City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee

December 6th, 2011

Finance Department

Kelly Dowe, Director

Current State – Progress Summary

DEPARTMENTS	WORK STREAMS				
	Kickoff Meetings	Ops and IT Assessment	Data Request Submitted (Internal)	3rd Party Vendor Assessment	Data Request Submitted (External)
ARA – AMBULANCE – ACS	9/27/11	CONDUCTED		CONDUCTED	IN PROCESS
ARA – BURGULAR – PMAM		CONDUCTED		CONDUCTED	RECEIVED
ARA – COMM. PERMIT			IN PROCESS		
ARA – PARKING – DUNCAN		CONDUCTED	RECEIVED	CONDUCTED	IN PROCESS
ARA – FRANCHISE FEES			RECEIVED		
ARA – BARC					
FIN – LINEBARGER	9/19/11	CONDUCTED	RECEIVED	CONDUCTED	IN PROCESS
HFD – LINEBARGER	10/12/11	CONDUCTED	RECEIVED	CONDUCTED	RECEIVED
MCD – LINEBARGER	9/29/11	CONDUCTED	RECEIVED	CONDUCTED	RECEIVED
HPL – UMS	9/23/11	CONDUCTED	RECEIVED	CONDUCTED	RECEIVED
HHS	10/18/11	IN PROCESS	IN PROCESS		
PWE	10/6/11	IN PROCESS	IN PROCESS		
HPD	10/18/11	CONDUCTED	IN PROCESS		
SWD	10/5/11	CONDUCTED	IN PROCESS		
HAS	12/1/11	CONDUCTED	SCHEDULED		

Project Timeline and Upcoming Activities
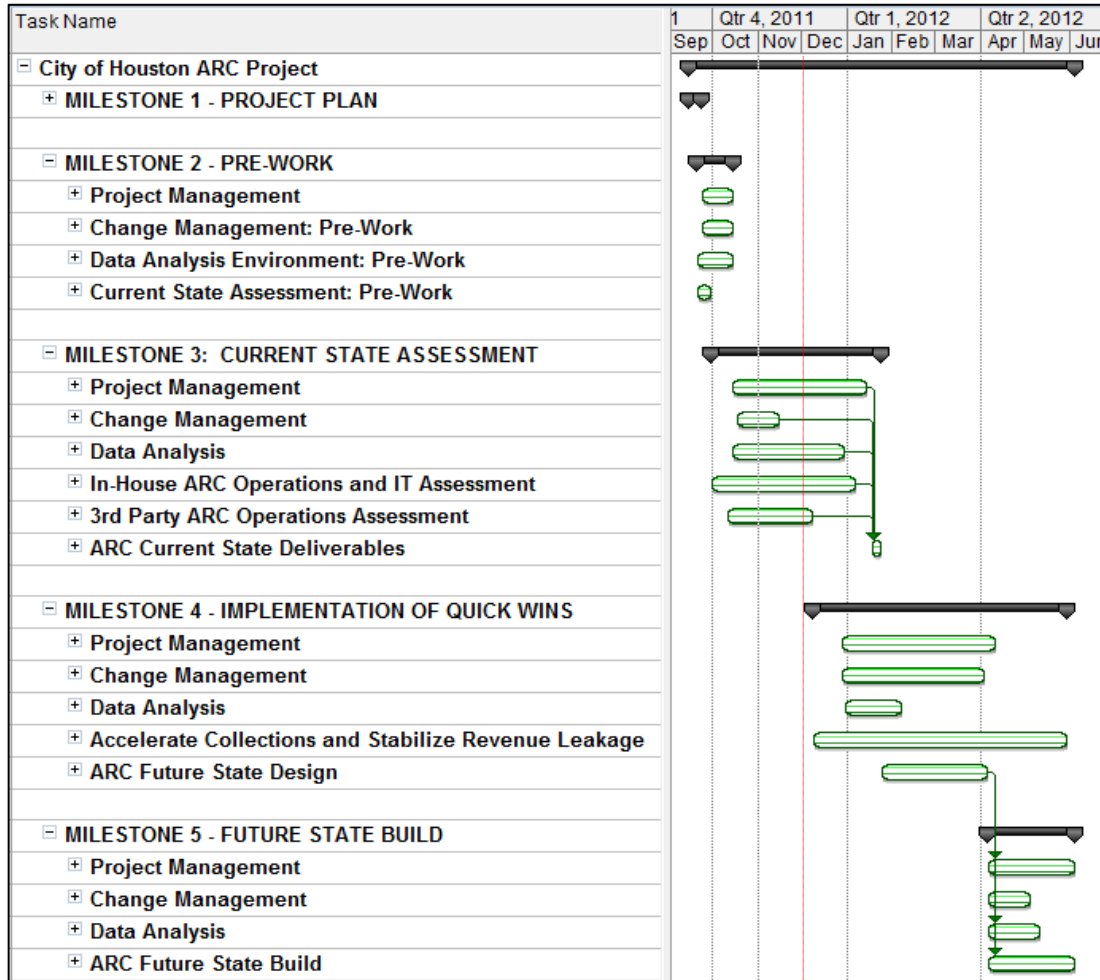
Operations and IT Assessment
- Currently on schedule
- Operations assessments of PWE and HHS are in process

