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# **Presentation to the City of Houston Budget and Fiscal Affairs Committee**

## **Delinquent Tax Collections**

March 20, 2017

Committee members: Kelly Dowe, Chief Business Officer, Director of Finance  
Ronald C. Lewis, City Attorney  
Harry Hayes, Chief Operating Officer, Director of Solid Waste



## **Delinquent tax collections - background**

Delinquent property taxes are collected by two firms:

- Linebarger, Goggan, Blair and Sampson, LLP (Linebarger) and
- The joint venture of Perdue Brandon Fielder, Collins, & Mott, LLP and Greenberg Traurig LLP (Perdue).

The City's contracts provide for an annual assignment/reassignment of accounts proposed by the assignment committee and approved by City Council.

- Last year, accounts in Alief and Pasadena ISDs were reassigned to Perdue from Linebarger.
- Currently, Perdue collects accounts located in Alief, Pasadena, Clear Creek, Humble, and Spring Branch ISDs.
- Linebarger collects the remaining accounts.



# Performance Evaluation

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1. Contractor's former collection rate for assigned accounts contractor previously collected taxes for the City;
2. Contractor's current or former collection rate for school districts for which it previously collected for the City; and
3. Increased revenue to the City from multi-vendor collections approach



# Delinquent tax collections – Criterion 1

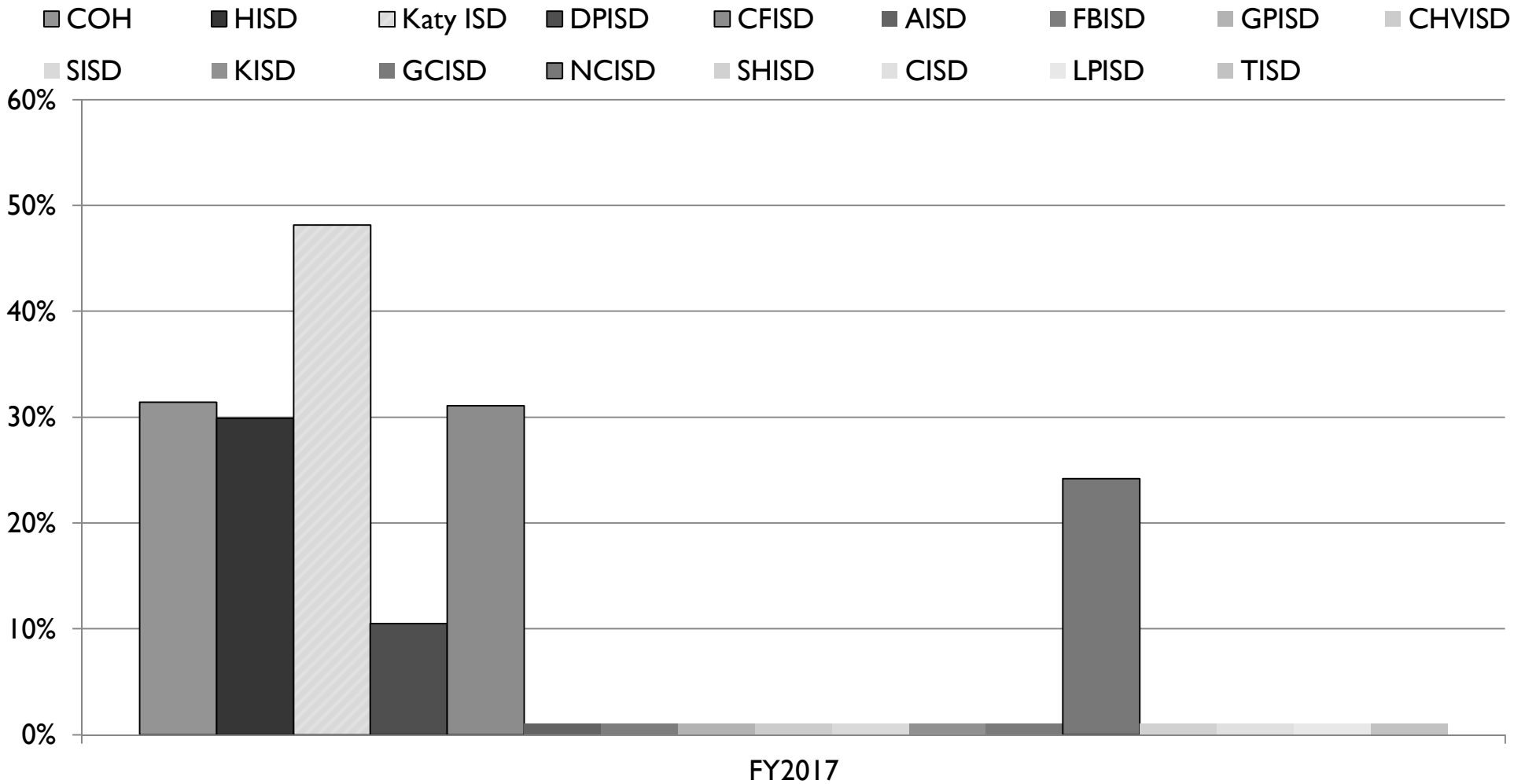
## Firm’s Performance from July to December

