



City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee

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Finance Department

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ARC Project Timeline

Executing second phase for ARC Project to 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"> 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 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 Debt Outstanding and Collectability

Total outstanding debt is \$4.6 million less than in October 2012 for revenue streams where updated data is available

Revenue Category	Total Debt Outstanding Oct 2012	Total Debt Outstanding Jan 2013	3 Month Difference
ARA - Burglar Alarm Penalties (v)	\$3,033,212	\$3,255,398	\$222,186
ARA - Parking Citations (v)	\$71,504,555	\$73,044,693	\$1,540,138
FIN - Ad Valorem Property Tax (v)	\$125,202,660	\$118,886,842	(\$6,315,818)
FIN - EMS Transports (v)	\$295,498,224	\$295,498,224	\$0
HFD - Fire Alarm Penalties (v)	\$3,472,337	\$3,350,113	(\$122,224)
HHS - Health Clinic	\$4,703,578	\$4,703,578	\$0
HPL - Library Fines (v)	\$13,565,946	\$13,565,946	\$0
MCD - Municipal Courts (v)	\$36,202,507	\$36,202,507	\$0
PWE - Utility Billing	\$168,968,405	\$168,968,405	\$0
Total	\$722,151,424	\$717,475,706	(\$4,675,718)

Debt Collectability			Date Updated
Un-recoverable	Highly Unlikely	Potentially Collectable	
\$107,767	\$1,302,596	\$1,845,035	12/2012
\$41,322,008	\$15,409,877	\$16,312,808	1/2013
\$25,038,243	\$27,048,394	\$66,800,205	12/2012
\$144,367,228	\$149,295,116	\$1,835,880	11/2011
\$1,294,980	\$1,168,566	\$886,567	1/2013
\$4,349,354	\$0	\$354,224	11/2011
\$3,551,805	\$6,759,284	\$3,254,857	11/2011
\$4,586,257	\$20,174,260	\$11,441,990	11/2011
\$77,865,822	\$10,959,019	\$80,143,564	3/2012
\$302,483,464	\$232,117,112	\$182,875,130	1/2013

- v Revenue stream has a vendor performing outsourced billing or collections
- 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 Overall Financial Impact

Implementation of quick wins and long term process improvements has led to total incremental revenues of over \$5.9 million dollars with \$1.3 million collected in the last 3 months

Revenue Category	FY12-13 ARC Projected Incremental Revenue*	FY12-13 ARC Actual Revenue Oct 2012	FY12-13 ARC Actual Revenue Jan 2013	3 Month Difference	Date Updated
ARA - Burglar Alarm Penalties (v)	\$300,000	\$308,738	\$347,671	\$38,933	12/2012
ARA - Parking Citations (v)	\$1,000,000	\$814,225	\$912,849	\$98,624	1/2013
FIN - Ad Valorem Property Tax (v)	\$0	\$0	\$0	\$0	12/2012
FIN - EMS Transports (v)	\$4,300,000	\$2,497,612	\$3,234,074	\$736,462	1/2013
HFD - Fire Alarm Penalties (v)	\$50,000	\$78,533	\$95,908	\$17,375	1/2013
HHS - Health Clinic	\$0	\$0	\$0	\$0	11/2011
HPL - Library Fines (v)	\$75,000	\$57,916	\$84,003	\$26,087	11/2011
MCD - Municipal Courts (v)	\$500,000	\$258,372	\$258,372	\$0	11/2011
PWE - Utility Billing	\$0	\$0	\$0	\$0	3/2012
Business Permitting Project	\$2,185,463	\$598,766	\$1,022,305	\$423,539	1/2013
Total	\$8,410,463*	\$4,614,162	\$5,955,182	\$1,341,020	1/2013

