



City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee

September 10, 2012

Finance Department

Kelly Dowe, Finance Director

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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	
<u>Citywide Permitting Efforts</u> <ul style="list-style-type: none"> Enact citywide processes for non-compliant businesses Strengthen enforcement via inter-departmental collaboration Improve online customer contact and experience Develop and implement performance measures 			█										
<u>HFD Permitting Process Improvement</u> <ul style="list-style-type: none"> Consolidate permitting and inspection systems Integrate permitting and inspection to strengthen enforcement Develop key reports to target non-compliant businesses 			█										
<u>ARA Commercial Permitting Process Improvement</u> <ul style="list-style-type: none"> Implement a new permitting system Develop key reports to target non-compliant businesses Strengthen enforcement via inter-departmental collaboration 			█										
<u>EMS Medical Billing & Collections</u> <ul style="list-style-type: none"> 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) 			█										
<u>Citywide AR Data Warehouse</u> <ul style="list-style-type: none"> 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
<p>HPD and HHS Permit Non-Compliance Efforts</p>	<p>HPD Auto Dealers Permitting</p> <ul style="list-style-type: none"> • Lt. Dana Hitzman • Andrea Reyes • HPD Auto Dealers Officers <p>HHS Source Registration Permitting</p> <ul style="list-style-type: none"> • Sawee Lam • Beverly McFarlin • Lamar Kimble • Arturo Blanco • Tonia Green • Barbara Sudhoff 	<p>Piloting New Reports with HPD Auto Dealers – over \$18,000 in revenue impact due to partnership</p> <ul style="list-style-type: none"> • Provided 3 different reports of unregistered auto repair facility accounts to Auto Dealers Officers for site visits; reports compiled from internal and external lists • Officers followed up with multiple site visits and investigations • Piloting New Reports with Health and Human Services Source Registration Division – over \$35,000 in revenue impact due to partnership • Provided report of unregistered used motor vehicle dealers, dry cleaning facilities and paint and body shop establishments for mailings. Reports were compiled from both internal and external lists • Remaining report of non-responsive facilities and establishments provided a concise list for inspector’s visits • One inspector, Lamar Kimble, has been completing all required follow ups
<p>Ad Valorem Delinquent Property Taxes</p> <p><i>Business Personal Property (BPP)</i></p>	<p>Linebarger</p> <ul style="list-style-type: none"> • Leah Stolar • BPP Street Team 	<ul style="list-style-type: none"> • Linebarger launched a Business Personal Property (BPP) Street Team initiative to conduct field visits to delinquent BPP accounts owing over \$1,000 immediately following turnover of the accounts from HCTO to Linebarger • The BPP Street Team sought to identify the true amount of collectable BPP accounts, to show the # of businesses still active, non-existent, already out of business, and/or located outside City limits • With completion of all 5,277 field visits, we have seen an 8.2% improvement in total roll reduction comparing Tax Year 2011 to Tax Year 2010 • 2,862 of the 5,277 accounts (~54%) are no longer at the site (out of business already) or were found to be residential properties



ARC Debt Collectability & Financial Impact

Implementation of quick wins and long term process improvements has led to incremental revenues of over \$4.3 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)	\$71,504,555	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)	\$3,502,204	7/2012	\$1,071,467	\$1,437,799	\$992,939	\$50,000	\$69,329
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	\$212,356
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	\$519,641
Total	\$721,994,588	9/2012	\$301,552,083	\$252,392,377	\$168,050,130	\$8,410,463*	4,398,300

- * 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 Ups

- **Council Member Christie**: What policies does HFD have in place to prevent firefighters from receiving kickbacks or for directing patients to a specific hospitals?
 - The hospital destination decision protocol is in section 6.12 of the “*Houston Fire Department Patient Care Guidelines and Standing Orders For BLS and ALS Units.*” The document is online at this link: <http://www.hfdmd.org/HFDProtocols9-1-11.pdf>
 - Essentially, “The choice of a hospital destination depends upon an understanding of the patient’s chief complaint, the urgency of care needed, the specific care needed, hospital diversion status, EMS Resource status, and the patient’s routine hospital of choice.”



ARC August BFA Follow Ups

- **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?
- The most significant factor distinguishing sales is continuing involvement of the agency doing the selling. The following criteria must be met for the consideration of the sale of receivables:
 1. Neither the agency nor the buyer can cancel the sale.
 2. The agency cannot limit in any significant way the buyer's ability to subsequently sell or pledge the receivables or future revenues.
 3. The agency no longer has access to the receivables, future revenues or the cash collected from them.
 4. The agency will have no further involvement to limit the buyer's activities with respect to the sold receivables

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



ARC August BFA Follow Ups

- **Council Member Laster**: What sort of information and/or deposits does Public Works require for commercial water accounts?
- From Public Works & Engineering, Utility Customer Service:
 - Establishing a Commercial Account requires either an Ownership Deed, Lease Agreement, or the Articles of Incorporation for HOA's
 - Commercial Deposit amounts for a new service line range from \$200.00 to \$17,000.00 and depend upon the type of user and the meter size
 - Commercial applications with inadequate identification must pay 3x the New Service Deposit amount



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	\$58,574
	▲ Transportation		\$41,000	
	▲ Other		\$74,700	\$8,634
	▲ Solid Waste Franchise Fees	<u>\$ 5,568,000</u>	TBD	TBD
		\$15,788,776	\$896,167	\$414,554
▲ HFD	▲ Fire Alarm Permits	\$ 288,205	\$ 750,000	\$50,752
	▲ Special Fire Permits	<u>\$ 5,000,000</u>	<u>101,000</u>	<u>Pilot</u>
		\$ 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	<u>\$ 789,000</u>	<u>TBD</u>	<u>TBD</u>
		\$9,104,138	\$257,276	\$35,500
▲ HPD	▲ Auto Dealers Permits	\$ 3,119,975	\$ 181,020	\$18,835
▲ PWE	▲ Building Code Permits	\$ 32,366,100	TBD	
	▲ Occupancy Fees	\$ 4,157,400		
	▲ Sign Permits	<u>\$ 1,711,700</u>		
		\$ 38,235,200		
▲ SWM	▲ Dumpster Permits	\$ 2,600,000	TBD	
Total:		\$ 74,136,294	\$2,185,463	\$519,641

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 **\$519,641**

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

