City of Houston
Citywide ARC Project

Budget & Fiscal Affairs Committee
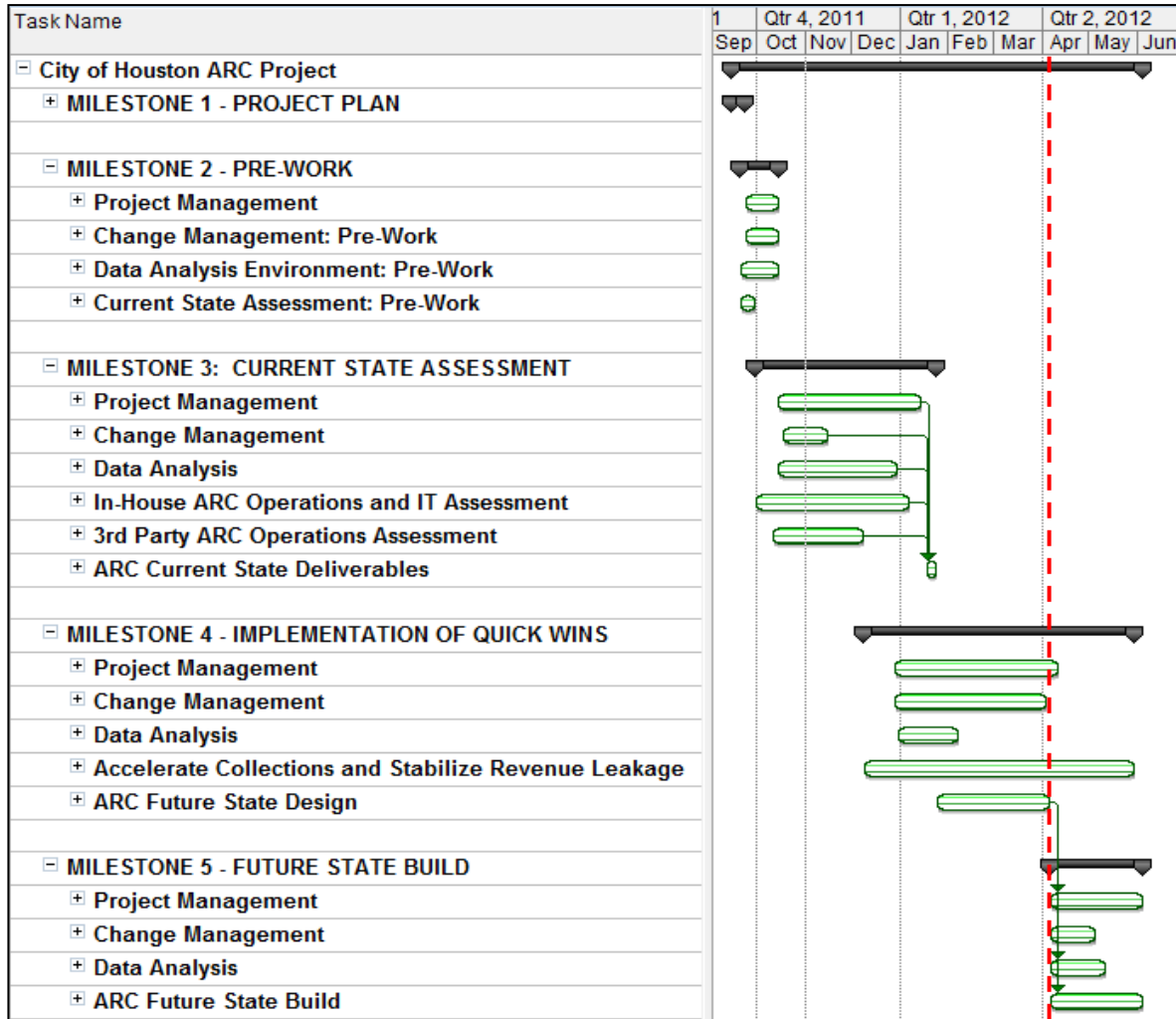
Finance Department

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Project Timeline

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

▲ **Milestones 4 & 5**

– Implement Quick Wins

– Execute Future State Design
  – Permitting Project
  – EMS Billing and Collections Improvement
  – EMS Mileage Fee Issue
  – Vendor Management
  – Data Measurement and Skip Tracing

ARC Debt Collectability & Financial Impact

Implementation of quick wins is already leading to incremental revenues being captured

