



City of Houston

Accounts Receivable & Collections

Status Update

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Introduction

- City Attorney delivers initial Debt Collection Report - February 16, 2011; significant findings were identified and included:
 - Large value of known receivables
 - Lack of citywide accountability for collections
 - Missing internal policies, procedures, and processes
 - Missed revenue opportunities
 - Inconsistent vendor contracts, processes for managing vendors, and vendor performance
 - Inefficient use of technology



Progress – Collecting Known Receivables

- Litigation
 - Suits aimed at collecting delinquent debt and other monies owed the City
 - Notices of intention to file suit sent to numerous debtors
- Other Court Related Activity
 - Abstracts of judgment filed resulting in liens on debtor properties
- ARA Parking Management
 - Re-noticed all delinquent accounts for collections increases of 57% and 54% in March/April 2011
- Municipal Courts
 - Achieved 64% increase in collections revenue generating \$1,093,101 in FY11 versus \$668,428 in FY10
 - Doubled FY11 Warrant Round-up revenue collecting \$143,052 (versus \$63,520 in FY10)
- Director of Finance has Citywide collections responsibility



Progress – Citywide Accountability

- Creation of collections unit in Finance responsible for supervision of all actions necessary to enforce ordinances pertaining to the collection of revenue due and owing to the city
- Moving as quickly as possible; Finance, Legal and departmental staff are limited by resources and scope of Citywide accounts receivable problem



Progress – Internal Policies and Practices

- A.P. 4-4: Accounts Receivable & Collections Policy
 - Centralizes policy authority in Finance and provides guidance on billing & collection procedures, financial reporting, vendor management, identification of bad debt
 - Current focus on Health and Human Services; will expand citywide during Accounts Receivable and Collections (ARC) project which will be discussed later



Progress – Capturing Missed Revenue

- HHS Laboratory Services
 - Issued retroactive billing of 197 accounts never invoiced between 3/2009 and 5/2011; 15,000+ lab tests totaling over \$430K in lab fees
 - HHS to turn over \$200K+ in uncollected Harris County receivables to Finance and Legal Departments
- HHS Pool Permitting
 - Re-noticed 300 pool accounts in April 2011; netted ~\$130K versus average month of ~\$56K
 - Issued 90+ day delinquency notices in July 2011; 229 accounts worth ~\$61K
 - Ongoing transition of Pool Permitting to HHS Garrison IT System providing new financial management and inspection tools
- PWE Fire Special Services Permits
 - Collaborating with PWE to reduce backlog of Fire Special Services Permit Renewal Notices



Progress – Vendor Contracts & Management

- Renegotiated ACS Billing & Collections Contract for EMS transports
 - Annual savings from reduction in contingency fee = \$3.6M
 - Recall of debts ACS doesn't collect within 120 days, for transfer to secondary collections vendor
- Developing RFP for collections services with PWE Combined Utility System
 - RFI released, meeting with vendors, RFP in development
- Other existing collections contracts under review
- Working towards scofflaw agreement with Harris County
 - Texas Legislature authorizes counties under contract with a municipality to impose \$20 fee to those owing delinquent fines, fees, and for failing to appear in a criminal case
 - MCD's preliminary estimate on revenue increase for COH if an agreement were reached with Harris County on vehicle registration holds = \$4.2M