- 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



ARC Business Permitting

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

Dept	Permit Category	Revenue Leakage (One-Time)	ARC Actual Revenue Oct 2012	ARC Actual Revenue Jan 2013	3 Month Difference
▲ ARA	▲ Burglar Alarm Permits	\$ 480,467	\$ 418,003	\$ 418,003	
	▲ Commercial Permits				
	▲ Alcohol	\$ 300,000	\$ 66,366	\$ 294,219	\$ 227,853
	▲ Transportation	\$ 41,000			
	▲ Other	\$ 74,700	\$ 8,455	\$ 46,397	\$ 37,942
		\$896,167	\$ 492,824	\$ 758,619	\$ 265,795
▲ HFD	▲ Fire Alarm Permits	\$ 750,000	\$ 50,752	\$ 109,207	\$ 58,455
	▲ Special Fire Permits	\$ 101,000	\$ 0	\$ 92,384	\$ 92,384
		\$851,000	\$ 50,752	\$ 201,591	\$ 150,839
▲ HHS	▲ Ambulance Permits	\$ 36,000			
	▲ FOG Permits	\$ 103,776			
	▲ Food Service Permits	\$ TBD			
	▲ Source Registration	\$117,500	\$35,500	\$39,500	\$4,000
	▲ Swimming Pool Permits	\$ TBD			
		\$257,276	\$35,500	\$39,500	\$4,000
▲ HPD	▲ Auto Dealers Permits	\$ 181,020	\$19,690	\$22,595	\$2,905
▲ PWE	▲ Building Code Permits	\$ TBD	\$ TBD	\$ TBD	\$ TBD
	▲ Sign Permits				
▲ SWM	▲ Dumpster Permits	\$ TBD	\$ TBD	\$ TBD	\$ TBD
Total:		\$2,185,463	\$598,766	\$1,022,305	\$423,539

Key Accomplishments

- ▲ **Permit Non-compliance Audit with ARA, HFD, HHS & HPD**
 - Mailed over 15,000 notices to non-compliant businesses
 - Inspectors visited over 2,000 non-compliant businesses
 - Total revenue to date of *\$1,022,305 with over \$400K collected in last three months*
- ▲ Updated Houston Permitting Center Website to include all City of Houston Permits and Licenses

Next Steps

- ▲ **Full Permit Non-Compliance Audit**
 - Continuing to identify non-compliant businesses
 - Developing departmental procedures for identifying new and non-compliant businesses
 - Developing process for communication between departments visiting the same establishments
- ▲ **Houston Permitting Center Website**
 - Continue documenting all permits and licenses inclusive of work flows
 - Move forward with next steps in HPC website redesign



ARC Foundational Improvements

Long term process improvements to include Data Warehouse, Vendor Management Program, and updated Vendor contracts

Project Component	Key Accomplishments
Data Warehouse Project	<ul style="list-style-type: none"> ▲ Interviewed over 100 representatives in 19 departments to facilitate the drafting of a citywide data warehousing strategy providing an environment to access integrated data across the city ▲ Kicked off construction of the Accounts Receivable (AR) data mart in October 2012. ▲ Completed the dimensional model, logical table structures and data staging areas for all five pilot data sources (ARA - Parking, ARA - Burglar Alarm, FIN - Ad Valorem, HFD- False Fire Alarms and PWE - account level data only) ▲ Completed preliminary Business Intelligence tool evaluations ▲ In the process of transforming and loading the ARA – Parking data into the AR data mart
Vendor Contracts	<ul style="list-style-type: none"> ▲ Completing master agreements to present to council for review and approval, and expect to bring to next scheduled BFA; Courts, PWE Water, ARA Parking, Finance misc. ▲ Completed review and selection of 3rd party vendor for outsourcing Red Lights collections
Vendor Management Program	<ul style="list-style-type: none"> ▲ Increase in collections recovery rate for parking management due to on-going vendor discussions and oversight, approximately 5% increase, and implementation of credit bureau reporting ▲ Hired EMS account manager with experience in EMS support and billing operations oversight ▲ Coordinated efforts between HFD, third-party vendors and the Finance to finalize implementation of EMS system and hardware conversion over the course of the next few months





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.