Revenue Category	Total Debt Outstanding (as of November 2011)	Debt Collectability			FY12-13 ARC Projected Incremental Revenue*	FY12-13 ARC Actual Revenue To Date
		Unrecoverable	Highly Unlikely	Potentially Collectable		
ARA - Burglar Alarm Penalties	$2,765,352	$0	$742,248	$2,023,104	$300,000	$65,946
ARA - EMS Transport Fees	$295,498,224	$146,203,107	$149,295,116	$1,835,879	$2,000,000	$31,917
ARA - Parking Citations	$67,540,683	$28,787,000	$26,630,018	$12,123,665	$1,000,000	$389,533
FIN - Ad Valorem Property Tax	$127,236,732	$26,009,024	$26,946,110	$74,281,598	$0	$0
HFD - Fire Alarm Penalties	$3,433,728	$1,463,178	$493,548	$1,477,002	$1,400,000	$0
HHS - Health Clinic	$4,703,578	$4,349,354		$354,224	$200,000	$0
HPL - Library Fines	$13,565,946	$3,551,805	$6,759,284	$3,254,857	$250,000	$0
MCD - Municipal Courts (adjudicated)	$36,202,507	$4,586,257	$20,174,260	$11,441,990	$1,000,000	$99,261
PWE – Water Bill Customers	$168,968,405	$77,865,822	$10,959,019	$80,143,564	$0	$0
Permitting Project					$3,185,778	$98,000
Total	$719,915,155	$292,815,547	$241,999,603	$185,100,004	$9,335,778*	$684,657

* Projected Incremental Revenues to All Funds – General Fund incremental revenue of $7.2 MM
- FY12-13 ARC Actual Revenue to Date reported to BFA on 3/6/2012 was $363,439 (increase of $321,218 since March)
- Definitions of debt collectability in the appendix, generally:
  - The older the debt, the ability to collect significantly decreases
  - 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 $680,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments
ARA - Burglar Alarm Penalties	$300,000	$65,946	• Initiated focused effort on collecting against multi-location businesses • Initiated IVR (automated call) campaign on old debt • Skip traced accounts previously unnamed & mailed invoices • Conducted first monthly vendor management meeting (PMAM & COH)
ARA – EMS Transport Fees	$2,000,000	$31,917	• Implemented new invoices highlighting web based payments in 11/2011 • Pursuing reinstatement of EMS Mileage Fee in order to collect $2.7M and to resolve $1.6M State Medicaid dispute • Kicked off City/ACS Lean Six Sigma project focused on improving EMS billing and collections
ARA - Parking Citations	$1,000,000	$334,589 $54,944	• Implemented credit bureau reporting for "boot-eligible" debtors ($131,742 received from accounts > 3 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)
FIN - Ad Valorem Property Tax	$0	$0	• Developing vendor performance metrics • Vendor performing verification of operational businesses for delinquent BPP accounts in April/May
HFD - Fire Alarm Penalties	$1,400,000	$0	• Designed and implementing new HFD plan review process that require fire alarm system permit for all new fire alarm systems • Developing a revised inspection program to enforce fire alarm permits for existing systems
HHS - Health Clinic	$200,000	$0	• Transitioned Clinic billing process redesign responsibilities to the HHS Performance Management team and assessed new Clinic Management Information System

ARC Project Activities, Continued

Working across all revenue streams to increase collections; total incremental revenue received to date is over $680,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments
HPL - Library Fines	$250,000	$0	• New reminder notices, invoice and juvenile application designs in place May 2012 • Working with UMS to add actual parent or guardian names to collections notices • Reduced invoice due date from 45 to 30 days • Increased skip tracing hit rate 5-7% due to TXDL and DOB information
MCD - Municipal Courts (adjudicated)	$1,000,000	$99,261	• MCD implemented contract terms where COH collects 30% fee from day 61 – 90 (Collected $48,317 in February for cumulative FY total of $99,261) • In process of piloting CourtView collections algorithm changes • Released MCD Collections RFP • MCD authorized sending collections letters to defendant's actual address
PWE – Utility Customers	$0	$0	• Assisting with RFP evaluation
Permitting Project	$3,185,778	$90,000 $8,000	• HHS Swimming Pool Project • Pilot Project collecting on non-permitted businesses with HHS, HFD, HPD and ARA • Prepared 100 non-compliant notices for each department • Distributed informational FAQ packet for City Staff
Total	$9,335,778	$684,657	

ARC Permitting Project – Revenues & Next Steps

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	$ 632,615	
	▲ Alcohol		*$ 516,915*	Pilot
	▲ Transportation		*$41,000*	
	▲ Other		*$74,700*	
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	
		$15,788,776	**$1,113,082**	
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 1,607,300	**$1,500**
	▲ Special Fire Permits	$ 5,000,000	TBD	Pilot
		$ 5,288,205	**$1,607,300**	**$1,500**
▲ HHS	▲ Ambulance Permits	$ 316,950	$ 36,000	
	▲ Fats/Oils/Grease Permits	$ 1,616,788	$ 103,776	
	▲ Food Service Permits	$ 5,225,200	$ TBD	
	▲ Source Registration	$ 1,156,200	$144,600	**$6,500**
	▲ Swimming Pool Permits	$ 789,000	TBD	$90,000
		$9,104,138	**$284,376**	**$96,500**
▲ HPD	▲ Auto Dealers Permits	**$ 3,119,975**	**$ 181,020**	Pilot
▲ 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**	**$3,185,778**	**$98,000**

