



# Citywide Collections Program

Budget and Fiscal Affairs Committee

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## Finance Department

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# Collections Program Overview

- Designed to optimize the collection of unpaid accounts through **flexibility** and **competition**
- Jointly managed by the COH revenue source department and the Finance Department through the Collections Vendor Management Program
- Departments involved:
  - ✓ Administrative and Regulatory Affairs Department
  - ✓ Finance Department
  - ✓ Houston Fire Department
  - ✓ Municipal Courts Department
  - ✓ Public Works & Engineering Department



# Department Programs Using Collections Vendors

## Finance

- Property Tax (FIN)
- Fire False Alarms (HFD)
- Burglar False Alarms Secondary Collections (ARA)
- Emergency Medical Services Secondary Collections (FIN)

## Public Works & Engineering

- Delinquent Water Bills
- Delinquent Drainage Bills
- Delinquent Wastewater Bills

## Administrative and Regulatory Affairs

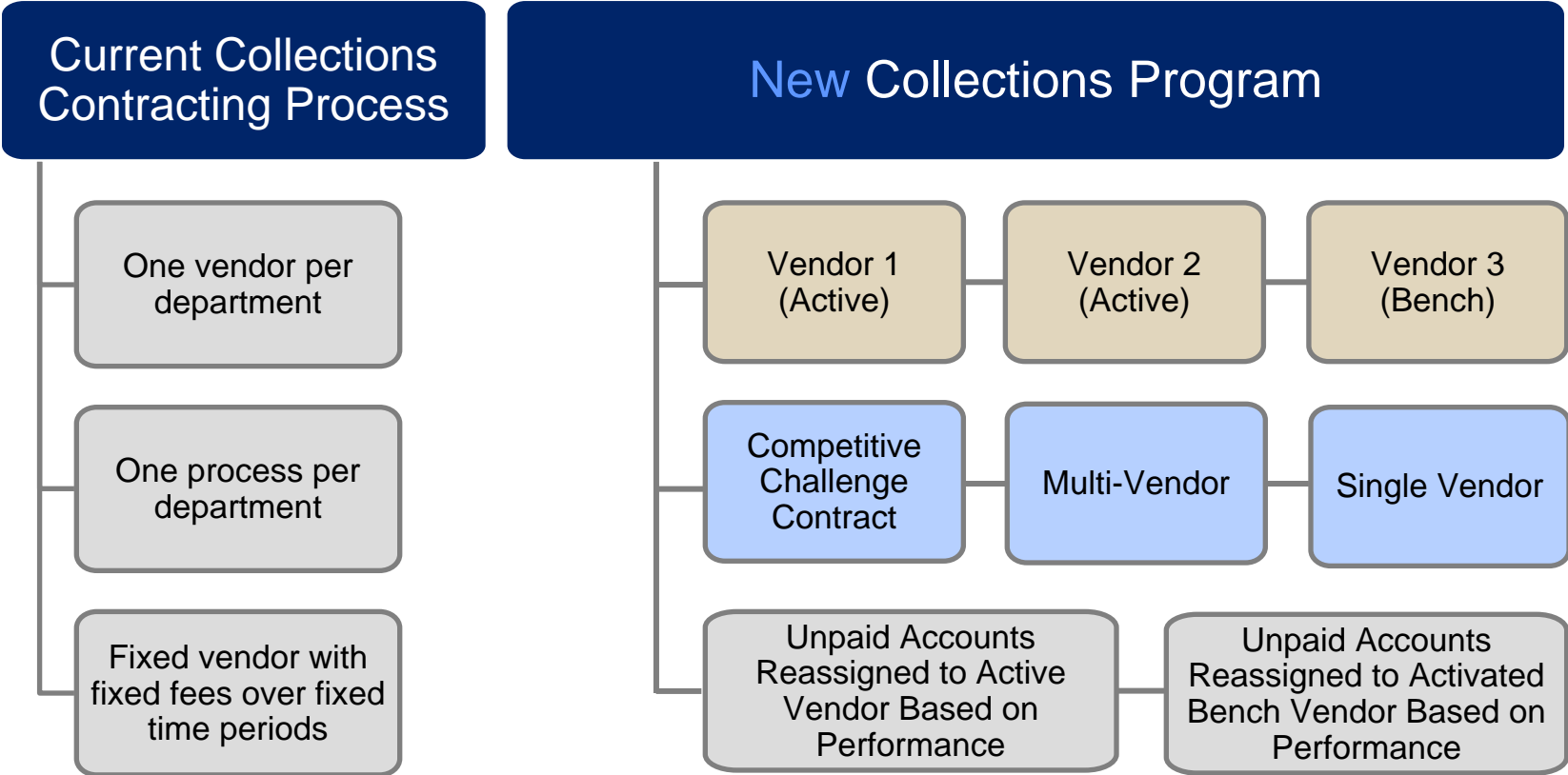
- Parking Tickets

## Municipal Courts

- Non-Parking Citations
- Administrative cases



# Current vs. New Collections Processes



➤ No competition between Vendors until rebid RFP (typically after 5 years)

➤ On-going competition between Vendors



# Collections Optimization through Competition

- Collections optimized using a **Competitive Challenge Contract Model**
- **Multiple**, pre-approved vendors to choose from through a rigorous selection process:
  - ✓ GC Services Limited Partnership (GC)
  - ✓ Gila LLC D/B/A Municipal Services Bureau (MSB)
  - ✓ Linebarger, Goggan, Blair & Sampson (LGBS)
  - ✓ Professional Account Management, LLC (“Duncan”)
  - ✓ Vendors added based on departments’ needs
- Unpaid accounts can be **reassigned** to one or more vendors based on the City’s needs and the **vendor’s collections performance**
- Agreed upon evaluation periods (typically 6 months – 1 year)
- Unscheduled reassignments based on agreed performance targets



# Competitive Challenge Contract Elements

## Master Agreement

- Consolidates related collection vendor agreements between parties (departments) in one legal document, and serves as an outline of the Engagement Letter
- Managed by the Legal and Finance Departments
- Requires no performance by vendors or payments by City

