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

## **Delinquent Tax Collections**

March 24, 2016

Presenters : Kelly Dowe, Chief Business Officer, Director of Finance  
Donna Edmundson, City Attorney  
Harry Hayes, Chief Operating Officer, Director of Solid Waste



## **Delinquent tax collections - background**

Delinquent property taxes are collected by the 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, no Council action was required because the assignment committee determined the assignments should remain unchanged due to insufficient data for the prior year and the lack of a standardized measurement of firm performance.



## City Attorney Notice – April 21, 2015

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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



# Performance Evaluation

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**Conclusion:** The assignment committee recommends assigning additional accounts to Perdue to recognize their increased collection rate and to bolster the City's multi-vendor tax approach for the upcoming contract year.

## **Assignment criteria specified in contracts:**

- 1) Contractor's former collection rate for assigned accounts contractor previously collected taxes for the City;
- 2) The Contractor's current or former collection rate for school districts for which it previously collected for the City; and
- 3) Any other evaluation criteria related to the performance of the Agreement
  - Increased revenue to the City from multi-firm collections approach



# Delinquent tax collections – Criterion 1

## Firm’s Performance from July to December

	City Calculations <sup>1</sup>		Firms (self reported)	
	2014 6 months	2015 6 months	2014 6 months	2015 6 months
<b>Linebarger Performance</b>				
Assigned Turnover Amount	\$65,662,442	\$63,129,517	\$71,397,334 <sup>2</sup>	\$67,004,823 <sup>2</sup>
Linebarger Collections	\$15,284,380	\$25,691,873	\$16,496,179	\$16,378,775
Collection Rate	<b>23.28%</b>	<b>40.70%</b>	<b>23.10%</b>	<b>24.44%</b>
<b>Perdue Performance</b>				
Assigned Turnover Amount	\$3,842,951	\$4,299,459	\$3,842,951	\$4,299, 459
Perdue Collections	\$1,466,861	\$2,141,660	\$1,477,566	\$2,140,017
Collection Rate	<b>38.17%</b>	<b>49.81%</b>	<b>38.45%</b>	<b>50.20%</b>

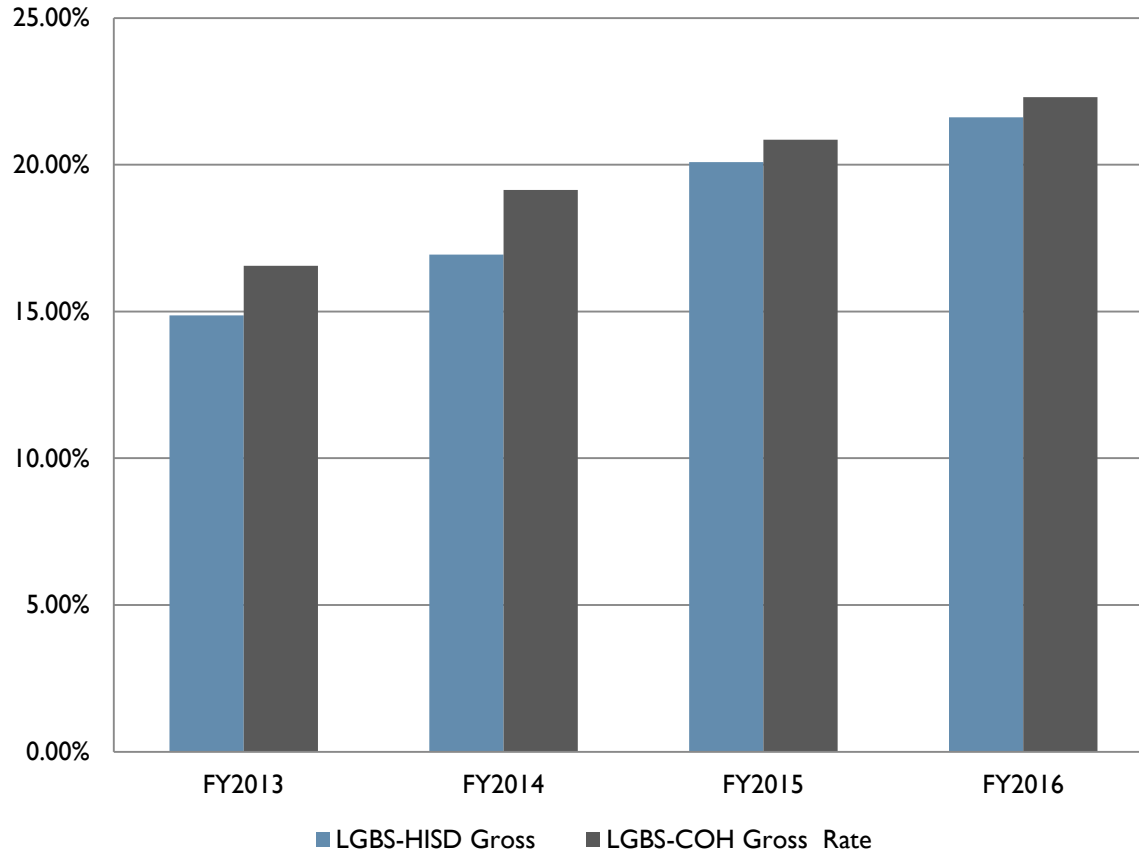
Notes:

