



City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee

April 2, 2013

Finance Department

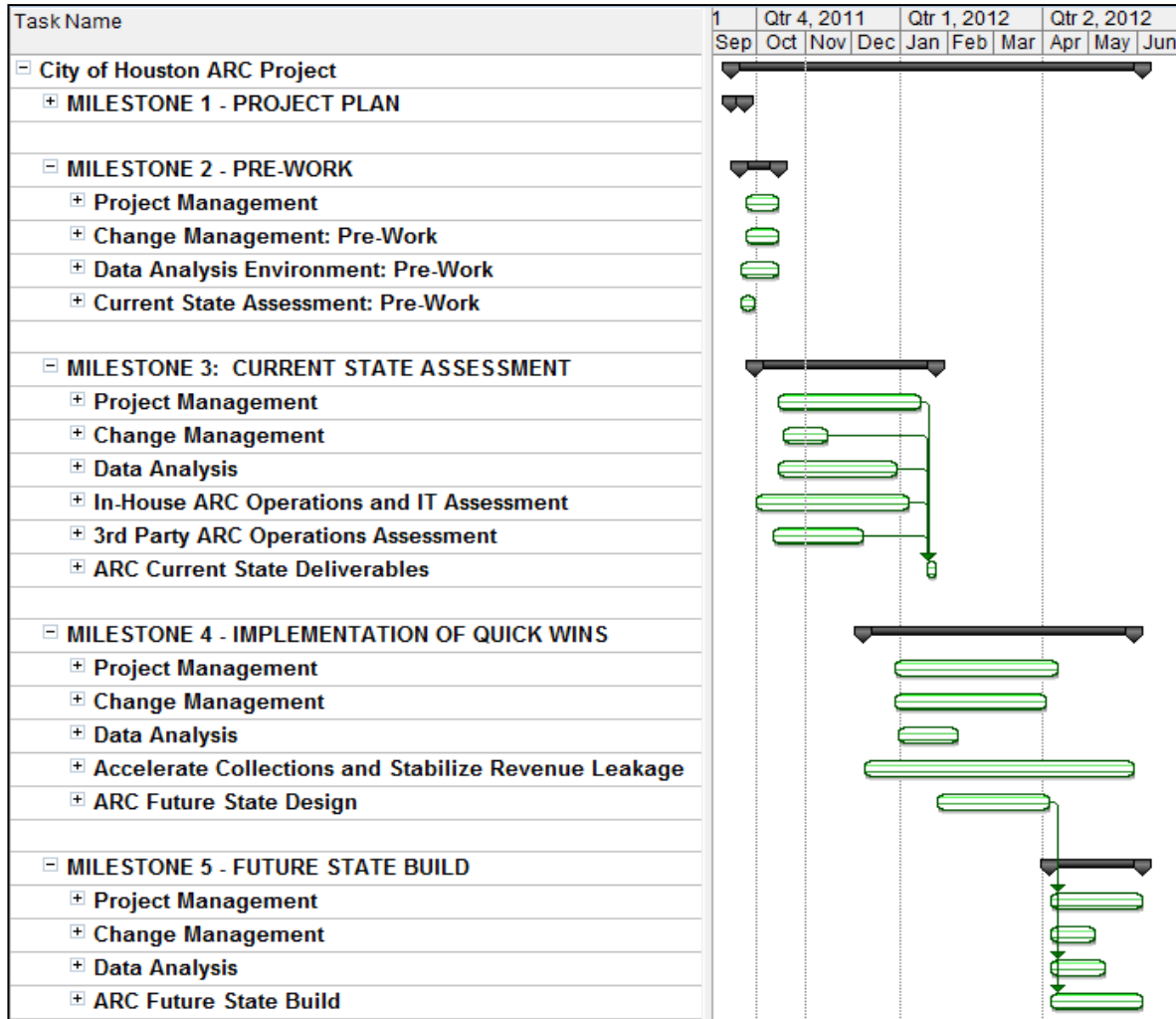
Kelly Dowe, Finance Director

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ARC Project Timeline – Phase 1

Operations and IT Assessment, Vendor Assessment, Data Analysis, Implementing Quick Wins, and Future State Design



▲ Operations and IT Assessment

- Interview and observe staff for Operations Assessments for ARA, FIN, HFD, HHS, HPD, HPL, MCD, and SWM
- Interview staff and document technology and systems for IT Assessments

