City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee
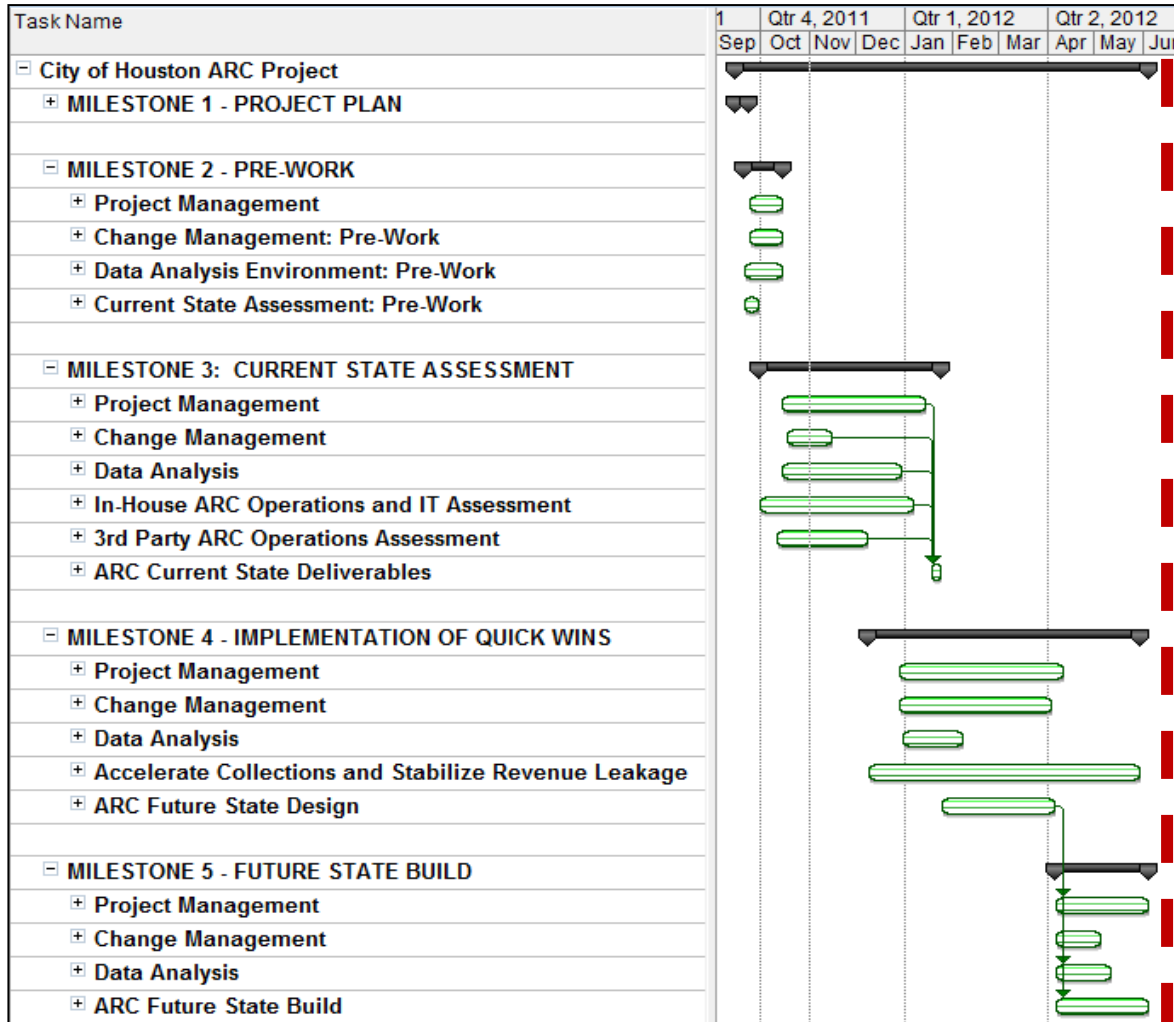
July 2, 2012

Finance Department

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Project Timeline

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

Task Name	1	Qtr 4, 2011			Qtr 1, 2012			Qtr 2, 2012		
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

