City of Houston
Citywide ARC Project

Budget & Fiscal Affairs Committee

October 2, 2012

Finance Department

Kelly Dowe, Finance Director
Victor Gonzalez, Assistant Director
Bruce Haupt, Deputy Assistant Director

ARC Project Timeline

Executing second phase for ARC Project to maintain positive momentum, implement system and process improvements, build foundational infrastructure, and continue to generate a high return on investment

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

ARC Project Highlights

Highlighting significant accomplishments by City staff on the Citywide ARC Project

Department / Division	Divisions and Staff	Key Accomplishments
Houston Public Library *Delinquent Library Fines and Materials*	**Houston Public Library (HPL)** • Dr. Rhea Lawson • Syma Zerkow • Fred Schumacher **Unique Management Services (UMS)** • Andy Harp • Melissa Fenton	Collaborative effort with HPL and UMS teams to make significant changes that increase our ability to locate delinquent debtors and better communicate the consequences. Improvements to date have yielded $57,000 in cash, $89,000 in returned books/items and $3,535 in waivers. This was accomplished by: • Identifying and providing UMS with key data elements (Date of Birth and Driver's License number) to better locate delinquent debtors. • Revising the juvenile library card application to focuses on collecting the parent or guardian information • Updating reminder notices and invoices to clearly communicate the penalties beyond the small late fees • HPL team is working to setup a program to go after small balances that were not targeted in past collections efforts

Administration & Regulatory Affairs
Commercial Permitting Section, Alcohol Permit Processing
	Administration & Regulatory Affairs (ARA)
	• Alfred Moran
	• Tina Paez
	• Kathryn Bruning
	Alcohol Permit Processing
	• Rhonda Belt Rhea
	• Amanda Pulido
	• Bobbie Coleman
	• Latashia Hayes
	• Margarita Zuniga
	• Rhonda Davis
	• Wendy Brown
		Collaborative effort with ARA leadership and staff to decrease processing time in light of significant seasonal spikes in permitting volume throughout the year.
		Activities by ARA leadership and team include:
		• Completed introductory training of Commercial Permitting & Transportation management on Lean Six Sigma methods
		• Conducted two day session with Commercial Permitting staff to map and enhance the alcohol mail-in payment process. Identified opportunities to:
		    • Reduce total time to process payments
		    • Improve visibility of workload
		    • Increased employee participation in management of workload
		• Implemented newly designed processes with positive results to date
		• Began to incorporate additional types of commercial permits into new processes to work through challenges identified with the new processes

ARC Debt Collectability & Financial Impact

Implementation of quick wins and long term process improvements has led to incremental revenues of over $4.6 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)	$3,033,212	8/2012	$79,417	$791,131	$2,162,664	$300,000	$308,738
ARA - Parking Citations (v)	$71,504,555	8/2012	$41,712,974	$15,557,706	$14,233,875	$1,000,000	$814,225
FIN - Ad Valorem Property Tax (v)	$125,202,660	9/2012	$24,007,593	$47,119,806	$54,075,261	$0	$0
FIN - EMS Transports (v)	$295,498,224	11/2011	$144,367,228	$149,295,116	$1,835,880	$4,300,000	$2,497,612
HFD - Fire Alarm Penalties (v)	$3,472,337	8/2012	$1,132,067	$1,385,445	$952,825	$50,000	$78,533
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	$57,916
MCD - Municipal Courts (v)	$36,202,507	11/2011	$4,586,257	$20,174,260	$11,441,990	$500,000	$258,372
PWE - Utility Billing	$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	$598,766
Total	**$722,151,424**	**9/2012**	**$301,652,517**	**$252,041,767**	**$168,455,140**	**$8,410,463***	**$4,614,762**

* 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

ARC August BFA Follow Up

- **Council Member Gonzalez**: What are we doing to better collect on our older debts, to include vendor collections, secondary collections, and the sale of the receivables?

- Update on reviews and discussions as to the question above:
  1. Finance and Legal discussed placing receivables with 3rd party vendor, similar to selling the receivables.
  2. Currently evaluating the method of contracting process to be discussed with Council by Legal
  3. Need to develop relationship with vendors in order to more closely manage the collections process and develop incentives to improve performance and/or better negotiated payment terms
  4. Use vendor resources more efficiently to leverage expertise and minimize City's use of funds

Revenue Stream	Primary Billing	Primary Collections	Sale of Receivables Feasibility	Primary Collections, Multi-Vendor Approach, Secondary Collections?
ARA – Burglar Alarms	PMAM	PMAM	N/A	Evaluating RFP for secondary collections
ARA – Parking Management	COH	Duncan	N/A	Evaluating RFP for primary collections, champion/challenger, and multi-vendor options
FIN – Ad Valorem	Harris County	Linebarger	Not Feasible - Illegal	For consideration upon issuance of new RFP
FIN – EMS	Xerox (ACS)	Xerox (ACS)	N/A	Evaluating RFP for secondary collections
HFD – False Fire Alarms	COH	Linebarger	N/A	Evaluating RFP for primary collections, champion/challenger, and multi-vendor options
HHS – Health Clinic	COH	n/a	N/A	N/A
HPL – Public Library	COH	UMS	N/A	N/A
MCD – Municipal Courts	COH	Linebarger	N/A	Evaluating RFP for primary collections, champion/challenger, and multi-vendor options
PWE – Utility Billing	COH	COH	N/A	Evaluating RFP for primary collections, champion/challenger, and multi-vendor options

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	**$418,003**
	▲ Commercial Permits	$ 4,220,776	$ 415,700	
	▲ Alcohol		*$ 300,000*	**$66,366**
	▲ Transportation		*$41,000*	
	▲ Other		*$74,700*	**$8,455**
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	TBD
		$15,788,776	**$896,167**	**$492,824**
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 750,000	**$50,752**
	▲ Special Fire Permits	$ 5,000,000	101,000	Pilot
		$ 5,288,205	**$851,000**	**$50,752**
▲ 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	**$35,500**
	▲ Swimming Pool Permits	$ 789,000	TBD	TBD
		$9,104,138	**$257,276**	**$35,500**
▲ HPD	▲ Auto Dealers Permits	**$ 3,119,975**	**$ 181,020**	**$19,690**
▲ 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**	**$598,766**

Key Accomplishments

▲ **Full Permit Non-compliance Audit**
- Conducting pilot with ARA, HFD, HHS & HPD
- Mailed over 4,000 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 $598,766**

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 Permitting 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