

Memorandum



CITY OF DALLAS

DATE April 21, 2011

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Ann Margolin (Vice Chair), Vonciel Jones Hill, Angela Hunt, Delia D. Jasso, David A. Neumann, Ron Natinsky

SUBJECT Accounts Receivable Status and Collection Efforts

On Monday April 25, 2011 you will be briefed on Dallas' Accounts Receivable Status and Collection Efforts. The materials are attached for your review.

Please contact me if you need additional information.

A handwritten signature in black ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Accounts Receivable Status And Collection Efforts

Budget, Finance, and Audit Committee Briefing
April 25th, 2011

Briefing Purpose

- Overview of Accounts Receivables
- Current/Delinquent Collection Processes
- Detailed Review of Individual Receivables

Overview of Accounts Receivables

What is an Account Receivable?



Accounts Receivable:

Any amount owed to a business by a customer as a result of a purchase of goods or services from it on a credit basis

Accounts Receivable Systems

- 1.) The receivable balance in the financial system

All cities are required to follow Generally Accepted Accounting Principles (GAAP)

- GAAP requires cities to report only those amounts with a high probability of collection
- The City of Dallas does not record most receivables greater than 2 years past due

- 2.) The receivable balance in the billing systems

The City maintains a detailed list of accounts receivable by customer in various billing systems

- Billing system amount is considerably more than what is reported in the financial statements
- Includes accounts considered uncollectible

Accounts Receivable Overview



- The City of Dallas annually **bills approx. \$1.33 billion** in charges for services, fines, fees and taxes
- The City **collects approx. \$1.28 billion** annually
- Collection rates vary significantly by receivable type
- Unlike businesses, municipalities are restricted by certain State and Federal laws which limit the ability to collect
- Although the ultimate goal for the City is to maximize revenues, there are other policy goals regarding collection, for example:
 - Improving quality of life by demolishing substandard houses and apartments
 - Providing ambulance service to those that cannot pay for the service
 - Maintain water/waste water services as life necessity

Total City Revenues

*Preliminary FY'10 numbers are unaudited

	<u>Revenue</u>	<u>Preliminary FY'10* (000's)</u>	<u>Collection Rate</u>
Accounts Receivables Covered in Today's Presentation	- Property Taxes	625,923	98.1%
	- Water & Waste water (utilities)	460,536	97.9%
	- Sanitation (utilities)	59,812	97.3%
	- Storm water (utilities)	48,928	96.5%
	- Aviation fees	12,073	99.8%
	- Landfill	19,097	98.3%
	- Court fines & fees	17,359	62.7%
	- Ambulance	17,299	55.8%
	- Parking	6,718	54.4%
	- Safelight	6,546	64.3%
- Code (land based)	3,752	27.0%	
	<hr/>	\$ 1,278,043	
Other Non- Billed/Self Reported Revenues	- Sales Tax	205,933	
	- Intergovernmental	125,611	
	- Franchise fees	122,392	
	- Aviation	46,222	
	- Hotel occupancy tax	41,570	
	- Alcohol beverage tax	7,398	
	- Tax increment financing	6,739	
	- Motor vehicle tax	4,374	
	- Security alarm	4,208	
	- Sanitation franchise fee	2,991	
	- Recycling	2,147	
- All other revenue	194,688		
	<hr/>	\$ 764,273	
Total FY'10 Revenues*:	<hr/> <hr/>	\$ 2,042,316	

Current and Delinquent Collection Processes

Citywide Collection Efforts

- The majority of the City's billed receivables are managed in the following two ways:
 - 1.) Current receivables collected in-house or outsourced to third party
 - 2.) Delinquent receivables sent to City Attorney or outsourced to third party

Receivables Management

- Examples of receivables which are either outsourced or collected in-house:

	Property Tax	Utilities	Landfill	Safelight	EMS
Current	Outsourced to County	In-House	In-House	Outsourced to ACS	Outsourced to ADPI Intermedix
Delinquent	Outsourced to Linebarger by Dallas County	City Attorney or Progressive	City Attorney or Progressive	ACS	ADPI Intermedix