1. Collection amounts shown include levy and refunds only (w/out P&I) based on data provided by HCTO and in accordance with City Attorney letter dated April 21, 2015.
2. May include additional values such as BPP for 2005 and prior years, and early BPP.

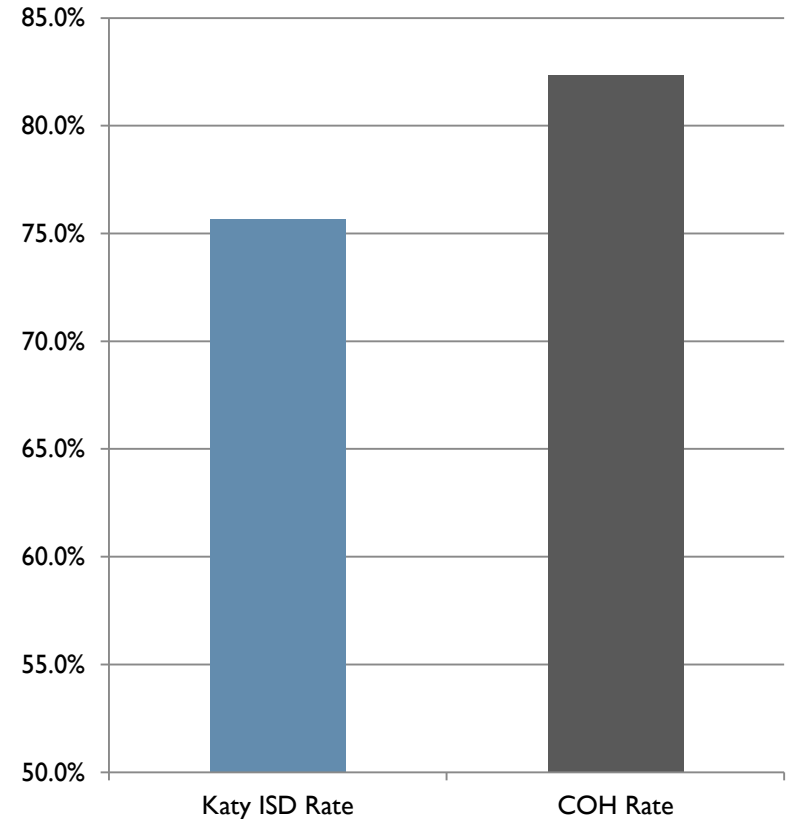


# Delinquent tax collections – Criterion 2 Linebarger ISD performance overview

### Houston ISD vs COH



### 2015 Katy ISD vs COH

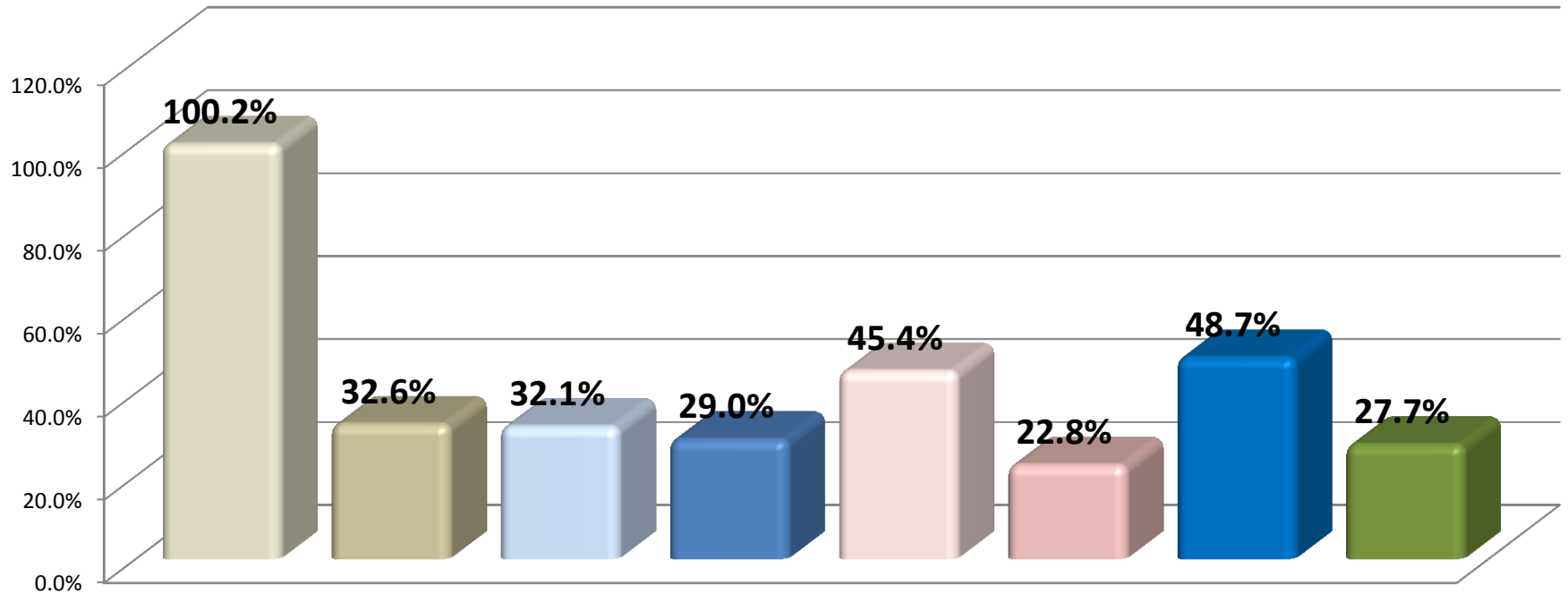


Note: Data for other ISDs (Cy-Fair & Deer Park) represented by the firm has not yet been provided



# Delinquent tax collections – Criterion 2

## Perdue Corresponding COH ISDs - As of EOM December 2015



	COH Clear Creek	Clear Creek ISD	COH Humble	Humble ISD	COH Spring Br	Spring Br ISD	COH PBFCM	PBFCM ISDs
Turnover	\$454,191	\$6,316,349	\$770,812	\$6,847,543	\$3,206,240	\$8,020,941	\$ 4,431,244	\$21,184,833
Payments(Base)	\$ (82,479)	\$ (2,059,751)	\$ (130,415)	\$ (1,983,031)	\$ (461,230)	\$ (1,827,841)	\$ (674,124)	\$ (5,870,624)
Refunds(Base)	\$ (372,398)		\$ (117,027)		\$ (995,892)		\$ (1,485,318)	
Balance	\$ (686)	\$4,256,598	\$523,370	\$4,864,511	\$1,749,118	\$6,193,100	\$ 2,271,801	\$15,314,209
Coll%	100.2%	32.6%	32.1%	29.0%	45.4%	22.8%	48.7%	27.7%



