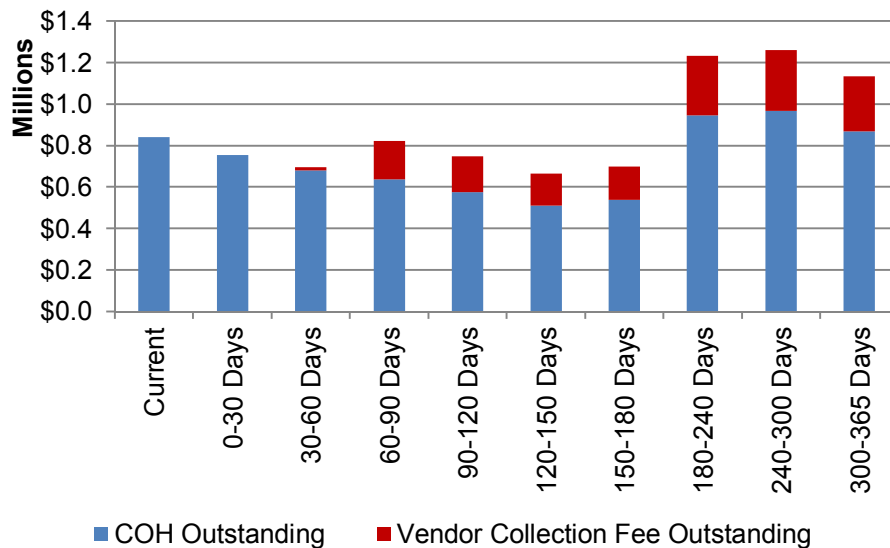
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ARA – EMS Transports Observations & Next Steps

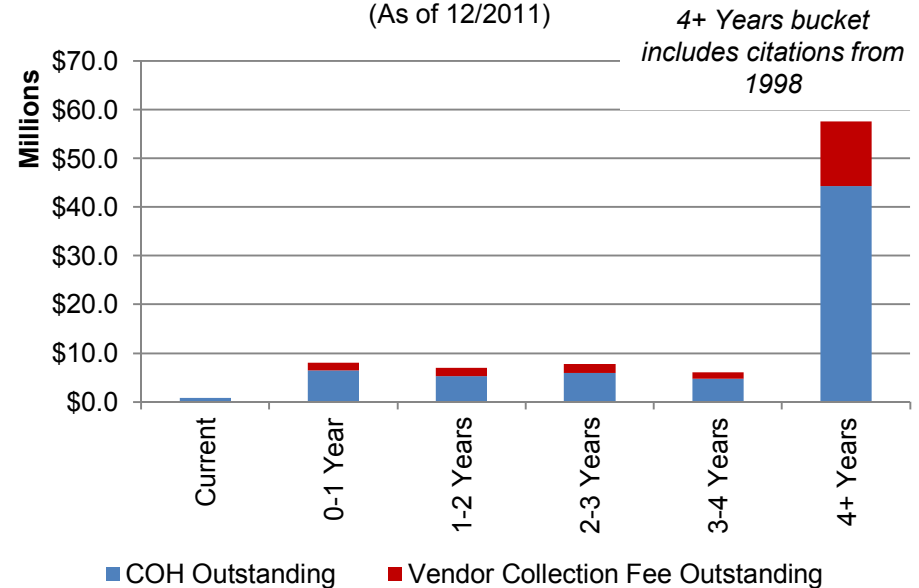| Observations	Achievements, Challenges & Next Steps
▲ Vendor provides ePCR (electronic patient care report) tablets for HFD and manages communication between ePCR and HFD ▲ Vendor provides billing and collection services for EMS transports ▲ Mileage charges were recently removed from transport charges, causing a $1-2 MM loss of revenue for the city since most insurance companies will pay mileage charges ▲ Difficulty collecting patient data and billing information at transport significantly impacts ability to bill and collect payment ▲ Complicated billing process and regulations due to interaction with Medicare, Medicaid, private insurance, and self pay ▲ 66% of ambulance transports are basic life support (BLS) vs. 34% advanced life support (ALS). Some major cities such as Los Angeles use private ambulance service for BLS transports. ▲ No effective collection mechanisms in place for seriously delinquent accounts	**Achievements:** ▲ Implemented new collection letters ▲ Increased focus on driving patients to the web for faster payment and improved information capture **Next Steps:** ▲ Complete data analysis ▲ Conduct follow up meetings with ACS to review findings ▲ ACS currently in process to implement new tablets and new data warehouse ▲ Pursue reinstatement of mileage fee, including reduction of total cost to offset; *minimum increase of $2 MM* **Challenges:** ▲ ACS uses a mainframe system that makes it difficult to pull and analyze information ▲ Due to difficulty collecting patient billing information during transport, effectively matching transport information with hospital records is critical to gathering correct billing information

ARA – Parking Citations Outstanding Debt

- **Vendor: City for collections < 90 days, Duncan for delinquent collections**

Debt Aging – Less Than One Year
(As of 12/2011)

- COH Outstanding
- Vendor Collection Fee Outstanding

Debt Aging – All Years
(As of 12/2011)

4+ Years bucket includes citations from 1998

- COH Outstanding
- Vendor Collection Fee Outstanding

Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding*	**$29.0 M**	**$26.7 M**	**$11.9 M**	**$67.5**
Current State Process Collection Estimate	$0	$0	$1.5 M	$1.5 M
Focused One Time Collections Improvement Effort**			$0.5 M	$0.5 M
Total Collections Estimate	**$0**	**$0**	**$2.0 M**	**$2.0 M**

| Incremental FY13 Impact	
One Time Collection Effort Estimate**	$0.5 M
Ongoing Process Improvement Estimate**	$0.5 M
Estimated Incremental FY13 Impact	**$1.0 M**

