Citywide Collections Program
Budget and Fiscal Affairs Committee

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

Current Collections Contracting Process

- One vendor per department
- One process per department
- Fixed vendor with fixed fees over fixed time periods

New Collections Program

- Vendor 1 (Active)
- Vendor 2 (Active)
- Vendor 3 (Bench)

- Competitive Challenge Contract
- Multi-Vendor
- Single Vendor

- Unpaid Accounts Reassigned to Active Vendor Based on Performance
- Unpaid Accounts Reassigned to Activated Bench Vendor Based on Performance

- 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

<table>
<thead>
<tr>
<th>Department</th>
<th>Revenue Stream</th>
<th>Active Vendor #1</th>
<th>Active Vendor #2</th>
<th>Bench Vendor</th>
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<tbody>
<tr>
<td>Finance</td>
<td>Fire Alarms</td>
<td>LGBS</td>
<td>MSB</td>
<td>GC Services</td>
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<tr>
<td></td>
<td>Burglar Alarms (secondary)</td>
<td>GC Services</td>
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<td>MSB</td>
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<td>EMS (secondary)</td>
<td>MSB</td>
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<tr>
<td>Administrative &amp; Regulatory Affairs</td>
<td>Parking Tickets</td>
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<td>MSB</td>
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<td>(ARA)</td>
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- 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