Detailed Review of Individual Receivables

Property Taxes

- City/County consolidated property tax collections in FY 01
- Dallas County mails tax statements Oct. 1st and collects all non-delinquent collections through Jan. 31st
- Taxes are delinquent Feb. 1st and assessed 7% in penalties and interest, percentage rises each month delinquent
- Dallas County contracts with Linebarger Goggan Blair & Sampson, LLP to collect past due taxes
 - Business Personal Property over 60 days past due (April 1st)
 - Real Property & Improvements sent 5 months past due (July 1st)
 - 20% additional collection penalty added to receivable, making collection cost-free to the City
- FY10 unaudited collection rate of 98.1%

Property Taxes

- **Collection Efforts:**
- Linebarger Goggan Blair & Sampson, LLP
 - In Dec. 2005, upon Linebarger’s recommendation, City Council adopted a resolution allowing personal property to be referred 3 months earlier to expedite collections (after 60 days delinquency)
 - Last year (July 2009-June 2010) Linebarger collected over \$25.3 million for the City (best ever performance) through the following efforts:
 - Sent 9 demand mailings, including 85,574 letters
 - Filed 1,362 lawsuits for the City, & resolved 1,756 lawsuits
 - Conducted 2,383 site visits/seizures/warrants related to Business Personal Property
 - Set 468 properties for Sheriff’s Sale

Utility Billing

- Utility billing includes Water, Waste Water, Sanitation, and Storm Water services rendered for over 300,000 accounts a month
- An outstanding balance is considered delinquent after 15 days from the date of the bill
 - Late fees assessed after day 15:
 - Day 21 automated telephone reminders begin
 - Payment plans are offered during this time
 - Service disconnection notices begin day 32
 - After 40 days, account is eligible for disconnection
 - Internal collection efforts continue even after service is disconnected
 - After 130 days account is referred to the City Attorney's Office or third party vendor to pursue further collection effort (depending on amount)
- FY10 unaudited collection rates:
 - 97.9% Water / Waste Water
 - 97.3% Sanitation
 - 96.5% Storm Water

Utility Billing

- **Collection Efforts:**
- Progressive Financial Services – 3rd Party Collections Contract
 - Five year performance based contract
 - Electronic submission of account files and payments
 - 24/7 viewing capabilities of bank account dedicated to City (For benefit Of-FBO)
 - Weekly deposit of good funds into City’s depository bank account
 - City not responsible for Non-Sufficient Fund (NSF) items and/or payment returns
 - City receives and applies 100% of collected funds to customer accounts
- Established policy for lien placement on multi-tenant properties with delinquent water/wastewater accounts
- Payment Options:
 - Telephone, mail, on-line (epay.dallascityhall.com), City Hall lobby, Fidelity Pay Stations

Utility Billing

- **Collection Efforts (continued):**
- SAP Billing System (“Pay1”):
 - 1st Phase implementation – Feb 2008: Utility bills only
 - Adds and maintains more complete customer information
 - Processes automated electronic files to/from collection agency
 - Produces electronic bill notification to customers
 - Allows on-line recurring or one-time customer payments
 - Processes automated calculations of payment plans
 - 2nd Phase implementation – Nov 2008: Aviation, Code Compliance, Police, Fire, Economic Development, Housing/Health, Public Works, Convention Center (Hotel Occupancy and Motor Vehicle Rental taxes)
 - Approximately \$660 million in utility and non-utility bills are processed annually through the SAP system

Aviation Fees

- Aviation uses the City's SAP billing system to bill for rent, concessions, fuel flow fees, landing fees, security badges and miscellaneous service charges
- SAP generates past due letters:
 - 1st sent day after due date - Staff verifies charges before mailing
 - 2nd sent 30 days after due date - Staff follow up with phone calls and e-mails
 - 3rd sent 60 days after due date - Tenant site visit conducted
 - 4th sent 90 days after due date - May include default or termination notice
- Balances remaining unpaid after 120 days are referred to the City Attorney's Office
- FY10 unaudited collection rate of 99.8%