3rd Party Vendor Assessment
- Currently on schedule
- Duncan was last vendor to be interviewed

Data Analysis
- Conducting analyses on HPL, FIN (State and County data), ARA (Internal), ARA (external), MCD, HFD)

Financial Breakdown – Revenue & AR

Revenue Source	Department	FY12 Current Budget Revenue	Outstanding Balance *	Collectible AR	Notes
Ad Valorem Property Tax *Delinquent accounts*	▲ FIN	$ 842,478,000 $ 83,640,495	1) $ 78,681,296 2) $ 48,555,439 3) $ 127,236,735	TBD	1) Real Property with Penalties & Interest (P&I); 2) Business Personal Property with P&I; 3) Total with P&I – Data Source is Harris County Tax Office extract
Ambulance Transport Fees	▲ ARA	$ 27,442,000	TBD	TBD	TBD
Burglar Alarms	▲ ARA ▲ HPD	$ 7,800,000	$ 2,635,243	TBD	TBD
Clinic & Lab Fees	▲ HHS	$ 295,332	TBD	TBD	TBD
Library Fines	▲ HPL	$ 500,000	1) $ 7,464,842 2) $ 6,101,102 3) $ 13,565,944	TBD	1) Fines and Fees; 2) Material replacement value; 3) Total doesn't include $146K in AR from old migrated data
Municipal Courts	▲ MCD	$ 35,889,129	1) $ 36,202,508 2) $ 228,110,552 3) $ 264,313,060	TBD	1) Adjudicated cases value; 2) Unadjudicated cases value; 3) *Total and subtotals do not include balances from legacy RUMBA system (cases before April 2006)*
Parking & Boot Citations	▲ ARA	$ 10,655,500	TBD	TBD	TBD
Permits, Licenses, Fees	▲ ARA ▲ HFD ▲ HHS ▲ HPD ▲ PWE ▲ SWM	$ 5,750,126 $ 6,536,930 $ 7,459,900 $ 3,393,975 $ 33,459,300 $ 2,900,000 $ 59,500,231	TBD	TBD	TBD
Permit Related *(Fees related to permits)*	▲ ARA ▲ PWE	$ 10,506,900	TBD	TBD	TBD

* Outstanding Balances are preliminary – they do NOT reflect the amount of the debt that may be uncollectable due to age, lack of information on the debtor, etc. In addition, the balances are each calculated from transactional data taken at different snapshots in time.