Notes:
*Excludes vendor collection fees
**Estimate is based on ability to credit report

ARA – Parking Citations Outstanding Debt Payment Trends

90% of payments for citations issued in 2010 were received within ~10 months, with the remainder coming in over the next year, the percent received after two years is negligible

Months to Payment By Citation Year

■ 2010 Citations ■ 2011 Citations
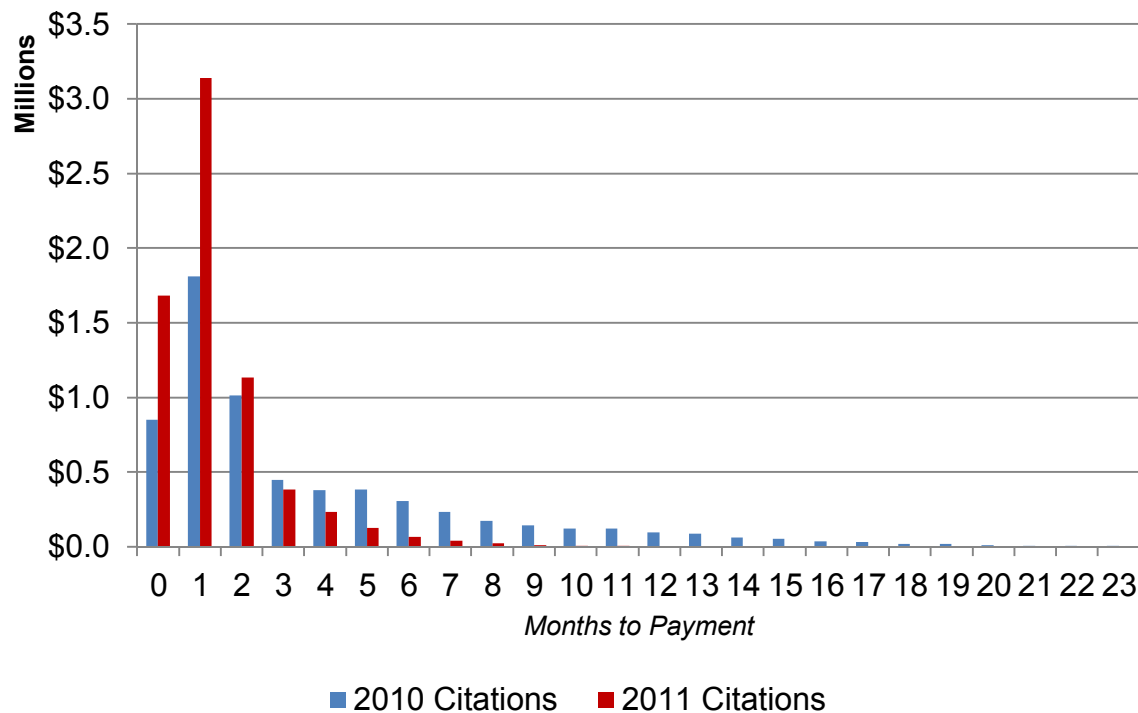
Average Days to Pay
(From Citation Issuance Date to Payment Date)

	2009	2010	2011
January		57	33
February		64	30
March		56	31
April		54	32
May		42	28
June	58	36	26
July	57	35	26
August	58	35	26
September	57	36	17
October	56	35	11
November	57	35	5
December	57	33	

There is significant improvement in reducing average days to pay starting in 2010

These averages will continue to increase until most of the payments are received (about 10+ months)

Notes:
- 2010 is a partial year of data (data starts in June '10 with transition to T2)
- Parking Management has been focused on reducing average days

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# ARA – Parking Citations Observations & Next Steps