▲ 3rd Party Vendor Assessment

- Conduct site visits and audit operations

▲ Data Analysis

- Goal to obtain data extracts of all relevant transaction level detail on AR
- Data proved difficult to obtain due to age and capability of systems, large size of requests, and available resources

▲ Implementing Quick Wins and Execute Future State Design

- Business Permitting
- EMS Billing and Collections Improvement
- Vendor Management
- Data Warehouse



ARC Project Timeline – Phase 2

Implementing foundational system infrastructure, EMS audit and strategy, and Permit processes and non-compliance

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 \$12.9 million less than in January 2013 for revenue streams where updated data is available

Revenue Category	Total Debt Outstanding Jan 2013	Total Debt Outstanding Apr 2013	3 Month Difference	Debt Collectability			Date Updated
				Un-recoverable	Highly Unlikely	Potentially Collectable	
ARA - Burglar Alarm Penalties (v)	\$3,255,398	\$3,425,987	\$170,589	\$137,606	\$1,405,269	\$1,883,112	3/2013
ARA - Parking Citations (v)	\$73,044,693	\$73,659,146	\$614,453	\$41,287,991	\$15,302,510	\$17,068,645	3/2013
FIN - Ad Valorem Property Tax (v)	\$118,886,842	\$105,182,593	(\$13,704,249)	\$27,680,900	\$21,212,560	\$56,289,133	3/2013
FIN - EMS Transports (v)	\$295,498,224	\$295,498,224	\$0	\$144,367,228	\$149,295,116	\$1,835,880	11/2011
HFD - Fire Alarm Penalties (v)	\$3,350,113	\$3,354,156	\$4,043	\$1,340,730	\$1,109,433	\$903,993	3/2013
HHS - Health Clinic	\$4,703,578	\$4,703,578	\$0	\$4,349,354	\$0	\$354,224	11/2011
HPL - Library Fines (v)	\$13,565,946	\$13,565,946	\$0	\$3,551,805	\$6,759,284	\$3,254,857	11/2011
MCD - Municipal Courts (v)	\$36,202,507	\$36,202,507	\$0	\$4,586,257	\$20,174,260	\$11,441,990	11/2011
PWE - Utility Billing	\$168,968,405	\$168,968,405	\$0	\$77,865,822	\$10,959,019	\$80,143,564	3/2012
Total	\$717,475,706	\$704,560,542	(\$12,915,164)	\$305,167,693	\$226,217,451	\$173,175,398	3/2013

January 2013 Totals: \$302,483,464 \$232,117,112 \$182,875,130

- 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 \$6.9 million dollars with \$950 thousand collected in the last 3 months

Revenue Category	FY12-13 ARC Projected Incremental Revenue*	FY12-13 ARC Actual Revenue Jan 2013	FY12-13 ARC Actual Revenue Apr 2013	3 Month Difference	Date Updated
ARA - Burglar Alarm Penalties (v)	\$300,000	\$347,671	\$347,671	\$0 ⁽¹⁾	3/2013
ARA - Parking Citations (v)	\$1,000,000	\$912,849	\$943,513	\$30,664	3/2013
FIN - Ad Valorem Property Tax (v)	\$0	\$0	\$0	\$0	12/2012
FIN - EMS Transports (v)	\$4,300,000	\$3,234,074	\$3,462,984	\$228,910	3/2013
HFD - Fire Alarm Penalties (v)	\$50,000	\$95,908	\$143,665	\$47,757	3/2013
HHS - Health Clinic	\$0	\$0	\$0	\$0	11/2011
HPL - Library Fines (v) ⁽²⁾	\$75,000	\$84,003	\$109,013	\$25,010	3/2013
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	\$1,022,305	\$1,643,682	\$621,377	1/2013
Total	\$8,410,463*	\$5,955,182	<u>\$6,908,900</u>	<u>\$953,718</u>	3/2013

* 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

(1) Incremental activities from ARC are now part of Burglar Alarm steady state processes

(2) Does not include \$169,558 in materials returned to the Library.