- City of Houston ARC Project
  - MILESTONE 1 - PROJECT PLAN
  - MILESTONE 2 - PRE-WORK
    - Project Management
    - Change Management: Pre-Work
    - Data Analysis Environment: Pre-Work
    - Current State Assessment: Pre-Work
  - MILESTONE 3: CURRENT STATE ASSESSMENT
    - Project Management
    - Change Management
    - Data Analysis
    - In-House ARC Operations and IT Assessment
    - 3rd Party ARC Operations Assessment
    - ARC Current State Deliverables
  - MILESTONE 4 - IMPLEMENTATION OF QUICK WINS
    - Project Management
    - Change Management
    - Data Analysis
    - Accelerate Collections and Stabilize Revenue Leakage
    - ARC Future State Design
  - MILESTONE 5 - FUTURE STATE BUILD
    - Project Management
    - Change Management
    - Data Analysis
    - ARC Future State Build

▲ **Internal team continuing to execute Future State Design**
  – Business Permitting
  – EMS Billing and Collections Improvement
  – Vendor Management Program
  – AR Data Warehouse Pilot

▲ **ARC Project Benefits & Deliverables Recap**
  – ARC Project contract wrap-up

▲ **ARC Project Next Steps**
  – EMS Contract Improvements
  – Citywide Permitting Initiative
  – HFD & ARA Permitting Process Improvements
  – Citywide AR Data Warehouse Implementation

ARC Debt Collectability & Financial Impact

Implementation of quick wins is leading to incremental revenues being captured

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)	$2,856,425	6/2012	$37,803	$997,485	$1,821,137	$300,000	$282,304
ARA - EMS Transports (v)	$295,498,224	11/2011	$146,203,107	$149,295,116	$1,835,879	$4,300,000	$104,521
ARA - Parking Citations (v)	$70,477,104	6/2012	$41,735,036	$15,622,978	$13,119,091	$1,000,000	$739,438
FIN - Ad Valorem Property Tax (v)	$152,734,406	5/2012	$29,581,891	$39,306,444	$83,846,071	$0	$0
HFD - Fire Alarm Penalties (v)	$3,512,311	6/2012	$1,649,172	$876,431	$986,709	$50,000	$31,770
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	$193,417
PWE - Water Bills	$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	$525,697
Total	$748,518,906	6/2012	$309,560,247	$243,991,017	$196,803,522	$8,410,463*	$1,885,647
HPD - Red Light Cameras	$26,796,160	6/2012	$795,409	$19,646,588	$6,354,163	$0	$476,778[1]

* 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
[1] ARC Actual Revenue to Date for Red Light Cameras is based on the system of record from 02/01/2012 to 06/27/2012

ARC Project Activities

Working across all revenue streams to increase collections; total incremental revenue received to date is over $1,800,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments (Department + ARC Team)
ARA - Burglar Alarm Penalties	$300,000 (AR) $480,000 (Permits)	$145,158 $137,146 $447,439	• **Formalized focused effort on collecting against multi-location businesses** • **Updated collection strategies to increase collection efforts and more effectively target old accounts** • **Established monthly vendor management meetings (PMAM & COH)** • *Completed new permit calls & letters for all active ADT customers without permits and instituted additional processes to improve compliance (permit actual revenues included in Business Permitting total)*
ARA – EMS Transport Fees	$4,300,000	$58,856 $45,665	• Reinstated EMS Mileage Fee in order to collect $2.7M and to resolve $1.6M State Medicaid dispute • Working with hospital systems and ACS/Xerox to improve billing data collection • ARA, ACS/Xerox, and ARC worked to resolve all Traditional Medicaid claims being withheld due to no mileage charges between Dec '10 and May '12.
ARA - Parking Citations	$1,000,000	$739,438	• Implemented credit bureau reporting for "boot-eligible" debtors • Implemented NCOA process ensure citation notices are sent to most recent address • Implementing sticker process for delinquent vehicles with two citations • Established monthly vendor management meetings (Duncan & COH)
FIN - Ad Valorem Property Tax	$0	$0	• Instituted monthly vendor meetings between Linebarger and Finance's Revenue Collection & Receivables division, and developing vendor performance metrics • Linebarger performing ongoing verification of businesses for delinquent BPP accounts. As of May, verification covers 5,277 accounts active in 2011, owing over $250. Current results show 10.4% of accounts have no specific address, 15.7% are already out of business, and 6.2% have since paid • Working with Linebarger and the Harris County Tax Office to institute credit card payments
HFD - Fire Alarm Penalties	$50,000	$31,770	• Trained HEC call takers to collect better information to locate businesses responsible for false alarms • Provided list of delinquent , unregistered False Fire Alarm accounts to Fire Inspectors for site visits • Provided collection vendor with updated contact information for over 3,000 delinquent accounts • Identified $400,000+ in false fire alarm citations issued to exempt locations that will be adjusted to zero
HHS - Health Clinic	$0	$0	• HHS Performance Management Team has completed the in-depth audit of the billing process and are making immediate process changes to remediate findings.