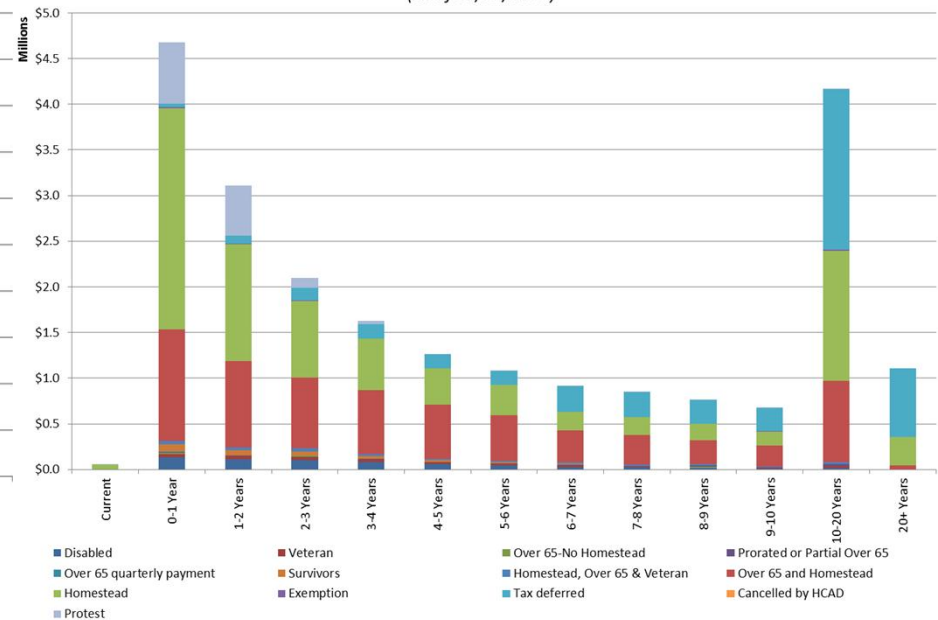| Observations	Achievements, Challenges & Next Steps
▲ Parking Management has been focused on increasing overall citation revenue and decreasing days to payment ▲ Parking Management utilizes a niche vendor focused solely on collecting parking citations for delinquent accounts ▲ New system (T2) specifically designed for managing parking citations implemented mid '10; prior focus has been on stabilization and is now changing to data analytics and reporting ▲ Limited enforcement tools to drive payment of delinquent accounts (legal, credit reporting)	**Achievements:** ▲ Updating accounts in T2 system with skip traced addresses from mail vendor (system changes) ▲ Implemented 60 day delinquency notice to increase pressure on accounts **Next Steps:** **One Time Improvement Activities:** ▲ Notice outstanding accounts of planned credit reporting ▲ Update collection strategy to increase pressure on delinquent accounts **Ongoing Process Improvements:** ▲ Add additional collection enforcement mechanisms to increase collection against delinquent citations including stickers, credit bureau reporting, and legal (for appropriate high dollar accounts) ▲ Utilize data warehouse for increased reporting and analytics ▲ Formalize current vendor meetings to include metrics and performance reviews **Challenges:** ▲ Current lack of enforcement mechanisms of delinquent accounts make it difficult to collect.

FIN – Ad Valorem Outstanding Real Property Delinquencies

- **Vendor: Harris County Tax Office and Linebarger Goggan Blair & Sampson LLP**
- **Delinquent February 1st: February 1st to June 30th collected by HCTO, Linebarger from July 1st forward**

Debt Aging - Real Property Accounts (As of 10/31/2011)
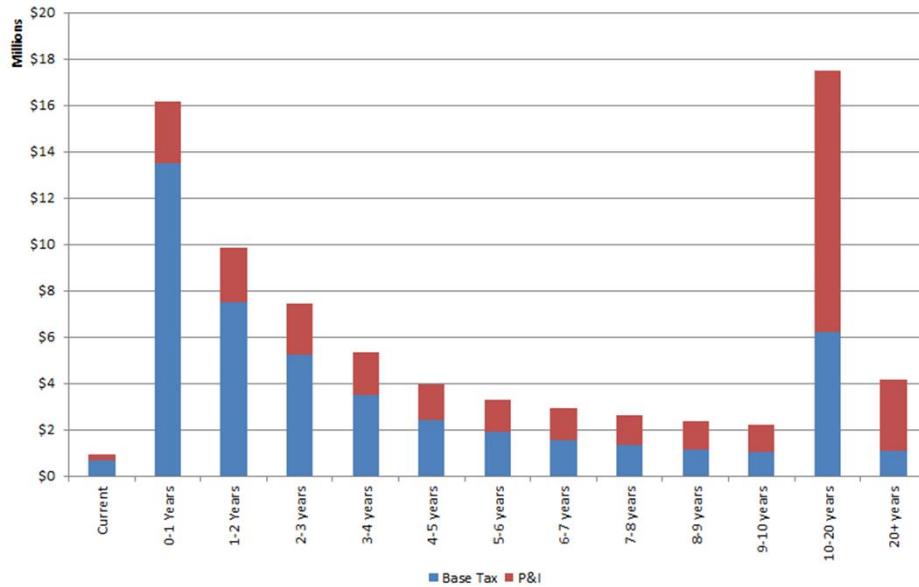
Debt Aging of Real Property Accounts with Exemptions, Protests, or Deferrals (As of 10/31/2011)

Likelihood of Collections					
	Unrecoverable	**Temporarily Uncollectable**	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	N/A	Very High	Moderate	
Total Debt Outstanding	**$.65 M**	**$22.41 M**	**$2.45 M**	**$53.20 M**	**$78.71 M**
Current State Process Collection Estimate					**$20.10 M**
Focused One Time Collections Improvement Effort		TBD	TBD	TBD	
Total Collections Estimate	**$0 M**	**$0 M**	**$0 M**	**$0 M**	**$20.10 M**

Incremental FY13 Impact	
One Time Collection Effort Estimate	$0 M
Ongoing Process Improvement Estimate	$0 M
Estimated Incremental FY13 Impact	**$0 M**