	City Calculations		
	2014 (FY2015) 6 months	2015 (FY2016) 6 months	2016 (FY2017) 6 months
<b>Linebarger Performance</b>			
Assigned Turnover Amount	\$65,662,442	\$63,129,517	\$58,935,483
Linebarger Collections	\$15,284,380	\$25,691,873	\$25,201,390
Collection Rate	<b>23.28%</b>	<b>40.70%</b>	<b>42.76%</b>
<b>Perdue Performance</b>			
Assigned Turnover Amount	\$3,842,951	\$4,299,459	\$7,845,585
Perdue Collections	\$1,466,861	\$2,141,660	\$6,388,340
Collection Rate	<b>38.17%</b>	<b>49.81%</b>	<b>81.43%</b>



# Delinquent tax collections – Criterion 2

## Linebarger ISDs performance overview



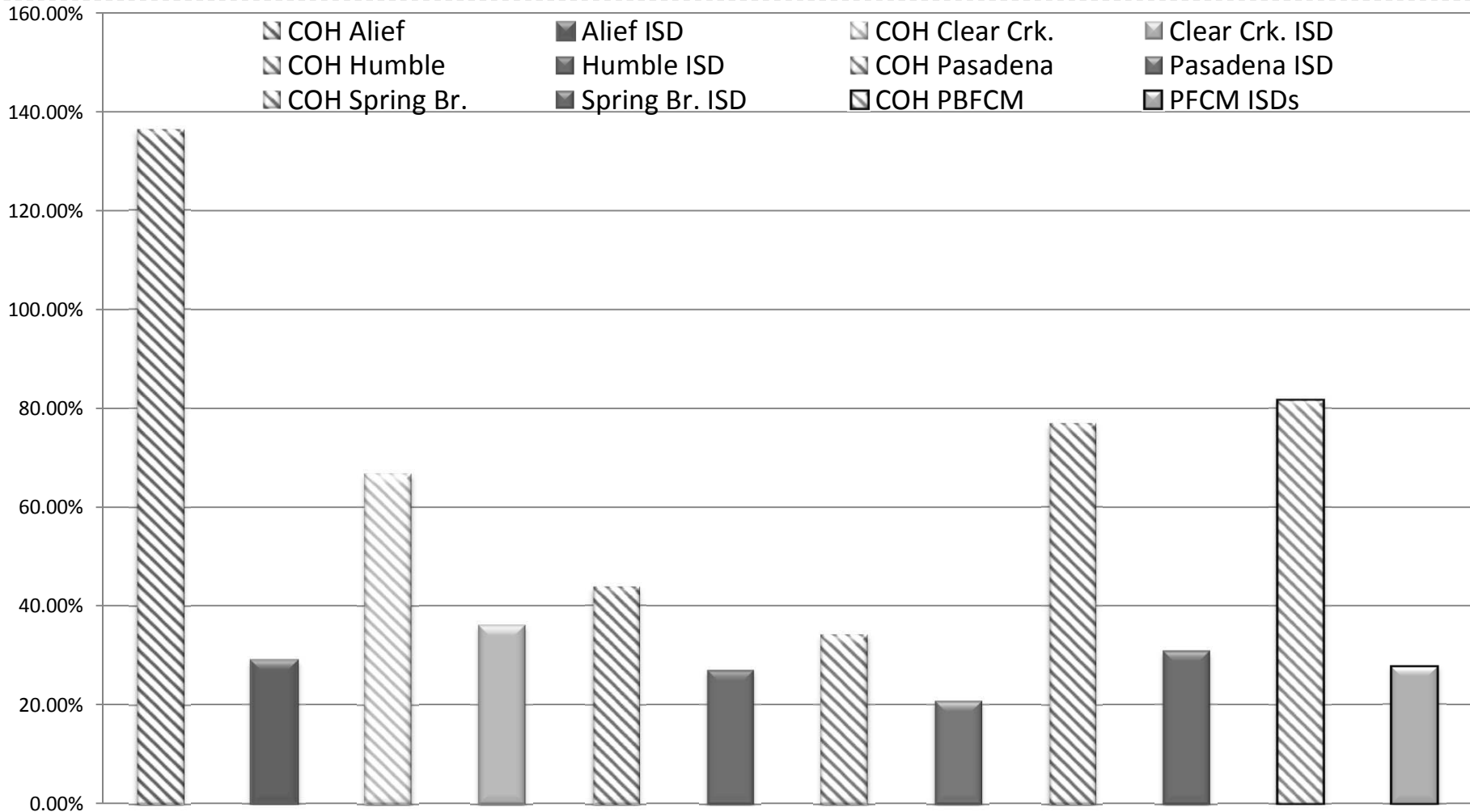
FY2017

Information as provided by the firm but modified for presentation purposes only.



