City of Houston
Citywide ARC Project

Budget & Fiscal Affairs Committee

June 5, 2012

Finance Department

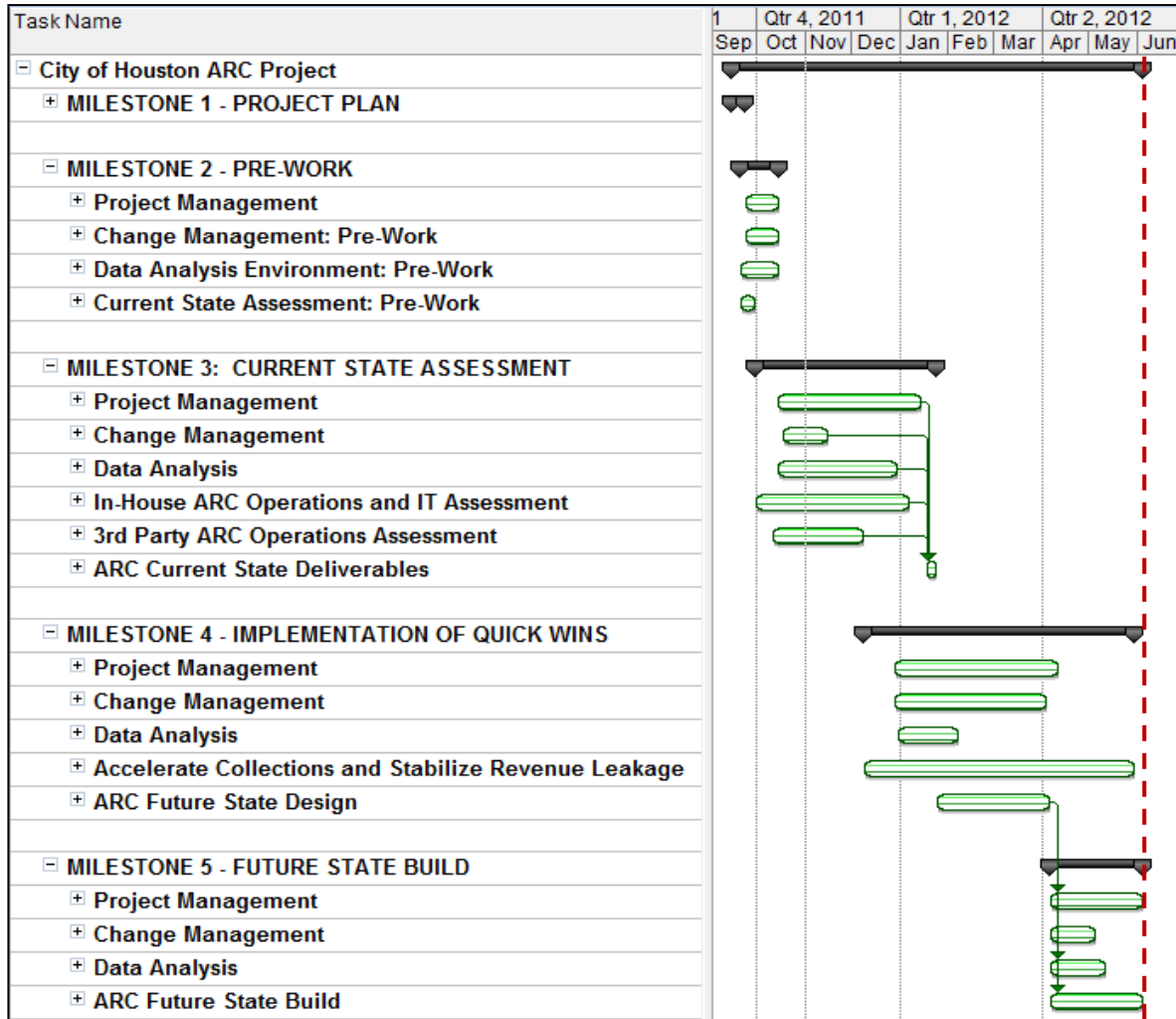**Kelly Dowe, Finance Director**

Victor Gonzalez, Assistant Director
Bruce Haupt, Deputy Assistant Director

Project Timeline

We are in the implementation phase, executing quick wins and designing long-term infrastructure and processes