Observations, Progress, Achievements

Dept	Vendor	Observations
Citywide	▲ Various	▲ Decentralized policies, procedures, and systems related to permitting, licenses, and fees ▲ No internal skip tracing capability to reduce undeliverable mailings ▲ Data contained in disparate systems, and difficult to obtain ▲ Revenue leakage in many departments (potential revenue owed to the City but not currently captured or reported on)
ARA – Burglar Alarms	▲ PMAM	▲ Invoices are often sent to Resident / Occupant rather than a named person, impacting ability to collect; citywide skip tracing contract could mitigate this ▲ Large number of alarm monitoring customers do not have valid permits (ADT & ARA are working together to identify the variance) ▲ Multi-location businesses are not usually consolidated and then collected against ▲ Significant portion of debtors that pay, pay after the due date and there is a need to incentivize quicker payment; ARA and Legal are reviewing the feasibility of amending the ordinance to allow for a late payment penalty ▲ Difficult for the customer to understand which permit is required with Burglar and Panic Alarm Permits; ARA has requested an amendment to the ordinance to combine the permits into one to simplify the issue, but the Legal Department is unsure whether such a change violates State law and is reviewing
HPL – Library Fines	▲ Unique Management Services	▲ Aging report contains some unrecoverable costs ▲ Niche collection vendor focused on libraries, able to handle small balance accounts ▲ Data that could increase the vendor's ability to collect was not being transferred **(new process is now in place)**

Other Progress and Achievements:

▲ Implemented new EMS Invoices and Delinquency Notices highlighting online account information and payment portal

▲ Collaborating with Houston Permitting Center stakeholders to outline key permitting opportunities that we are investigating; No concerns regarding our approach and departments are enthusiastic to make improvements

▲ Working with MCD & ITD to design more robust C-Smart Collections algorithm to target accounts and maximize collections

   – MCD also implemented new Linebarger contract terms where COH will collect 30% fee from day 61 – 90 of delinquency; **total revenue collected in September and October of $20,951 (approximately $10K per month)**

Potential Opportunities

The team has created an opportunity pool of over 50 potential short and long term opportunities.

Opportunity	Observations	Next Steps
Business / Account Consolidation ▲ Identify opportunities to consolidate accounts and then collect	▲ City often does not "batch" its debts within or across revenue streams to collect against the debts holistically ▲ Multi-location business are often treated as individual business rather than as a consolidated entity and then collected against ▲ Within some revenue streams, there is the ability to collect against property management if unable to collect against individual tenants	▲ 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
Business Permitting ▲ Assist HPC leadership in pursuing permit renewals and identifying permit related revenue leakage	▲ ARA, HFD, HPD, HHS, PL, PR, and PWE all require permits, licenses and fees ▲ A business may require several permits to open but there are no clear guidelines as to which permits are needed ▲ Renewals are handled individually – a renewal of one permit does not link to renewing of other annual permits ▲ Total pool of businesses that require permits is unknown ▲ Informal process of collaboration across inspection workforce	▲ Audit businesses for compliance with all required permits against internal and external databases ▲ Identify which permits can be used as leverage to ensure the other permits are obtained ▲ Investigate implementing business license to collect all necessary data to provide guidance as to the permits needed based on the type of business ▲ Formalize processes for collaboration across COH inspection workforce to improve efficiency
Skip Tracing ▲ Explore skip tracing synergies to obtain contact information in-house for City debtors	▲ All divisions have customer information – most of this customer information has no link to any other division's systems ▲ When a customer moves or is not contactable there is no recourse to find the customer ▲ PWE has a collections RFP to obtain skip trace capabilities	▲ Assess current 3rd Party Vendor skip trace capabilities ▲ Understand the current volumes of accounts with bad or incomplete data, and technical implications to updating customer addresses in decentralized systems ▲ Assess feasibility and value of Citywide skip tracing capability

SAP AR Pilot Project with HHS Laboratory

Objectives	Where we are to date
▲ Accurate invoicing of all customers and automated tools for noticing of delinquent customers	▲ SAP Accounts Receivable and Sales & Distribution modules configured and ready for testing
▲ Improved processes with fewer systems, automated processes, and clean data	▲ Completed training for relevant HHS staff
▲ Centralized reporting for Finance Department's ARC division to facilitate AR oversight	▲ Completed User Acceptance Testing on 11/29
▲ Foundation paved for successful implementation of SAP AR and SD modules with other departmental revenue streams	▲ **Project Go-Live 1/1/2012**

Phase II Plan:

▲ The next phase of the SAP AR Project has not yet been finalized, but will focus on reporting and metrics. Following implementation of Phase II and troubleshooting of Phase I Go Live issues, we will look toward building interfaces in additional revenue generating systems

Questions