Note: Revenue Leakage (Renewal) $2,539,884

Key Accomplishments

▲ **Piloting Permit Non-compliance Audit**
- Conducting pilot with HFD, HPD, HHS and ARA
- Prepared notices for 100 non-compliant businesses per department
- Distributed informational FAQ packet for City staff
- Mailing notices and monitoring results for actual revenue leakage and procedural gaps

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 EMS Billing & Collections Improvement

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

Objectives:

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

Key Accomplishments:

- Conducted three day training event for 12 Finance personnel and one ACS
- Gathered customer requirements to prioritize improvement opportunities (HFD, ARA, FIN)
- Started in-depth process assessment and data analysis

Tasks	3/16	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15
Week Ending														
Lean Six Sigma Training														
Voice of the Customer														
In Depth Process Assessment			Prep	VSM										
Process Improvement Event #1				Prep	Prep	Event	Imp.							
Process Improvement Event #2							Prep	Prep	Event	Imp.				
Process Improvement Event #3										Prep	Prep	Event	Imp.	
Support and Ongoing														

ARC EMS Mileage Fee Issue

Removal of the mileage fee causes $1,600,000 Medicaid dispute and a $2.7MM loss in annual revenue

Background: On November 16, 2010, in an effort to bring EMS transport fees in line with the cost of service, council approved a revision to Section 4-13 that raised the base EMS transport to $1,000. In addition to the base fee increase, the previous mileage fee was removed.

Loss of Revenue: All insurance programs, including Medicare and Medicaid, pay mileage as a separate item. By not charging a mileage fee, the City forfeits it right to about $2.7M per year.

State Medicaid Reimbursement in Dispute without Mileage Fee: Currently, the Medicaid program administered by the State of Texas is programmatically set-up to only accept transports with associated mileage fees. The City currently has a 2-year grace period to appeal and potentially collect on the claims currently in dispute. However, beyond two years, the appeals process will no longer be an option. The City is currently pursuing all means with the State in order to resolve these disputes, but without a resolution, the City expects an approximately $1,600,000 dollar decrease in collections on an annual basis.

Impact	Opportunity Costs
Annualized Medicaid Amount Withheld and Potentially Unrecoverable if Dispute is Not Resolved	**$ 1,600,000**
Annual Loss in Collections without Mileage Fee:	**$ 2,700,000**
▲ Medicaid	$ 500,000
▲ Medicare	$ 1,100,000
▲ Private Insurance	$1,000,000
▲ Self Pays	$ 100,000
▲ **Total Potential Impact (Annual)**	**$ 4,300,000**

ARC Collections 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

Key Accomplishments & Next Steps

- Established collections vendor management program framework
- Developed vendor management framework training
- Rolled out vendor management program to first vendor
- Revising and updating vendor management materials to rollout to remaining collection vendors
- RFP's in process: Public Works and Municipal Courts Collections

Major Activity	2012										
	F	M	A	M	J	J	A	S	O	N	D
Refine & Update Customer Treatment Strategies	■	■									
Establish Baseline & Determine Metric Targets	■	■	■								
Run RFP Process (Specific Depts)		■	■	■	■						
Establish Performance Review Meetings & Supporting Tools		■	■								
Establish Vendor Management Governance	■	■	■	■	■						
Review Metrics and Vendor Management Processes (Update As Necessary)					■						

ARC Data Measurement Activities

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

Key Accomplishments & Next Steps

- Identified standard monthly reports to track across all revenue streams (AR Aging, AR Month End Outstanding Debt, Collection Rates, Billing vs. Payments, Payments, Collection Trends Over Time)
- Began obtaining consensus and approval with departments on reports and data fields to pull into data warehouse
- Obtain estimates for implementation cost and timing for software application options
- System implementation go/no-go decision imminent

Major Activity	2012										
	F	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	**N**	**D**
Establish Baseline & Validate with Vendor	X	X									
Develop & Implement Interim Tracking Tools & Process		X									
Develop Measurement & Reporting Blueprint Document	X	X									
Design & Implement Tracking Processes, Roles, Responsibilities		X	X								
Decision on Measurement & Reporting Software Application			X								
Implement Software Application (Phase 1 – two Revenue Streams)			X	X	X	X					
Review & Revise Measurement & Reporting Policies & Procedures					X						
Phase 2 – Extend Application to other Revenue Streams							X	X	X	X	X

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.