# Delinquent tax collections – Criterion 3

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

	<b>2013</b> <b>6 months</b>	<b>2014</b> <b>6 months</b>	<b>2015</b> <b>6 months</b>	<b>Percent</b> <b>Change <sup>1</sup></b>
<b>7/1 (turnover balance)</b>	\$77,866,798	\$73,723,787	\$70,001,928	-5.0%
<b>Balance as of 12/31</b>	<u>\$63,648,972</u>	<u>\$57,274,423</u>	<u>\$53,776,394</u>	-6.1%
<b>Change in Delinquent balances</b>	\$14,217,826	\$16,449,364	\$16,225,534	-1.4%
<b>Balance Percent Change</b>	<b>18.3%</b>	<b>22.3%</b>	<b>23.2%</b>	<b>3.9%</b>

Notes:

1. Percent change is comparison between 2014 and 2015 only.

Amounts shown is per HCTO TA245A reports





# 2015-2016 Delinquent Collections - Assignment Universe

All Accounts	Accounts	Total Levy Due	Percent, Levy	Rank
Houston ISD/NF	87,435	\$ 53,348,165	76.21%	1
Cypress Fairbanks ISD	1,904	\$ 1,297,189	1.85%	6
Katy ISD	619	\$ 269,270	0.38%	12
Deer Park ISD	55	\$ 11,310	0.02%	17
Spring Branch ISD	5,686	\$ 3,193,948	4.56%	3
Humble ISD	1,924	\$ 760,707	1.09%	7
Clear Creek ISD	1,144	\$ 426,216	0.61%	9
Aldine ISD	7,281	\$ 4,719,160	6.74%	2
Alief ISD	6,887	\$ 2,919,251	4.17%	4
Pasadena ISD	2,964	\$ 1,683,632	2.41%	5
Galena Park ISD	1,321	\$ 647,583	0.93%	8
Ft Bend ISD	565	\$ 274,047	0.39%	10
Huffman ISD	714	\$ 210,244	0.30%	11
Klein ISD	176	\$ 108,124	0.15%	13
Spring ISD	76	\$ 50,292	0.07%	14
New Caney ISD	107	\$ 49,158	0.07%	15
Sheldon ISD	19	\$ 11,750	0.02%	16
LaPorte ISD	4	\$ 8,293	0.01%	18
Channelview ISD	7	\$ 5,867	0.01%	19
Tomball ISD	5	\$ 5,645	0.01%	20
Goose Creek ISD	12	\$ 1,331	0.00%	21
Crosby ISD	5	\$ 741	0.00%	22
<b>Totals</b>	<b>118,910</b>	<b>\$ 70,001,923</b>	<b>100.00%</b>	

Firm Assignments	Assigned Levy	Percent
Linebarger Assignment	\$ 54,925,934	78.46%
Perdue Assignment	\$ 4,380,871	6.26%
Other Available ISDs	\$ 10,695,118	15.28%
<b>TOTAL</b>	<b>\$ 70,001,923</b>	<b>100.00%</b>

Amounts shown reflect HCTO TA245A report, 7/1/2015



# Assignment Committee Recommendation for Reassignment

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Recommendation	Delinquent Taxes	Percent of Total Delinquent Taxes
Add Alief and Pasadena to Perdue's existing assignment of Clear Creek, Humble and Spring Branch	\$9,029,885	12.9%

Collectible amount, based on FY2016 (Tax year 2015) of \$70,001,928