▲ **Milestones 4 & 5**

– Implementing Quick Wins

– Executing Future State Design
  – Business Permitting
  – EMS Billing and Collections Improvement
  – Vendor Management
  – Data Warehouse

– ARC Project Next Steps

ARC Debt Collectability & Financial Impact

Implementation of quick wins is leading to incremental revenues being captured

Revenue Category	Total Debt Outstanding	Date	Debt Collectability			FY12-13 ARC Projected Incremental Revenue*	FY12-13 ARC Actual Revenue To Date
			Un-recoverable	Highly Unlikely	Potentially Collectable		
ARA - Burglar Alarm Penalties	$2,865,994	5/2012	$35,653	$874,058	$1,956,284	$300,000	$86,939
ARA - EMS Transports	$295,498,224	11/2011	$146,203,107	$149,295,116	$1,835,879	$4,300,000	$45,665
ARA - Parking Citations	$70,125,014	5/2012	$41,372,615	$15,658,135	$13,094,264	$1,000,000	$636,980
FIN - Ad Valorem Property Tax	$127,236,732	11/2011	$26,009,024	$26,946,110	$74,281,598	$0	$0
HFD - Fire Alarm Penalties	$3,512,311	6/2012	$1,649,172	$876,431	$986,709	$50,000	$21,325
HHS - Health Clinic	$4,703,578	11/2011	$4,349,354	$0	$354,224	$0	$0
HPD - Red Light Cameras	$27,206,010	4/2012	$410,584	$18,572,834	$8,222,593	$0	$95,285
HPL - Library Fines	$13,565,946	11/2011	$3,551,805	$6,759,284	$3,254,857	$75,000	$8,500
MCD - Municipal Courts	$36,202,507	11/2011	$4,586,257	$20,174,260	$11,441,990	$500,000	$160,000
PWE - Water Bills	$168,968,405	3/2012	$77,865,822	$10,959,019	$80,143,564	$0	$0
Business Permitting Project	$0	n/a	$0	$0	$0	$2,185,463	$140,674
Total	$749,884,721	5/2012	$306,033,393	$250,115,247	$195,571,962	$8,410,463*	$1,195,368

* Projected Incremental gross revenues to all funds – General Fund incremental gross revenue of $6.2 MM in FY2013
- FY12-13 ARC Actual Gross Revenue to Date reported to BFA on 5/1/2012 was $1,041,669 (increase of $153,699 since May)
  - Data is not yet available on impact of EMS Mileage Fee Reinstatement
- Definitions of debt collectability in the appendix, generally:
  - The older the debt, the ability to collect significantly decreases, and as debt ages, the cost to collect significantly increases
  - 90% of all payments are within the first year, and 98% of all payments are within the first two years of collection activity

ARC Project Activities

Working across all revenue streams to increase collections; total incremental revenue received to date is over $1,000,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments
ARA - Burglar Alarm Penalties	$300,000	$86,939	• Formalizing focused effort on collecting against multi-location businesses • Conducted second monthly vendor management meeting (PMAM & COH) • Completed new permit calls & letters for all active ADT customers without permits
ARA – EMS Transport Fees	$4,300,000	$45,665	• Reinstated EMS Mileage Fee in order to collect $2.7M and to resolve $1.6M State Medicaid dispute • Executing City/ACS Lean Six Sigma project focused on improving EMS billing and collections
ARA - Parking Citations	$1,000,000	$582,036 $54,944	• Implemented credit bureau reporting for "boot-eligible" debtors ($292,454 received from accounts > 2 years old) • Legal notices sent to 1,805 vehicle owners resulting in $54,944 in revenue (in 2011) • Developing legal action approach for top 20 commercial delinquent accounts (>$5K delinquent) • Implementing sticker process for delinquent vehicles with two citations
FIN - Ad Valorem Property Tax	$0	$0	• Developing vendor performance metrics • Linebarger performed verification of businesses for delinquent BPP accounts in April/May. Verification covers 5,277 accounts active in 2011, owing over $250. Current results show 10.4% of accounts have no specific address, 15.7% are already out of business, and 6.2% have since paid
HFD - Fire Alarm Penalties	$50,000	$21,325	• Investigating opportunity to pull better false fire alarm data from Firehouse application • Provided list of delinquent False Fire Alarm accounts to Fire Inspectors; certain debtors have agreed to pay and we are awaiting full results • Building reports to identify businesses that need to be inspected by Fire Inspectors • Providing updated contact information to collection vendor
HHS - Health Clinic	$0	$0	• Transitioned Clinic billing process redesign responsibilities to the HHS Performance Management team and assessed new Clinic Management Information System • HHS Performance Management Team currently assessing the billing and payment posting process and preparing to perform a process audit