Landfill Fees

- Landfill Fees are charged to commercial and other business haulers to dispose waste at McCommas Bluff Landfill and Bachman Transfer Station
- Over \$18.6 million was billed by Sanitation department for disposal fees in FY10
 - If a customer invoice is not paid by the invoiced due date a collection letter is sent requesting payment in full within 10 business days
 - If payment is not received within the 10 business days the customer is denied access to the landfill until the account is brought current.
 - A 0.83% delinquency fee is charged per month (equals 10% annually)
 - Delinquent accounts are sent to either the Attorney's Office or Progressive Financial depending on size of delinquency
- Sanitation researching on-line bill pay for credit customers
- FY10 unaudited collection rate of 98.3%

Court Fines and Fees

- Defendants are given 21 days from the issuance date of a citation to respond to their citation by paying in full, requesting a part pay agreement, or requesting a court program option
- Defendant defaults if:

A: Fails to respond to Citation or Court Program

- Case is placed in warrant status
- A warrant notice is mailed to defendant by CTS
- Defendant may request deferred by mail, up to day 60 from date of issuance
- Defendant may post a Bond
- Defendant is subject to arrest by Law Enforcement
- Case is transferred to collection agency 62 days from default

Or B: Does not comply with Part Pay Agreement

- Case is managed by CTS Part Pay Office for collection attempts
- Telephone contact is made, and delinquent collection letters are mailed
- Case is forwarded to the Marshal's Office
- Marshals make contact for arrest or defendant pays the remaining balance
- Marshal's initiative continues until case is transferred to collection agency 62 days from default

Court Fines and Fees

- If case is not resolved by day 83, case is sent to the collection firm Linebarger Goggan Blair & Sampson, LLP
 - Collection activities include series of demand letters, personal & automated telephone contact, and skip-tracing/research to locate debtors
 - A 30% statutory collection agency fee is added to each case, making collection program for citations after 06-17-2003 cost free to the City
 - Linebarger collected \$6,670,698 for the City this past contract year
 - Publicize warrant round-ups, utilizing both English & Spanish media
- Failure to Appear & Quality of Life cases (prostitution, drug, theft, assault) significantly affect collections
- Approximately 27% of delinquent citations are Quality of Life cases which typically do not pay, but are disposed of through non-cash means (jail time served, community service, etc) (prostitution, drug, theft, assault)
- FY10 unaudited collection rate of approximately 62.7%

Court Fines and Fees

- **Collection Efforts:**
- Implemented a Proof or Plea Court full-time – Nov. 2009
- Implemented Saturday Court – Feb. 2010
- Implemented the Scofflaw Program – Mar. 2010
- Enhanced in-house delinquent collection efforts – Oct. 2010
- Implemented and added Express Payment Line – Oct. 2010
- Expanded options for on-line citation payments – Nov. 2010
- Implemented Deferred by Mail – Jan. 2011

These efforts have resulted in a reduction of the average court setting from 9 months to 2 months

Court Fines and Fees

- **Collection Efforts (continued):**
- Utilizing “eCitation”
 - City Council approved agenda item on December 8, 2010 to proceed with vendor selection. Implementation of the system is scheduled for October 2011
 - eCitation increases accuracy and readability of tickets, this in turn increases probability of conviction and collection
 - Projected total benefit value to the City \$274k (savings from additional revenue and expenditure savings)
 - Court revenue increase of approximately \$36,900
 - Allow DPD officers to patrol approximately 3,500 more hours and enforce traffic law
 - DPD cost reduction of processing paper citations

EMS Fees

- EMS fees are billed when ambulance services are rendered
- City does not deny EMS service to individuals who owe the City or are unable to pay for this service
- Collections are impacted by Medicare and Medicaid reimbursement rates that are lower than the amount billed
- The complex nature of Medicare, Medicaid and insurance billings requires industry knowledge to coordinate and improve collectability
- City contracts with ADPI “Intermedix” for initial and delinquent collection of fees
- FY10 unaudited collection rate of 55.8% (prior vendor)

