City of Houston
Citywide ARC Project

Budget & Fiscal Affairs Committee

Finance Department

Kelly Dowe, Finance Director
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ARC Project Timeline

Recommend second phase for ARC Project to maintain positive momentum, generating additional system and process improvements, with continued high return on investment

Tasks	2012						2013					
	J	A	S	O	N	D	J	F	M	A	M	J
EMS Medical Billing & Collections												
• Develop & execute go-forward strategy for billing process												
• Update hospital interfaces and build relationships												
• Implement the CMS audit remediation recommendations												
• Manage the implementation of secondary collection vendor(s)												
Citywide Permitting Efforts												
• Enact citywide processes for non-compliant businesses												
• Strengthen enforcement via inter-departmental collaboration												
• Develop design for permitting in AR data warehouse												
• Improve online customer contact and experience												
HFD Permitting Process Improvement												
• Consolidate permitting and inspection systems												
• Integrate permitting and inspection to strengthen enforcement												
• Develop key reports to target non-compliant businesses												
• Develop and implement performance measures												
ARA Commercial Permitting Process Improvement												
• Implement a new permitting system												
• Develop key reports to target non-compliant businesses												
• Strengthen enforcement via inter-departmental collaboration												
• Develop and implement performance measures												
Citywide AR Data Warehouse												
• Implement the full data warehouse												
• Develop citywide dashboard												
• Automate the vendor scorecards												

ARC Project Highlights

Highlighting significant accomplishments by department staff on the Citywide ARC Project

Department / Division	Divisions and Staff	Key Accomplishments
HFD Fire Permits and False Fire Alarm Penalties	**HFD Life Safety Bureau (Fire Inspectors)** • Chief Galvan • Chief Valenti • Chief Ford • Chief Williams • Fire General Inspections Teams Districts 1, 2 and 3 • Diane Alcala and the admin team • Chief Forristal • Chief Castro	**Piloting New Processes and Reports with Fire Inspectors and Fire Alarm Permitting Section – over $80,000 in direct revenue impact due to partnership** • Provided list of delinquent , unregistered False Fire Alarm accounts to Fire Inspectors for site visits • Developed procedural changes with the Administrative staff to ensure full collection of funds • Trained HEC call takers to collect better information to locate businesses responsible for false alarms • Provided collection vendor with updated contact information for over 3,000 delinquent accounts
AR Data Warehouse Project	**ITD Enterprise Applications** • Patrick Plummer • Abdi Sadeghi • Anil Gupta	**AR Pilot Data Warehouse with ARA Burglar Alarms and Parking Management** • Completed pilot implementation between 5/2012 and7/2012 • Now receiving monthly updates of debts and payments at the transactional level for updated billing and collections reporting **AR Full Data Warehouse Implementation Next Steps** • Conducted kickoff meeting on 7/23/2012 with Data Warehouse Architect and key IT stakeholders to refine project approach • Built interview questionnaires for business requirement and systems documentation sessions to be held with all departments.

ARC Debt Collectability & Financial Impact

Implementation of quick wins and long term process improvements has led to incremental revenues of over $3.8 million dollars

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 (v)	$2,846,509	7/2012	$39,583	$1,089,387	$1,717,540	$300,000	$276,637
ARA - Parking Citations (v)	$71,061,190	7/2012	$41,721,136	$15,582,039	$13,758,015	$1,000,000	$784,513
FIN - Ad Valorem Property Tax (v)	$152,734,406	5/2012	$29,581,891	$39,306,444	$83,846,071	$0	$0
FIN - EMS Transports (v)	$295,498,224	11/2011	$144,367,228	$149,295,116	$1,835,880	$4,300,000	$2,129,400
HFD - Fire Alarm Penalties (v)	$3,502,204	7/2012	$1,071,467	$1,437,799	$992,939	$50,000	$31,770
HHS - Health Clinic	$4,703,578	11/2011	$4,349,354	$0	$354,224	$0	$0
HPL - Library Fines (v)	$13,565,946	11/2011	$3,551,805	$6,759,284	$3,254,857	$75,000	$8,500
MCD - Municipal Courts (v)	$36,202,507	11/2011	$4,586,257	$20,174,260	$11,441,990	$500,000	$193,417
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	$441,544
Total	$749,082,969	7/2012	$307,134,543	$244,603,348	$197,345,080	$8,410,463*	$3,865,781
HPD - Red Light Cameras	*$26,741,455*	*7/2012*	*$1,068,986*	*$20,027,865*	*$5,644,604*	*$0*	*$531,968[1]*

* Projected Incremental gross revenues to all funds – General Fund incremental gross revenue of $6.2 MM in FY2013
v Revenue stream has a vendor performing outsourced billing or collections
* Full data is not yet available on impact of EMS Mileage Fee Reinstatement and reimbursement of Traditional Medicaid from former State dispute
* 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
[1] ARC Actual Revenue to Date for Red Light Cameras is based on the system of record from 02/01/2012 to 07/24/2012

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.

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	$347,346
	▲ Commercial Permits	$ 4,220,776	$ 415,700	
	▲ Alcohol		*$ 300,000*	$23,624
	▲ Transportation		*$41,000*	
	▲ Other		*$74,700*	$7,989
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	TBD
		$15,788,776	**$896,167**	**$378,959**
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 750,000	$21,335
	▲ Special Fire Permits	$ 5,000,000	101,000	Pilot
		$ 5,288,205	**$851,000**	**$21,335**
▲ 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	$32,750
	▲ Swimming Pool Permits	$ 789,000	TBD	TBD
		$9,104,138	**$257,276**	**$32,750**
▲ HPD	▲ Auto Dealers Permits	**$ 3,119,975**	**$ 181,020**	**$8,500**
▲ 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**	**$441,544**

Key Accomplishments

▲ **Full Permit Non-compliance Audit**
- Conducting pilot with ARA, HFD, HHS & HPD
- Mailed over 3,700 notices to non-compliant businesses
- Inspectors visited over 600 non-compliant businesses

▲ **Burglar Alarm Focused Activities**
- ADT mailing and follow up calls to 21,000 customers
- Increased focus and communication on compliance

▲ **Total revenue to date of $441,544**

Next Steps

▲ **Full Permit Non-Compliance Audit**
- Continuing to identify non-compliant businesses
- Developing city-wide procedure for identifying new and non-compliant businesses
- Developing process for communication between departments visiting the same establishments

▲ **Houston Business Solutions Online**
- Documenting all permits and licenses with City staff
- Developing scope of work for online business portal
- Meeting with businesses and associations to identify our customers' needs