ARC Project Activities, Continued

Working across all revenue streams to increase collections; total incremental revenue received to date is over $1,800,000

Revenue Category	FY12-13 ARC Projected Incremental Revenue	ARC Project Actual Revenues	Key Accomplishments (Department + ARC Team)
HPD - Red Light Cameras	*$0*	*$476,778[1]*	• *To date 217,023 red light payment notices have been mailed out.* • *Collection efforts are administered internally by the Finance Department, with collaboration between the Legal, Municipal Courts, Administration & Regulatory Affairs 311 Operations, and Automated Traffic Solutions* • *Collection efforts yield an average of $100,000 month over month*
HPL - Library Fines	$75,000	$8,500	• Reduced invoice due date from 45 to 30 days • Changed vendor collection strategy to make phone calls earlier in the collection cycle • Kicked off collection effort that will target old debt (less than 3 years old) using DOB and DL numbers to locate delinquent adult patrons • Kicked off collection effort to identify parent/guardians responsible for juvenile accounts (pilot has been extended to include old debt (less than 3 years old) • New reminder notices, invoice and juvenile application designs in place July 2012 • Outlined a new collection program to target small balances (between $10 to $24.99)
MCD - Municipal Courts (adjudicated)	$500,000	$193,417	• MCD implemented contract terms where COH collects 30% fee from day 61 – 90; Over $193K collected cumulatively this FY -- $28,068 in May 2012 • Kicked off pilot program to redirect collection notices to defendant's actual address following NCOA skip trace (5% hit rate of verified address changes) • Kicked off pilot program contacting defendants using the PWE water database • Disposed of 10,282 cases amounting to $2,527,658.30 in debt using death records • Evaluating MCD Collections RFP • Designed a call prioritization strategy to be used by the One Call Solution Center • Investigating the use of a predictive dialer for the One Call Solution Center
PWE - Utility Customers	$0	$0	• Assisting with RFP evaluation
Business Permitting Project	$2,185,463	$525,697	• See ARC Business Permitting slide
Total	$8,410,463	$1,885,647	

[1] ARC Actual Revenue to Date for Red Light Cameras is based on the system of record from 02/01/2012 to 06/27/2012

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	**$447,439**
	▲ Commercial Permits	$ 4,220,776	$ 415,700	
	▲ Alcohol		*$ 300,000*	**$18,237**
	▲ Transportation		*$41,000*	
	▲ Other		*$74,700*	**$6,006**
	▲ Solid Waste Franchise Fees	$ 5,568,000	TBD	TBD
		$15,788,776	**$896,167**	**$471,682**
▲ HFD	▲ Fire Alarm Permits	$ 288,205	$ 750,000	**$21,335**
	▲ Special Fire Permits	$ 5,000,000	101,000	Pilot
		$ 5,288,205	**$851,000**	**$21,335**
▲ 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	**$25,650**
	▲ Swimming Pool Permits	$ 789,000	TBD	TBD
		$9,104,138	**$257,276**	**$25,650**
▲ HPD	▲ Auto Dealers Permits	**$ 3,119,975**	**$ 181,020**	$7,030
▲ 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**	**$2,185,463**	**$525,697**

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 $525,697*

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 Business 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

ARC Future State Design

Long term foundational activities continuing to be managed internally

ARC Collections Vendor Management Program: *Consistent collections vendor management program with visibility and alignment across departments, and clear expectations and benefits for the City*

▲ Milestones:
- Monthly vendor management meetings with scorecards in place: Parking, Burglar, Ad Valorem, Library
- Draft scorecards built – EMS Transport Billing, HFD False Fire Alarm Penalties, Municipal Courts Fines & Fees
- Initial vendor management meeting scheduled with Xerox/ACS for EMS Transport Billing
- RFPs in Process: MCD, Parking Management, Public Works, Finance Secondary Collections

▲ Next Steps:
- Initial EMS vendor management meeting
- Complete RFPs, select vendors, and support implementation
- Continual review of vendor management processes and update when improvement opportunities are identified

ARC Data Warehouse : *Continuing to develop the framework for the infrastructure to support measurement & reporting, improved accountability and analytics, and increased cash collections*