FIN – Ad Valorem Outstanding BPP Delinquencies

Debt Aging - Real Property Accounts
(As of 10/31/2011)
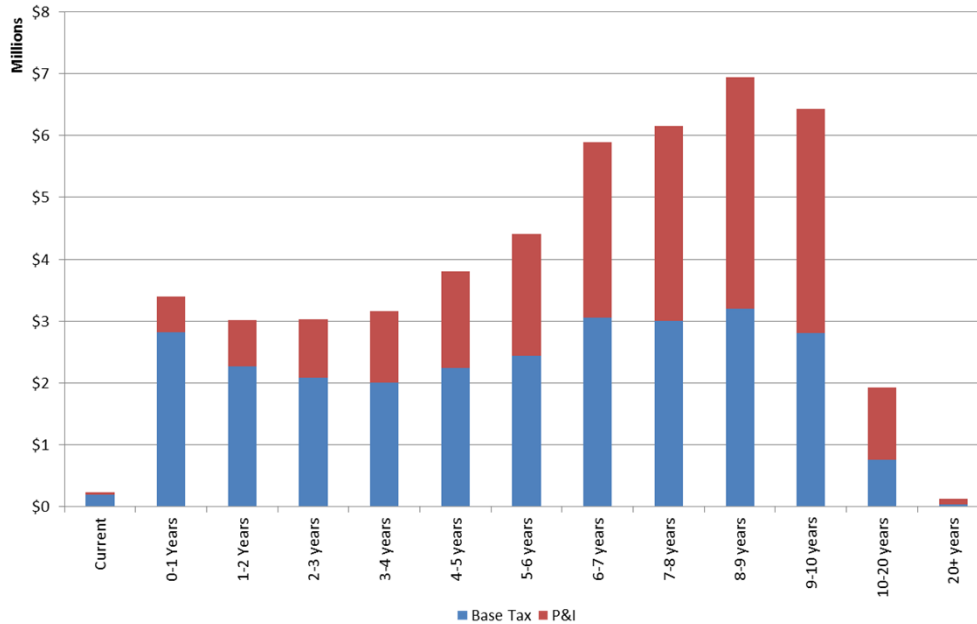
- **Vendor: Harris County Tax Office and Linebarger Goggan Blair & Sampson LLP**
- **Delinquent February 1st: February 1st to March 31st collected by HCTO, Linebarger from April 1st forward**

Likelihood of Collections

	Unrecoverable	Temporarily Uncollectable	Highly Unlikely	Potentially Collectable	Total
Difficulty to Collect Against	N/A	N/A	Very High	Moderate	
Total Debt Outstanding	**$25.36 M**	**$0.41 M**	**$1.67 M**	**$21.08 M**	**$48.52 M**
Current State Process Collection Estimate					**$2.95 M**
Focused One Time Collections Improvement Effort		TBD	TBD	TBD	
Total Collections Estimate	**$0 M**	**$0 M**	**$0 M**	**$0 M**	**$2.95 M**

Incremental FY13 Impact

|	
One Time Collection Effort Estimate	$0 M
Ongoing Process Improvement Estimate	$0 M
Estimated Incremental FY13 Impact	**$0 M**

FIN – Ad Valorem Outstanding Debt Observations & Next Steps

| Observations	Achievements & Next Steps
▲ Formal vendor management process needed for stronger auditing ability, clear performance metrics, stronger reporting, and increased access to data ▲ P&I makes up a significant amount of the outstanding debt, particularly in the out years ▲ A significant and growing amount of the outstanding accounts ($15.71 MM) have a homestead or over 65 exemption, which makes them temporarily uncollectable ▲ A significant amount of the BPP debt ($25.16 million) is older than 4 years, which by statute means we have no legal recourse for collection ▲ Linebarger built a dedicated, specialized field staff focused on BPP six years ago, and pushed the amendment of State statutes to provide for early turnover of BPP debt two years ago, which accounts for the significant increase in BPP collections in recent years ▲ BPP accounts may be associated with out-of-business entities, making them nearly impossible to collect on ▲ The transient nature of property ownership and high number of real properties in Harris County can make identifying the actual property owner difficult in older areas of the city, limiting collection efforts ▲ With full out-sourced billing (Harris County Tax Office) and collection on delinquent accounts, the City has few opportunities to improve the Ad Valorem tax collection process itself	▲ Enhance goals and metrics to focus collections and develop standard procedures for measuring performance results ▲ Perform audit of homestead and over 65 exemptions to identify accounts that are incorrectly labeled ▲ Compare exemption status of accounts with PWE CUS customer data ▲ Perform "Street Team" drive-by of all 2011 BPP accounts with over $250 delinquent scheduled for April 2012 to verify the businesses are still in operation ▲ Increase collections penetration for BPP tax roll to extent possible before they become statutorily exempt from collections at year four ▲ Research ability to identify businesses that aren't rendering property for BPP taxation with permit data ▲ Develop pilot program to test alternative collection approaches and unique targeted mailings ▲ Provide skip tracing assistance to Public Works for Drainage Fee Delinquencies where we have no contact information for accounts ▲ Research ways to take title by constable sale on environmentally contaminated "brownfield" properties and unsecured buildings (e.g. 7 owners of delinquent properties account for over $1 MM in delinquent debt)