EMS Fees

- **Collection Efforts:**
- Council authorized contract with ADPI “Intermedix” 8/25/10
- Contract began in October 1st, 2010
- ADPI “Intermedix” allows multiple payment options and provides payment plans
- New vendor is currently working with the City to optimize results

Parking Fines

- Ticket processing, collections, and meter/lot operations is managed by Affiliated Computer Systems (ACS) since July 2005
 - City employees issue parking tickets and conduct administrative appeals
- Multiple payment options available
 - Can pay by cash, check or credit card; Access by web, in-person, phone, or mail
- A courtesy notice is mailed 7 days after the ticket issuance. Individuals have 15 days from issuance to pay or contest a citation through an administrative appeal process –failure to pay or contest results in the addition of a penalty and mailings in the following sequential order: courtesy, default, final and collections
- Vehicles are eligible for booting and towing with three or more delinquent tickets in a calendar year
- If a vehicle has 3 delinquencies for any combination of years the vehicle can be towed as long as it is in violation at the time of discovery
- FY10 unaudited collection rate of 54.4%

Parking Fines

- **Collection Efforts:**
- Upgraded equipment: electronic ticket writers with camera (1995), AutoVu license plate recognition camera (2005), additional parking boots (2005)
- Multiple payment options: Web, phone, City Hall location
- Education: Notices include Spanish, City of Dallas new employee orientation, water bill inserts, increase in “reminder notices”
- Identifying & targeting top offenders (Top 100 offenders, +\$1,000 offenders) including companies with +35 vehicles
- Payment plans, phone calls, & delinquency mailings are tools used by contractor to collect delinquent accounts

Safelight

- Tickets are issued by the City after review of incident by licensed peace officer
- Affiliated Computer Systems (ACS) manages billing and collections
 - 1st Notice sent within 30 days of violation –\$75 fine, 30 days to pay or request hearing
 - 2nd Notice (Default) sent day 60 – penalty of \$25.00 added, hearing opportunity is lost
 - 3rd Notice is sent Day 90 – Notice includes credit bureau marking threat
 - 4th Notice is sent Day 120 – Notice includes credit bureau marking threat
 - 5th Notice is sent day 150- Notice includes credit bureau marking notification
 - Approximately 5 days later – account is sent to ACS' collection agency
- ACS accepts cash, check, or credit card and provides payment avenues on-line, by phone, or at City Hall
- ACS offers installment pay plans if needed
- FY10 unaudited collection rate of 64.3%

Land Based Fees

- Property owners with code violations on their premises (e.g. high weeds) are given an opportunity to correct violations before work is performed by city crews and contractors
- When a property owner fails to pay for the City's costs for these abatement services (land-based fees), the City places a lien on the property
- The City's third-party collections contract includes land-based receivables for those properties with an associated property tax delinquency
- Although land-based fees typically have low collection rates, codes are enforced to improve community safety and quality of life
- Combined FY10 unaudited land-based fee collection rate of 27%

Land Based Fees

- **Collection Efforts:**
- Created centralized Code Compliance Revenue & Collections Program May 2010
 - Developed written procedures to ensure all land-base receivables are processed promptly and within 30 days of work being completed
 - Implemented additional checkpoints to identify and collect outstanding fees owed prior to approval
 - Example: when applying for a Certificate of Occupancy (CO), staff will verify whether land-based fees are owed and collect payment before issuing the CO
- SAP billing system generates invoices, past due letters and referrals:
 - Invoice is generated to the customer and are due upon receipt
 - 1st notice: sent one day after due date
 - 2nd notice: sent 30 days after due date
 - Account referred to third-party collections vendor after 60 days if there is also an associated property tax delinquency on the address
- Reviewing referral of cases to the City Attorney's Office or third-party vendor to make additional collection efforts

Summary

- The City of Dallas annually **bills approx. \$1.33 billion** in charges for services, fines, fees and taxes
- The City **collects approx. \$1.28 billion** annually
- Roughly a **96%** collection rate for billed receivables
- Collection rates vary significantly by receivable type
- The City continues to seek opportunities to improve its collection rate where applicable

Questions