ARC Project Activities, Continued

Working across all revenue streams to increase collections; total incremental revenue received to date is over $1,000,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments
HPD - Red Light Cameras	$0	$95,285	• To date 100,238 red light payment notices have been mailed out of over 280,000 • Collection efforts are administered internally by the Finance Department, with collaboration between the Legal, Municipal Courts, Administration & Regulatory Affairs 311 Operations, and Automated Traffic Solutions • Collection notifications began at end of March with a 200% increase in revenues bi-weekly; remaining notices are estimated to be sent out by May.
HPL - Library Fines	$75,000	$8,500	• Reduced invoice due date from 45 to 30 days • Changed vendor collection strategy to make phone calls earlier in the collection cycle • Kicked off collection effort that will target old debt (less than 3 years old) using DOB and DL numbers to locate delinquent adult patrons • UMS piloting a program to identify parent/guardians responsible for juvenile accounts (pilot has been extended to include old debt (less than 3 years old) • New reminder notices, invoice and juvenile application designs in place May 2012
MCD - Municipal Courts (adjudicated)	$500,000	$160,000	• MCD implemented contract terms where COH collects 30% fee from day 61 – 90 (Cumulative FY total of over $160K) • Kicked off pilot program to redirect collection notices to defendant's actual address following NCOA skip trace. • Kicked off pilot program to contact defendants located using the PWE water database • Disposed of 10,282 cases amounting to $2,527,658.30 in debt using death records • Evaluating MCD Collections RFP
PWE - Utility Customers	$0	$0	• Assisting with RFP evaluation
Business Permitting Project	$2,185,463	$140,674	• See ARC Business Permitting Slides
Total	$8,410,463	$1,195,368	

ARC Business Permitting

Long term vision is for customer focused business permitting with improved processes and interdepartmental collaboration

Dept	Permit Category	FY12 Current Budget	Revenue Leakage (One-Time)	ARC Actual Revenue To Date
▲ ARA	▲ Burglar Alarm Permits	$ 6,000,000	$ 480,467	
	▲ Commercial Permits	$ 4,220,776	$ 415,700	
	▲ Alcohol		*$ 300,000*	**$6,588**
	▲ Transportation		*$41,000*	
	▲ Other		*$74,700*	**$4,069**
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	
		$15,788,776	**$896,167**	
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 750,000	**$16,587**
	▲ Special Fire Permits	$ 5,000,000	101,000	**Pilot**
		$ 5,288,205	**$851,000**	**$16,587**
▲ HHS	▲ Ambulance Permits	$ 316,950	$ 36,000	**Pilot**
	▲ Fats/Oils/Grease Permits	$ 1,616,788	$ 103,776	
	▲ Food Service Permits	$ 5,225,200	$ TBD	
	▲ Source Registration	$ 1,156,200	$117,500	**$20,000**
	▲ Swimming Pool Permits	$ 789,000	TBD	**$90,000**
		$9,104,138	**$257,276**	**$110,000**
▲ HPD	▲ Auto Dealers Permits	**$ 3,119,975**	**$ 181,020**	**$3,430**
▲ PWE	▲ Building Code Permits	$ 32,366,100	TBD	
	▲ Occupancy Fees	$ 4,157,400		
	▲ Sign Permits	$ 1,711,700		
		$ 38,235,200		
▲ SWM	▲ Dumpster Permits	**$ 2,600,000**	TBD	
Total:		**$ 74,136,294**	**$2,185,463**	**$140,674**

Key Accomplishments

▲ **Piloting Permit Non-compliance Audit**

– Conducting pilot with ARA, HFD, HHS & HPD

– Mailed over 1,700 notices to non-compliant businesses

– Inspectors visited over 70 non-compliant businesses

– Monitoring results for actual revenue leakage and procedural gaps

– *Total revenue to date of $140,674*

Next Steps

▲ **Full Permit Non-Compliance Audit**

– Launch non-compliant business audit citywide

– Develop plan for non-responsive businesses

▲ **Continuing Project Due Diligence**

– Documenting all permits and licenses

– Identifying non-compliant businesses

ARC Business Permitting Non-compliance Audit

Long term vision is for customer focused business permitting with improved processes and interdepartmental collaboration