HFD – False Fire Alarm Citations Outstanding Debt

Debt Aging - Less Than One Year
(As of 1/3/12)
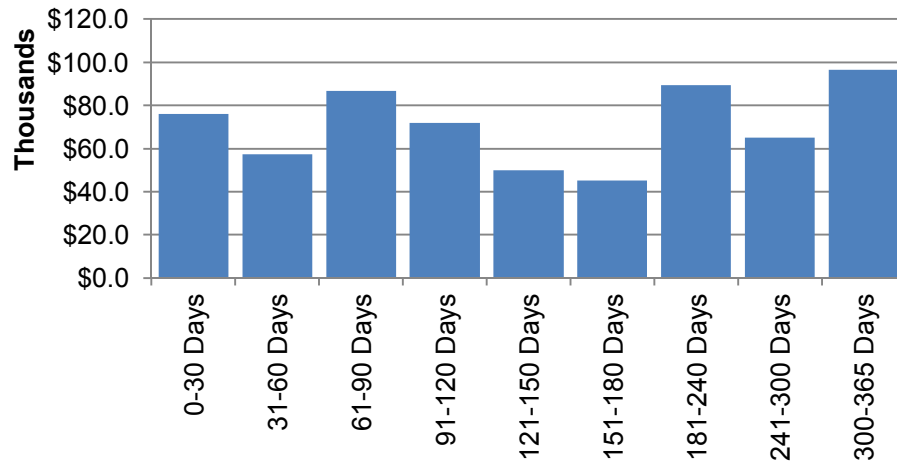
Debt Aging - All Years
(As of 1/3/12)
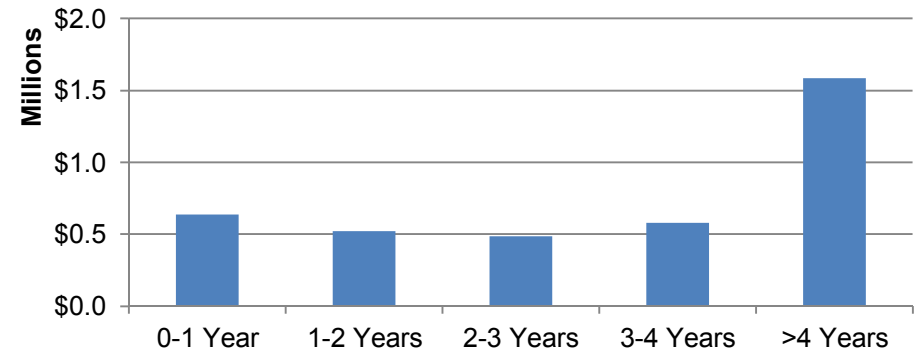
Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$1.5 M**	**$0.5 M**	**$1.4 M**	**$3.4 M**
Current State Process Collection Estimate	$0	$0	$0.2 M	$0.2 M
Focused One Time Collections Improvement Effort			$0.1 M	$0.1 M
Total Collections Estimate	**$0**	**$0**	**$0.3 M**	**$0.3 M**

Incremental FY13 Impact	
One Time Collection Effort Estimate	$0.1 M
Ongoing Process Improvement Estimate*	$1.3 M
Estimated Incremental FY13 Impact	**$1.4 M**

Note: Estimate is based on going after Burglar alarm commercial customers that have Fire alarm systems as well as using PWE's sold permit database.

# HFD – Fire Alarm Citations and Permits Observations and Next Steps

| Observations	Achievements, Challenges & Next Steps
▲ 90% of outstanding false fire alarm invoices are addressed to "Occupant' or 'Resident' ▲ Fire alarm permits primarily result from false fire alarm notices or the customer requesting the permit ▲ The fire alarm system inspections done by the Fire Marshals are not linked to the permitting process ▲ Only one renewal notice is sent to a business owner ▲ Fire alarm permits cannot be renewed online or by phone ▲ Smart CM has limited reporting and interface capability	**One time improvement activities:** ▲ **Pilot program to use Burglar alarm database to find new permit businesses** ▲ Skip trace outstanding accounts that are addressed to occupant / resident using HCAD, sales tax, InfoUSA and other COH databases **Ongoing Process Improvements:** ▲ Add Fire Permit requirement prior to obtaining a Certificate of Occupancy ▲ Add Fire Permit requirement prior to Fire Marshals approving alarm system inspections for Fire Alarm companies ▲ Mail false fire alarm notices to building management companies ▲ Implement a collection vendor management program **Challenges:** ▲ Data needed to conduct internal skip tracing may require extensive cleansing and it's unknown if data in systems are consistent ▲ Resources to conduct data extractions, cleansing and analysis are limited ▲ Process changes will impact and need the input of various COH departments

HHS – Clinics Outstanding Debt

Debt Aging - Less Than One Year
(As of 12/2011 - 2009 to 2011 data)
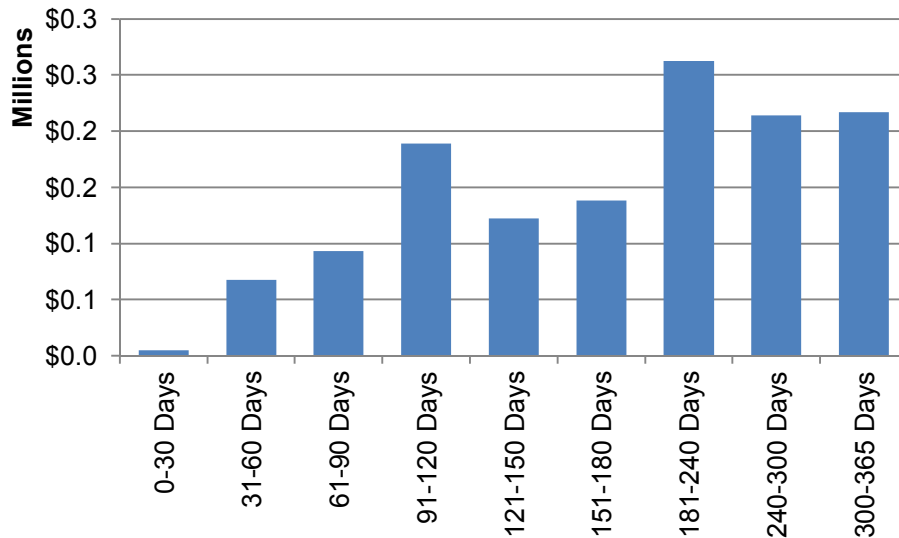
Debt Aging - 3 Years
(As of 12/2011 - 2009 to 2011 data)
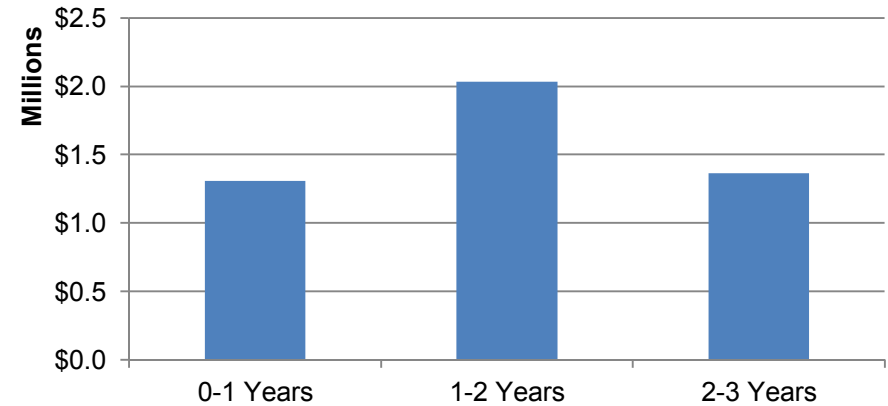
Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$4.3 M**		**$0.4 M**	**$4.7 M**
Current State Process Collection Estimate	$0	$0	$0.2 M	$0.2 M
Focused One Time Collections Improvement Effort			$0.0 M	$0.0 M
Total Collections Estimate	**$0**	**$0**	**$0.2 M**	**$0.2 M**