## Engagement Letter

- Defines contractual relationship between the City and the vendors, including the terms, conditions, and scope of the engagement such as collections services, fees, and other deliverables
- Binds vendor to perform collection services and the City to pay for services



# Competitive Challenges Contract Benefits

- **Increased Collections**

- Competition among vendors will lead to increased revenue for the City
- Reassignment of unpaid accounts to more successful vendors
- Quicker cash flow into the City
- Reduce uncollectible amounts by collecting before accounts become significantly aged

- **Decreased Costs**

- Lower vendor payment rates through negotiation
- Some vendors have offered cash incentives to defray collection overhead
- Costs of transition to a new vendor can be minimized, especially where multiple vendors on one revenue stream



# Competitive Challenges Contract Benefits (cont'd)

- **Increased Flexibility**

- Departments choose vendors based on their collections needs
- Through negotiating services and prices among multiple vendors
- Through the timely reassignment of accounts to collection vendors based on their collections performance

- **Increased Oversight**

- Finance manages the same group of vendors collecting for multiple departments, allowing for evaluation under the same performance criteria
- Departments oversee activity within their division

- **Better City Performance**

- Departments can focus more time and attention on performance of City services





# RFP Vendor Assignments Per Department

Department	Revenue Stream	Active Vendor #1	Active Vendor #2	Bench Vendor
Finance	Fire Alarms	LGBS	MSB	GC Services
	Burglar Alarms (secondary)	GC Services	---	MSB
	EMS (secondary)	MSB	---	GC Services
Administrative & Regulatory Affairs (ARA)	Parking Tickets	Duncan	GC Services	MSB
Public Works & Engineering	Utility Customer Service – Water, Wastewater & Drainage	GC Services	MSB	---
Municipal Courts	Non-parking and Administrative Cases	---	---	---

➤ Property Tax – will be single vendor for upcoming contract to fully vet the competitive challenge model before program expansion



# Next Steps

- Finalize execution of Master Agreements by departments and vendors
- Negotiate terms of Engagement Letter with vendors on each revenue stream
- Present Ordinance and Master Agreements to Council for approval
- Complete Engagement Letter by defining scope of work, negotiated fees, level of service, and performance metrics