Legend: 🔺 = **Done**, ⊕ = **Target Date**

| Week Ending | | | | | | | | | | | | | | |
Mailings/Inspections	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3
ARA: Mini Warehouse (InfoUSA)				🔺										
ARA: Wine and Beer (TABC)					⊕									
ARA: Mixed Beverage (TABC)						⊕								
ARA: Antique Dealer Inspections					⊕									
ARA: Mini Warehouse Inspections						⊕								
HHS: Paint and Body (InfoUSA)				🔺										
HHS: Used Auto Dealer (InfoUSA)			🔺											
HHS: Used Auto Dealer (HPD)						⊕								
HHS: Dry Cleaner (InfoUSA)								⊕						
HHS: Dry Cleaner (FOG)								⊕						
HHS: Restaurants (TABC)										⊕				
HHS: Ambulances (State)					🔺									
HPD: Auto Repair Facilities (InfoUSA)			🔺											
HPD: Auto Repair Facilities (HHS)					⊕									
HPD: Gas Stations (HHS)						⊕								
HFD: Source HOV mailing (1,500)						🔺								
HFD: Source HOV Mailing (5,000)								⊕						
HFD: Pilot 1 (District 1 & 2 cont.)					⊕									
HFD: Pilot 1 (District 3 and N & W)					⊕									
HFD: Pilot 2 (ILMS data)							⊕							

ARC EMS Billing & Collections Improvement

Joint effort between City of Houston and ACS to improve processes with a focus on improving cash collections

Objectives:

– Using contract contingency to conduct a joint process improvement effort with ACS & COH personnel to improve:
  – EMS cash collections
  – Citizen satisfaction
  – Faster cash collections
– Developing internal COH capabilities to utilize Lean Six Sigma techniques to drive process improvements

Milestones:

– Impact and feasibility analysis for medical record number matching, started: 5/11, completed: 5/23
– Working with hospitals to build relationships and propose new data matching process, started: 5/1. In process – Memorial, Harris County, HCA (~60% of transports)
– COH implementation of MRN collection process by EMTs, planned completion: 6/22

Issues/Concerns:

– Medicare probe audit conducted by the Medicare Administrative Contractor (Trailblazer Health) found billing deficiencies where corrective action needs to be taken

Week Ending														
Tasks	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3
Impact and feasibility – MRN matching		▓	C											
Major hospitals														
Establish relationship & validate interface		▓	▓	▓	▓	▓								
Implement updated interface processes			▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	
Minor hospitals														
Establish relationship & validate interface		▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓
Implement updated interface processes		▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	▓
COH implementation				▓	▓	▓	▓	▓						
ACS Implementation				▓	▓	▓	▓	▓	▓	▓	▓	▓	▓	

ARC Vendor Management

A coordinated and consistent Collections Vendor Management Program provides visibility across departments, alignment towards shared goals as well as clear expectations from and benefits for the City

Milestones:

– Completed: Vendor Management Scorecard Rollout to completed work streams (Parking, Burglar, Ad Valorem, HPL, planned completion 4/30, actual completion 5/22)

– Completed: Draft Vendor Management Scorecard – HFD (actual completion 5/4)

– In Process: Vendor Management Scorecard Rollout to in process work streams (EMS, HFD, MCD)

– In Process: MCD RFP

– In Process: FIN RFP

Next Steps:

– Develop & implement initial EMS scorecard

– Develop MCD & HFD scorecards to be rolled out upon vendor selection

– Develop and issue RFP and select secondary collector(s)

Issues/Concerns:

– Timing difficult to pin down due to uncertainty around RFP process and final announcements

– MCD & HFD scorecards can not be finalized until vendors selected and implementation begins

– Reporting will be time intensive until data warehouse in place

Week Ending														
Tasks	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3
Monthly Vendor Management Meetings (Ongoing – dates vary by revenue stream) – Parking, Burglar, Ad Valorem, HPL					■					■				■
Development and implementation of score carding process – EMS		■	■	■	■	■								
Development of draft scorecard – MCD		■	■	■	■									
Support Implementation of MCD vendor – Timing TBD based on announcement & contract negotiations								■	■	■	■	■	■	■
Develop Secondary Collections RFP	■	■	■	■										
Issue Secondary Collections RFP & Select Vendor(s)					■	■	■	■	■	■	■	■	■	■