Incremental FY13 Impact	
One Time Collection Effort Estimate	$0.0 M
Ongoing Process Improvement Estimate	$0.2 M
Estimated Incremental FY13 Impact	**$0.2 M**

Note: Estimate is based on making improvements to the billing process.

Unrecoverable - *the outstanding billed amounts (HMO/Traditional Medicaid/Grants) greater than 120 days. Too old to appeal/refile.*

Potentially Collectable - *the outstanding billed amounts (HMO/Traditional Medicaid/Grants) that are less than 120 days.*

HHS – Observations and Next Steps

| Observations	Next Steps
▲ Quick recovery is an archaic system which limits the Clinics ability to operate efficiently ▲ Some grant claims have not been reimbursed (grant funding stops at certain threshold) ▲ The reconciliation of payments received is done manually by patient and procedure code ▲ The average time to submit a claim is around 30 days. The approval process for some programs does require a 2 - 4 week waiting period before a claim can be submitted. ▲ Patient data is being manually entered multiple times into different systems	▲ Work with HHS to develop the necessary checks and balances to ensure claims are filed and reconciled appropriately ▲ Conduct a review to ensure reimbursements are being received and booked accurately ▲ Work with HHS to improve the service to claim cycle time ▲ HHS is pursuing the purchase and implementation of a new Patient Management System that includes electronic billing and automated claims processing

HPL – Outstanding Debt

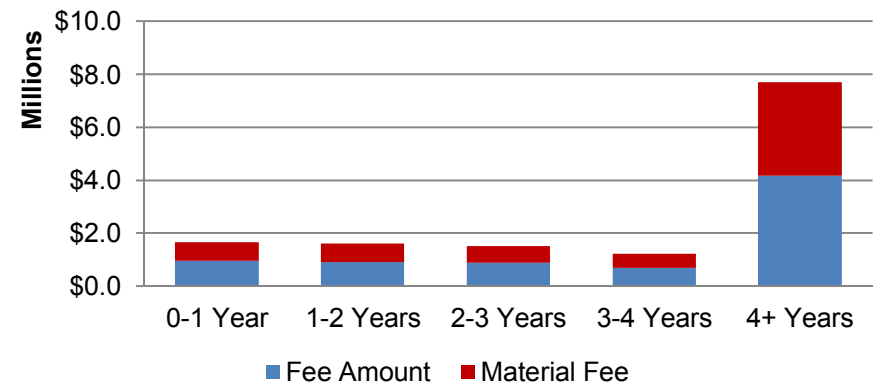**Vendor: City for collections < 90 days, Duncan for delinquent collections**

Debt Aging - Less Than One Year
(As of 10/19/2011)
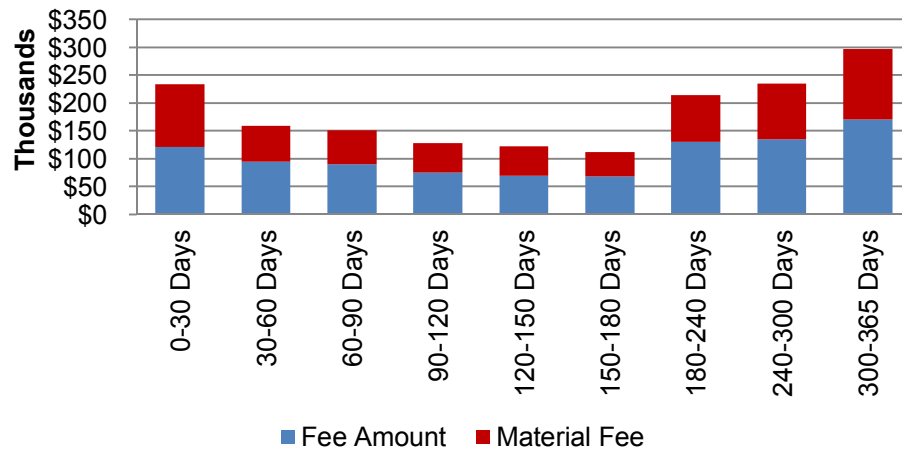
Debt Aging - All Years
(as of 10/19/2011)

Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$3.6 M**	**$6.8 M**	**$3.2 M**	**$13.6 M**
Current State Process Collection Estimate	$0	$0	$0.3 M	$0.3 M
Focused One Time Collections Improvement Effort			$0.2 M	$0.2 M
Total Collections Estimate	**$0**	**$0**	**$0.5 M**	**$0.5 M**

Incremental FY13 Impact	
One Time Collection Effort Estimate	$0.2 M
Ongoing Process Improvement Estimate	$0.05 M
Estimated Incremental FY13 Impact	**$0.25 M**

Note: Estimate is based on sharing better data with the collection vendor, credit bureau reporting the parents and guardians of juveniles and revising the applications, reminders and bill notices.

HPL – Observations and Next Steps

| Observations	Achievements, Challenges & Next Steps
▲ Key data (DOB and TDL) to assist with skip tracing were not transmitted to UMS ▲ Invoice mailings at day 42 are too close to transfer to UMS ▲ Application for juvenile library card does not collect enough information for the parent ▲ Reminder emails lack any reference to potential costs to patron or consequences like credit bureau reporting ▲ UMS waits more than 35 days before placing a call to the patron ▲ HPL system lacks proper controls to limit bad data entry ▲ Collections on Juvenile accounts are limited	**Achievements:** ▲ Transmitted the Date of Birth and Driver's License number to UMS **Ongoing Process Improvements:** ▲ Move HPL bill date to day 30 ▲ Credit bureau report the parent or guardian of delinquent juvenile ▲ Revise reminder notices, bills and juvenile application ▲ Add controls to the data entry process to minimize bad data ▲ Reassess the end-to-end collection strategy with vendor ▲ Implement a vendor management program ▲ Skip tracing of accounts before transfer to UMS ▲ Implement new payment methods (Pay Pal) **Challenge:** ▲ HPL has issued an RFP to replace or upgrade existing Millennium system (impact resource availability)

MCD – Outstanding Adjudicated Debt

Adjudicated Debt Aging - Less Than One Year
(As of 11/9/2011)
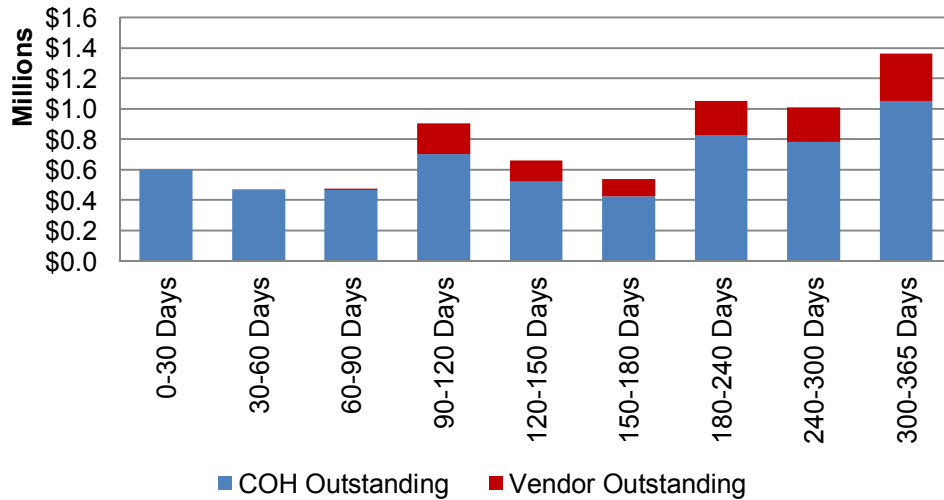
Adjudicated Debt Aging - All Years
(As of 11/9/2011)
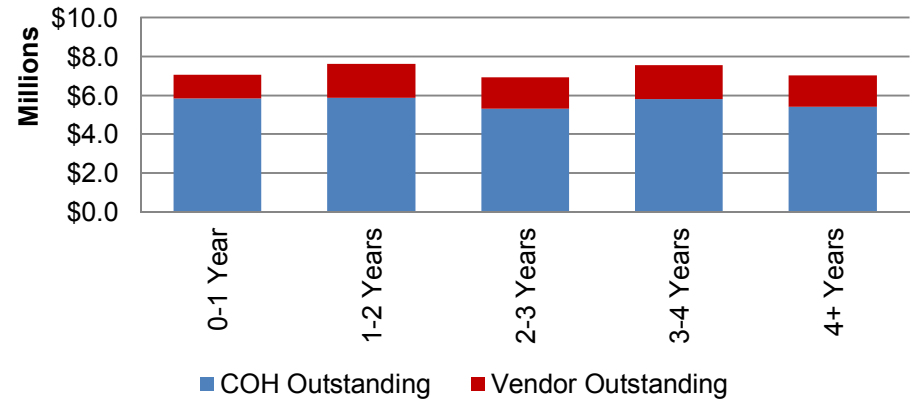
Likelihood of Collections				
	Unrecoverable	**Highly Unlikely**	**Potentially Collectable**	**Total**
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$4.6 M**	**$20.2 M**	**$11.4 M**	**$36.2 M**
Current State Process Collection Estimate	$0	$0	$1.0 M	$1.0 M
Focused One Time Collections Improvement Effort			$0.1 M	$0.1 M
Total Collections Estimate	**$0**	**$0**	**$1.1 M**	**$1.1 M**