▲ Milestones:
- Began work on Parking AR reporting
- Finalized data refresh (automated export of data) with Burglar Alarm billing vendor
- Started building out graphical reports in Tableau

▲ Next Steps:
- Finish debugging Burglar Alarm queries and complete Parking AR queries
- Continue to build out graphical reporting dashboards for Parking and Burglar Alarms in Tableau
- Develop future state technical design specifications for measurement and reporting data warehouse

II. ARC Project - Benefits & Deliverables Recap

Phase I achievements, in partnership with departments, includes $1.8 million dollars in revenue collected to date, with projected return on investment of over four times the cost of the project

	FY12	FY13	FY12-13
Benefits			
Actual Benefits Realized	$ 1,885,647	$ 0	$ 1,826,791
Projected Benefits Unrealized	$ 0	$ 6,583,672	$ 6,583,672
Total Benefits[1,2]	**$ 1,885,647**	**$ 6,438,728**	**$ 8,410,463**
Costs			
Actual Costs - Consulting	$ 1,147,184	$ 0	$ 1,147,184
Actual Costs - Internal	$ 328,860	$ 0	$ 328,860
Projected Costs - Internal	$ 0	$ 188,272	$ 188,272
Total Costs	**$ 1,476,044**	**$ 188,272**	**$ 1,665,316**
Net Benefits	**$ 349,747**	**$ 6,395,400**	**$ 6,745,147**
Return on Costs			**4.1x**

Phase I Deliverables:

- Determined Citywide AR Outstanding
- Assessed Collection Vendors
- Instituted Vendor Management Program
- Issued RFPs (MCD, Parking, Finance, HFD)
- Data Warehouse Pilot
- Conducted gap analyses to identify improvement opportunities
- Improved internal collections processes
- Improved select vendor processes
- EMS due diligence and process recommendations

Notes:
1. *Estimated FY 2013 General Fund Revenue = $6.2 MM*
2. *Estimated Annual Recurring Benefits beyond FY 2013 = $2.7 MM (EMS Mileage) + $1.7 MM (Permitting)*

III. ARC Project Next Steps: Overall Timeline

Recommend second phase for ARC Project to maintain positive momentum, generating additional system and process improvements, with continued high return on investment

Tasks	2012						2013					
	J	A	S	O	N	D	J	F	M	A	M	J
EMS Medical Billing & Collections • 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)												
Citywide Permitting Efforts • Enact citywide processes for non-compliant businesses • Strengthen enforcement via inter-departmental collaboration • Develop design for permitting in AR data warehouse • Improve online customer contact and experience												
HFD Permitting Process Improvement • Consolidate permitting and inspection systems • Integrate permitting and inspection to strengthen enforcement • Develop key reports to target non-compliant businesses • Develop and implement performance measures												
ARA Commercial Permitting Process Improvement • Implement a new permitting system • Develop key reports to target non-compliant businesses • Strengthen enforcement via inter-departmental collaboration • Develop and implement performance measures												
Citywide AR Data Warehouse • Implement the full data warehouse • Develop citywide dashboard • Automate the vendor scorecards												

III. ARC Project Next Steps: Benefits & Costs

Recommend second phase for ARC Project to maintain positive momentum, generating additional system and process improvements, with continued high return on investment

ARC Project Phase II (All ARC Phase II Benefits and Costs are Exclusive of ARC Phase I Activities, including Costs, Revenue to Date, and FY13 Forecasted Revenue)	Benefits	External Cost[2,3]	Internal Cost	Net Benefit	ROI
EMS Medical Billing & Collections • CMS Medicare audit remediation • EMS Contract Management, Improvements, and Hospital Interface and Relationship Development **Citywide Permitting Initiatives[1]** • Citywide Permitting Efforts • HFD Permitting Process Improvement • ARA Commercial Permitting Process Improvement • Business Requirements and RFP support for HFD and ARA Permitting Systems **Citywide AR Data Warehouse** • Implementation Support for Full Data Warehouse • Continual Improvement of Vendor Scorecards • Implementation of Permitting in Data Warehouse	$6.3 MM	$1.5 MM	$0.2 MM	$4.8 MM	3.7x

Notes:
1. *Permitting benefits are for targeted additional opportunities in HFD, HHS and ARA (not outlined in initial ARC Project, Phase I)*
2. *City Council approval is required for the existing contract appropriation*
3. *MWBE goal is 10%*

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.