ARC Vendor Management

Third Party Collection Vendors – AR and Vendor Collection % from the 1/31/2012 ARC Project BFA Presentation

Revenue Stream	Vendor	AR w/ Vendor	Vendor Collection %	Contract Term
Billing and Collection Vendors (Fully Outsourced)				
ARA – Burglar Alarms	PMAM (niche)	$2.9 MM	69%	• Contract expires May '14
ARA – EMS	ACS	$295 MM	55%*	• Contract expires Aug '16
Delinquent Collection Vendors				
ARA – Parking Management	Duncan (niche)	$59.8 MM	25%	• Contract expires Aug '12
FIN – Ad Valorem	Linebarger	$127 MM	59%**	• Contract expires Jun '13
HFD – False Fire Alarms	Linebarger	$2 MM	37%	• Contract expires Jun '12
HPL – Public Library	UMS (niche)	$13 MM	27%	• Contract expires Jun '13
MCD – Municipal Courts	Linebarger	$392 MM	18%***	• Contract expires Jun '12

* EMS collection percent includes legally required write-offs for Medicare & Medicaid
** 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
*** MCD collection rate is calculated from 2008 thru 6/2010

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ARC Data Warehouse

Continuing to develop the framework for the infrastructure to support measurement & reporting

Milestones:
- Completed signoff of Project Charter for pilot project implementing on Burglar Alarm and Parking Management revenue streams using in-house resources
- Created test database environment
- Created AR Aging Report for ARA Burglar Alarms
- Created AR Month-End Report for ARA Burglar Alarms

Next Steps:
- Complete verification testing and approval of Burglar Alarm AR Aging and Month-End reports
- Develop AR Aging and Month-End reports for ARA Parking
- Complete verification testing and approval of ARA Parking reports
- Automate dataflow between sources systems and data warehouse
- Generate graphical reports using Tableau software

Week Ending														
Tasks	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22	6/29	7/6	7/13	7/20	7/27	8/3
Project Charter Sign-Off – Pilot Project	C	C	C											
Develop Burglar Alarm Data Architecture	C	C												
Create and Approve Burglar AR Aging Report	■	■	■	■	■									
Create and Approve Burglar AR Month-End Report			■	■	■	■								
Finalize PMAM Data Refresh Date				■	■	■								
Develop Parking Data Architecture					■	■								
Create and Approve Parking AR Aging Report					■	■	■	■						
Create and Approve Parking AR Month-End Report						■	■	■						
Finalize T2 Data Refresh Date				■	■	■								
Migrate reports to Production									⊕					

ARC Project Next Steps

Maintain positive momentum, generating additional system and process improvements, with high return on investment

Current Momentum

– $1.1 MM+ in increased cash collections for project life to date, projecting over $6 MM additional through end of FY2013

– Collecting against debt previously thought highly unlikely or uncollectable through increased enforcement mechanisms (credit reporting, legal action)

– Identifying significant revenue leakage around permitting and validating through pilot programs, beginning citywide approach with mailing of 20,000 notices to companies without Fire Alarm permits

– Continually increasing cross departmental support to implement and sustain improvements

– Building internal data warehouse to support collections and vendor performance management

Next Steps

– Continue implementation of identified permitting initiatives to drive increased revenue
  – Citywide permit non-compliance
  – HFD permitting process improvement
  – ARA commercial permitting process improvement
  – *Houston Business Solutions Online*

– Continue implementation of measurement and reporting work stream
  – Continue citywide implementation of internal data warehouse for revenue and accounts receivable
  – Continue support for development and implementation of vendor scorecards

– Implement Revised Hospital Interfaces for EMS Billing & Collections

ARC 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. A very small amount of payments are received on debts older than two years and payments are practically non-existent for debts older than five years. 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, HHS-Clinics, and EMS), the general definition of collectability applies:

• **Unrecoverable** – Debts over five years in age. It is **extremely** unlikely that the City will be able to collect on these debts. The cost to recover the debt would likely exceed the value collected. This is due to weaker enforcement tools, very poor customer contact information, aged systems technology, and 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 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, but a portion is potentially collectable out to the second year (primarily because the debts are not aggressively worked in the first year versus private industry 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", 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.