# Delinquent tax collections – Criterion 2

## Perdue Corresponding COH ISDs - As of December 31, 2016



Information as provided by the firm but modified for presentation purposes only.



# Tax Collection Effectiveness – Criterion 3

Ad Valorem Taxes - City's Delinquent Balance Change, from July 1 to December 31

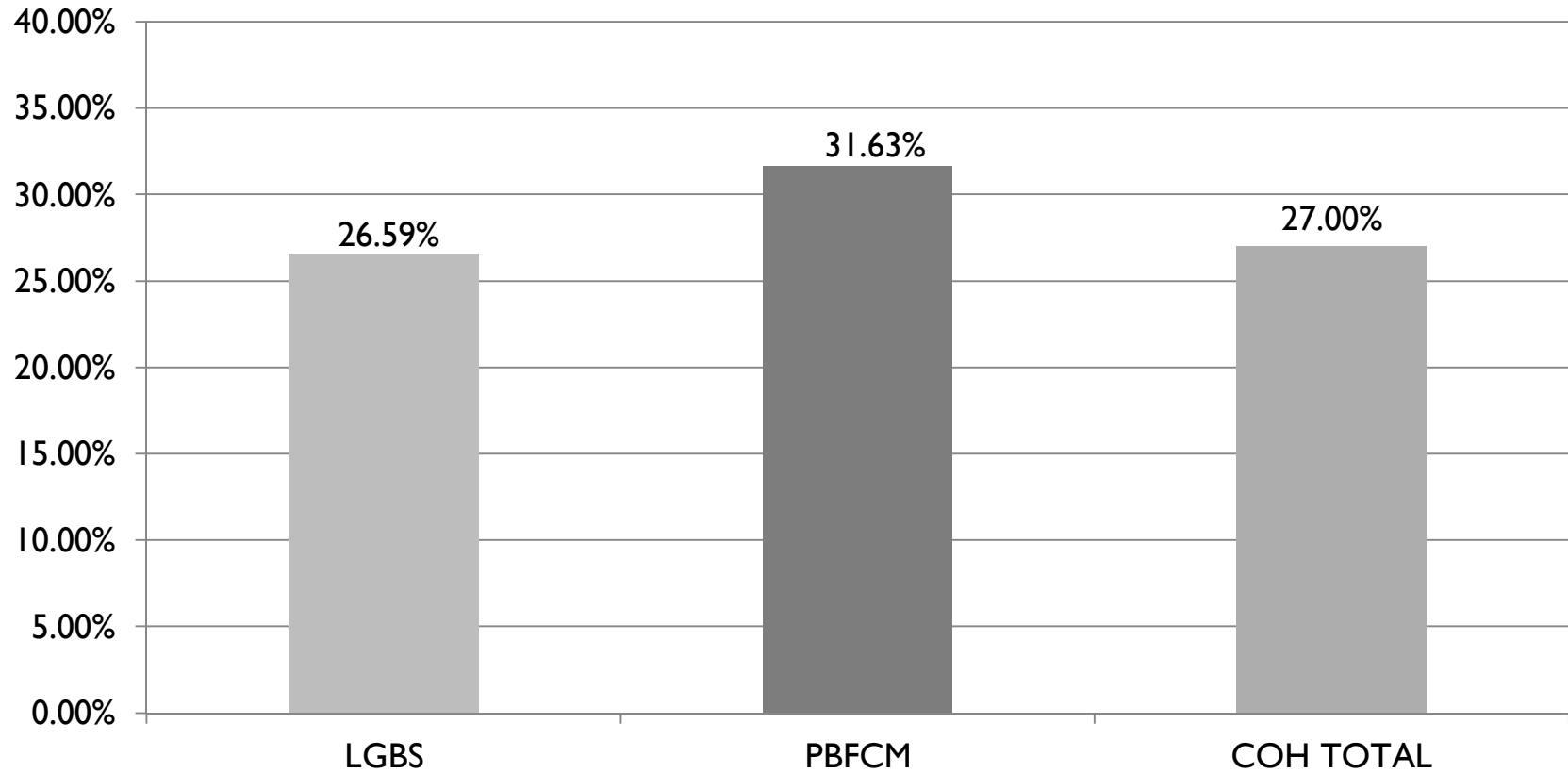
	<b>2013 (FY14) 6 months</b>	<b>2014 (FY15) 6 months</b>	<b>2015 (FY16) 6 months</b>	<b>2016 (FY17) 6 months</b>	<b>Percent Change<sup>1</sup></b>
<b>7/1 Turnover Balance</b>	\$77,866,798	\$73,723,787	\$70,001,928	\$70,234,066	-9.8%
<b>Balance as of 12/31</b>	<u>\$63,648,972</u>	<u>\$57,274,423</u>	<u>\$53,776,394</u>	<u>\$51,277,835</u>	-19.4%
<b>Change in Delinquent Balance</b>	\$14,217,826	\$16,449,364	\$16,225,534	\$18,956,231	33.3%
<b>Collection Effectiveness</b>	<b>18.3%</b>	<b>22.3%</b>	<b>23.2%</b>	<b>27.0%</b>	