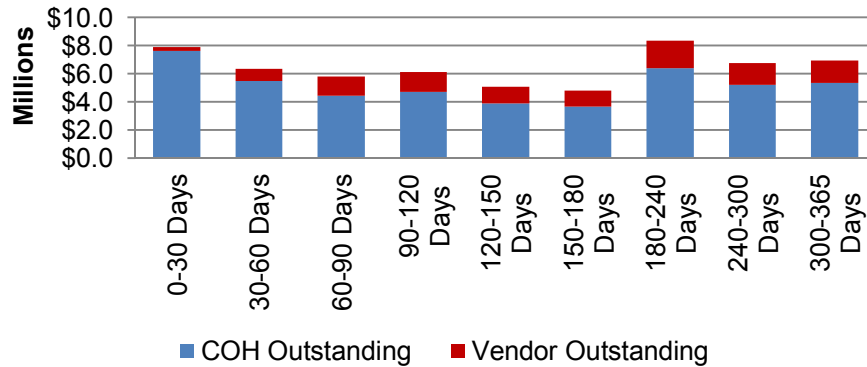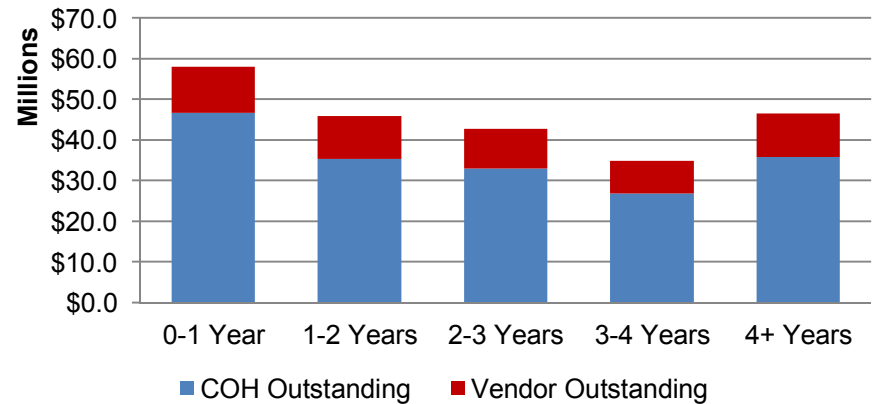| Incremental FY13 Impact	
One Time Collection Effort Estimate	$0.1 M
Ongoing Process Improvement Estimate	$0.1 M
Estimated Incremental FY13 Impact	**$0.2 M**

MCD – Outstanding Unadjudicated Debt

Vendor: City for collections < 90 days, Duncan for delinquent collections

Un-adjudicated Debt Aging - Less Than One Year
(As of 11/9/2011)

■ COH Outstanding ■ Vendor Outstanding

Adjudicated Debt Aging - All Years
(As of 11/9/2011)

■ COH Outstanding ■ Vendor Outstanding

Likelihood of Collections

	Unrecoverable	Highly Unlikely	Potentially Collectable	Total
Difficulty to Collect Against	N/A	Very High	Moderate	
Total Debt Outstanding	**$14.1 M**	**$117.0 M**	**$97.0 M**	**$228.1 M**
Current State Process Collection Estimate	$0	$0	14.5 M	14.5 M
Focused One Time Collections Improvement Effort			$0.3 M	$0.3 M
Total Collections Estimate	**$0**	**$0**	**$14.8 M**	**$14.8M**

FY13 Impact

One Time Collection Effort Estimate	$0.3 M
Ongoing Process Improvement Estimate	$0.7 M
Estimated FY13 with Improvements	**$1.0 M**

Note: Estimate does not include an aggressive scofflaw campaign that includes unadjudicated traffic citations that can increase collections between $10 - 35MM (depending on case dismissal rate).

MCD – Observations and Next Steps

Observations	Challenges & Next Steps
▲ Linebarger cannot determine which cases are adjudicated from not adjudicated ▲ Current collection rate is low ▲ Vendor reports lack the detail needed to monitor performance ▲ Strong payment enforcement mechanisms are not in place to enforce payment on Adjudicated cases ▲ 40% of addresses in vendor system are labeled as bad addresses ▲ Internal: Mailings are being sent to 'bad addresses' ▲ OCSC (C-Smart) collections algorithm used to prioritize accounts is missing some key factors ▲ There is a very low yield on Failure to Appear cases.	**Ongoing Process Improvements:** ▲ Vendor: Credit bureau report adjudicated cases ▲ Provide vendor with data needed to segment by adjudicated vs. un-adjudicated cases ▲ Implement scofflaw for all adjudicated traffic cases ▲ Consider scofflaw for un-adjudicated traffic cases ▲ Conduct skip trace of bad addresses against the PWE water database. ▲ Revisit the collection strategy with the collection vendor ▲ Investigate using a secondary collector for hard to collect accounts ▲ Implement a vendor management program to closely monitor and adjust performance ▲ Internal: Revise the mail strategy to include mailings to updated NCOA addresses and skip trace against the in house Water database and/or Texas driver's license database for any returned mail ▲ Internal: Make C-Smart collections algorithm more robust ▲ Set a minimum fine associated with Failure to Appear cases **Challenge** ▲ MCD's primary project is the launch of C-Smart ▲ Resource constraints due to multiple high priority initiatives