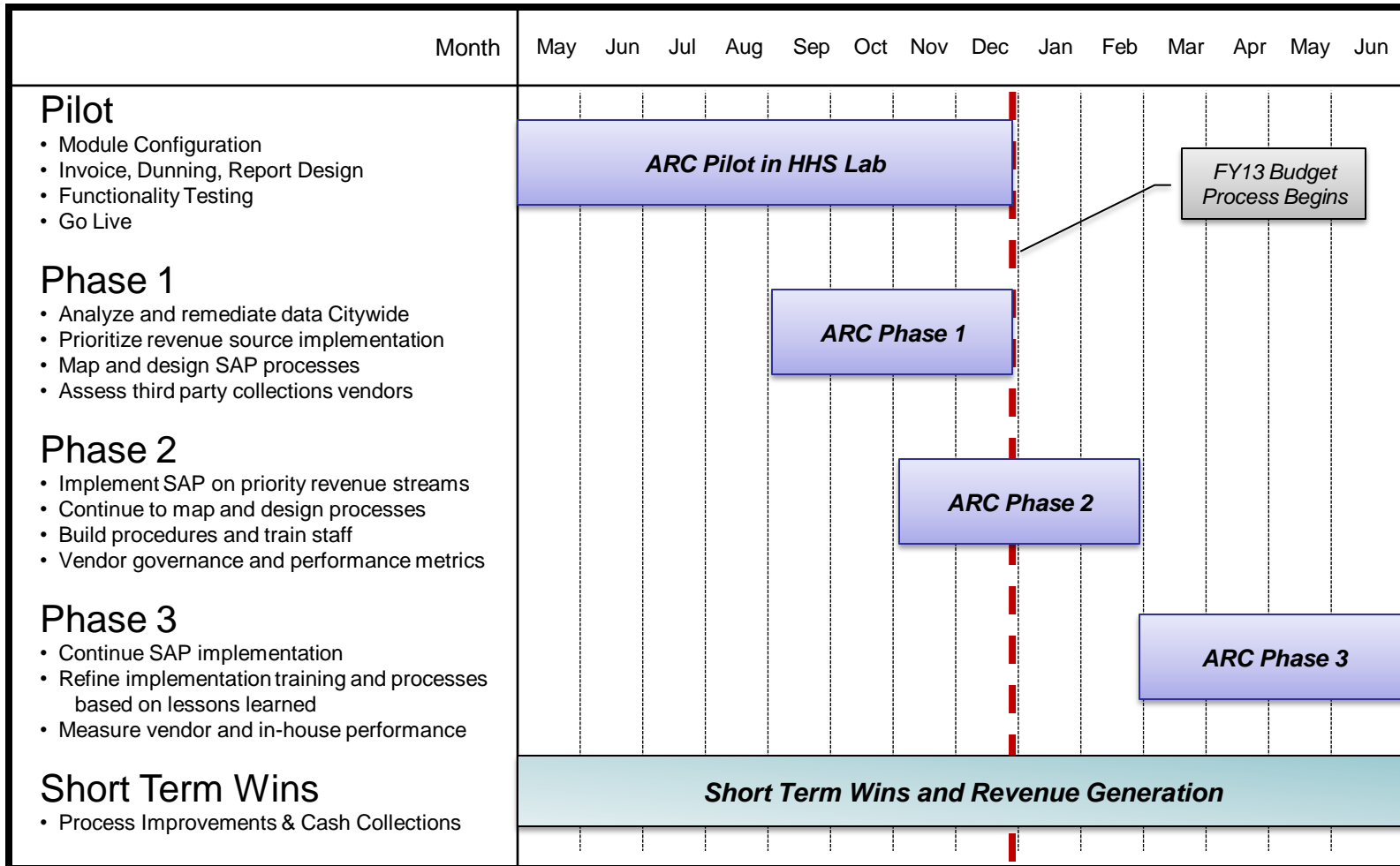


Progress – Use of Technology

- SAP Accounts Receivable & Collections (ARC) Pilot Project with HHS Laboratory Services
 - Implementing SAP Accounts Receivable (AR) and Sales & Distribution (SD) modules
 - Automated processes, reporting, and transparency
 - Replaces alternate lab-billing-specific software project with enterprise solution
 - \$140K one-time versus \$50K recurring annually
 - Provides for invoicing of over \$1M in “never invoiced” and uncollected debt
 - SAP implementation cost (\$140K) spread to additional revenue streams in future phases
- Accomplishments since April 2011
 - Working demo of SAP Accounts Receivable and Sales & Distribution modules
 - Development of invoice, past due notices, and aging reports
 - Project Go Live: 1/1/2012



Path Forward – ARC Project Timeline



FY13 Budget Process Begins



Path Forward – ARC Project

- Increase collections on aging and new Citywide AR by...
 - Building ARC foundation with processes, staff, and technology
 - Breaking down department and IT system silos for reporting, synergies, and transparency
 - Maintaining momentum and achieving results quickly before FY13 budgeting process
- ARC Phase 1 includes consulting services for quick blitz of Citywide AR
 - Analyzing and remediating data to prioritize SAP implementation and collections efforts
 - Assessing third party collections vendors and implementing governance and performance metrics
 - Implementing process improvements to accelerate collections and stabilize revenue leakage
 - Providing training and guidance to City staff on AR & Collections best practices
 - Implementing top priority revenue streams in SAP
- ARC Phase 1 scope, timeline and costs expected within 2 – 4 weeks
 - ARC Phase 1 expected to last 4 – 5 months
- ARC Phases 2 & 3 to expand SAP implementation, continue process improvements, and manage performance of in-house and third party collections



Questions