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 Jan 2013	ARC Actual Revenue Apr 2013	3 Month Difference
▲ ARA	▲ Burglar Alarm Permits	\$ 480,467	\$ 418,003	\$465,144	\$47,141
	▲ Commercial Permits				
	▲ Alcohol	\$ 300,000	\$ 294,219	\$ 473,499	\$179,280
	▲ Transportation	\$ 41,000			
	▲ Other	\$ 74,700	\$ 46,397	\$ 46,397	\$ _____ 0
		\$896,167	\$ 758,619	\$ 985,040	\$ 226,421
▲ HFD	▲ Fire Alarm Permits	\$ 750,000	\$ 109,207	\$ 192,563	\$ 83,356
	▲ Special Fire Permits	\$ 101,000	\$ 92,384	\$ 359,896	\$ 267,512
		\$851,000	\$ 201,591	\$ 552,459	\$ 350,868
▲ HHS	▲ Ambulance Permits	\$ 36,000			
	▲ FOG Permits	\$ 103,776		\$12,648	\$12,648
	▲ Food Service Permits	\$ TBD			
	▲ Source Registration	\$117,500	\$39,500	\$43,250	\$3,750
	▲ Swimming Pool Permits	\$ TBD			
		\$257,276	\$39,500	\$55,898	\$16,398
▲ HPD	▲ Auto Dealers Permits	\$ 181,020	\$22,595	\$50,285	\$27,690
▲ PWE	▲ Building Code Permits	\$ TBD	\$ TBD	\$ TBD	\$ TBD
	▲ Sign Permits				
▲ SWM	▲ Dumpster Permits	\$ TBD	\$ TBD	\$ TBD	\$ TBD
Total:		\$2,185,463	\$1,022,305	\$1,643,682	\$621,377

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 *\$1,643,682 with over \$600K collected in last three months*

Next Steps

- ▲ **Full Permit Non-Compliance Audit**
 - Developing inspectors' process for communication between departments visiting the same establishments



ARC Foundational Improvements

Long term process improvements to include Data Warehouse, Vendor Management Program, Lean Six Sigma Training Program and HPC Improvement Project

Project Component	Key Accomplishments
Data Warehouse Project	<ul style="list-style-type: none"> ▲ The integrated data model for the AR data mart has been developed ▲ Parking citation data has been uploaded to the AR data mart and is currently being validated and built into an interactive dashboard to support the vendor management program ▲ HFD false fire alarm and ARA Burglar alarm citation data are in the process of being cleansed , transformed and loaded into the AR data mart environment ▲ Developed data warehousing educational modules to include: Introduction to Data Warehousing, State of Data Warehousing at the City, Citywide Vision for Data Warehousing and AR Data Mart Overview
Vendor Management Program	<ul style="list-style-type: none"> ▲ Implemented a collections vendor management program (including processes and City employees) to increase overall collections for the City and support initial improvement efforts. ▲ Obtained approval from Council on collections contract master agreements. ▲ In process of implementing new collections contracts (to include champion/challenger contracts and secondary collections in certain cases) for Delinquent Water Bills, Parking Citations, Court Citations, EMS Bills, False Fire Alarm Penalties, and False Burglar Alarm Penalties ▲ Completed review and selection of 3rd party vendor for outsourcing Red Lights collections ▲ 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 ▲ Increased in collections recovery rate for parking management due to on-going vendor discussions and oversight, implementation of credit bureau reporting



ARC Foundational Improvements

Long term process improvements to include Data Warehouse, Vendor Management Program, Lean Six Sigma Training Program and HPC Improvement Project

Project Component	Key Accomplishments
Lean Six Sigma Training	<ul style="list-style-type: none"> ▲ Piloted Lean Six Sigma concepts across ARA, FIN, FMD, GSD, HFD, and at the HPC with Public Works ▲ Results include: ARA Commercial Permitting - 40% reduction in processing time vs. same period last year, ARA Vehicle For Hire Permitting – reduction in time to permit all limos by 3 weeks with less personnel, FMD Outside Services vendor payment processing – reduced days to pay by > 50% to be within terms, Fire Special Permits permit processing and expired permit processes >\$350K collected ▲ Developed and rolled out Lean Six Sigma training to 53 employees across ARA, FIN, FMD, GSD, MYR’s Office, and PWE-HPC (approach focused on customer needs, waste elimination, and process standardization/stabilization) ▲ Developed and piloted three day advanced course in Lean Six Sigma for employees in ARA, FIN and GSD. These employees will be responsible for helping to train and support additional City personnel on Lean Six Sigma after completing their required projects.
HPC Improvement Project	<ul style="list-style-type: none"> ▲ Completed Customer Satisfaction Survey with 416 responses ▲ Piloting a Citywide Inspector checklist with HHS Sanitarians ▲ Addition of temporary tables to the 1st floor lobby. Permanent solutions are part of a work order inclusive of relocating kiosks and adding more speakers through the building ▲ Addition of movable directional signage, new design for permanent directional signage currently underway ▲ Creation of customer service training for the entirety of the staff residing at the Houston Permitting Center





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.