1. Percent Change, in the far right column, compares 2016 to 2013 only.



# Tax Collection Effectiveness – Criterion 3 segmented by firm

**Delinquent Balance change – FY2017**



Note: Values are exclusive of wrap-up accounts





## 2016-2017 Delinquent Collections - Assignment Universe

Rank	ISDs	Levy	Levy Percent	ISD Firm	COH Assign.
1	Houston ISD	\$50,841,624	72.39%	L	L
2	Aldine ISD	\$5,941,744	8.460%	O	L
3	Spring Branch ISD	\$3,253,929	4.633%	P	P
4	Alief ISD	\$2,812,362	4.004%	P	P
5	Pasadena ISD	\$1,788,466	2.546%	O	P
6	Cypress Fairbanks ISD	\$1,673,680	2.383%	L	L
7	Fort Bend ISD	\$947,260	1.349%	P	L
8	Galena Park ISD	\$717,764	1.022%	P	L
9	Humble ISD	\$708,239	1.008%	P	P
10	Katy ISD	\$509,125	0.725%	L	L
11	Clear Creek ISD	\$496,218	0.707%	P	P
12	Channelview ISD	\$207,054	0.295%	P	L
13	Spring ISD	\$117,953	0.168%	P	L
14	Klein ISD	\$89,042	0.127%	P	L
15	Goose Creek ISD	\$44,896	0.064%	O	L
16	New Caney ISD	\$43,532	0.062%	L	L
17	Sheldon ISD	\$27,283	0.039%	P	L
18	Crosby ISD	\$4,462	0.006%	P	L
19	Deer Park ISD	\$4,234	0.006%	L	L
20	La Porte ISD	\$2,770	0.004%	P	L
21	Tomball ISD	\$2,430	0.003%	P	L
<b>Total</b>		<b>\$70,234,066</b>	<b>100.00%</b>		

Firm Assignments	Assigned Levy	% of total
Linebarger assignment	\$50,841,624	72.39%
Perdue assignments	\$9,059,213	12.90%
Available for reassignment	\$10,333,230	14.71%

**TOTAL      70,234,066      100.00%**



## Committee Recommendation for Reassignment

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Recommendation (assignment to Perdue)	Delinquent Tax Roll	Delinquent Percent of Total
Committee Recommendation: Add Fort Bend and Galena Park ISDs to current Perdue assignment	\$10,724,237	15.27%



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# APPENDIX



# City Attorney Notice

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The City Attorney sent a clarification letter on April 21, 2015, to specify which measurements the City would use to evaluate the firms' performance for reassignment purposes.

The City Attorney's letter dictates that the firms must use the following to track performance:

- invoice reports
- refund amounts



# Delinquent tax collections – Criterion 1

## Performance from July to December

	City Calculations			Firms (self reported)		
	2014 6 months	2015 6 months	2016 6 months	2014 6 months	2015 6 months	2016 6 months
<b>Linebarger Performance</b>						
Assigned Turnover Amount	\$65,662,442	\$63,129,517	\$58,935,483	\$71,397,334 <sup>2</sup>	\$67,004,823 <sup>2</sup>	\$62,412,422
Linebarger Collections	\$15,284,380	\$25,691,873	\$25,201,390	\$16,496,179	\$16,378,775	\$19,604,746
Collection Rate	<b>23.28%</b>	<b>40.70%</b>	<b>42.76%</b>	<b>23.10%</b>	<b>24.44%</b>	<b>31.41%</b>
<b>Perdue Performance</b>						
Assigned Turnover Amount	\$3,842,951	\$4,299,459	\$7,845,585	\$3,842,951	\$4,299,459	\$7,845,585
Perdue Collections	\$1,466,861	\$2,141,660	\$6,388,340	\$1,477,566	\$2,140,017	\$6,399,036
Collection Rate	<b>38.17%</b>	<b>49.81%</b>	<b>81.43%</b>	<b>38.45%</b>	<b>50.20%</b>	<b>81.56%</b>