

Commission on Revenue Efficiency (CORE)



October 4, 2010

The Honorable Antonio Villaraigosa, Mayor
The Honorable Wendy Greuel, City Controller
The Honorable Carmen Trutanich, City Attorney
Honorable Members of the City Council

SUBJECT: BLUEPRINT FOR REFORM OF CITY COLLECTIONS

Transmitted herewith is the report entitled *Blueprint for Reform of City Collections* submitted by the Commission on Revenue Efficiency (CORE). Nearly six months ago, upon authorization by the City Council, CORE began reviewing and evaluating the City's current practices to identify improvements in revenue collections and other revenue enhancements.

The topic of collections represents an area where the City can continue to realize additional revenue. With approximately \$550 million in non-tax receivables alone, improvements of only a few percentage points can translate to millions of dollars in additional revenue. The recommendations identified in the *Blueprint for Reform of City Collections* offer a comprehensive and detailed reform of billing and collections activities by highlighting a number of new improvements and also building upon past successful efforts.

The Commission looks forward to continuing discussion of this topic and pursuing timely implementation of the recommendations. We are committed to improve collections and realize additional revenue, especially during this time of budget constraints. As many of the recommendations may require further policy direction from the Mayor and Council, we welcome the opportunity to continue our input throughout the process.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ron Galperin".

Ron Galperin
Chair, Commission on Revenue Efficiency

Enclosure

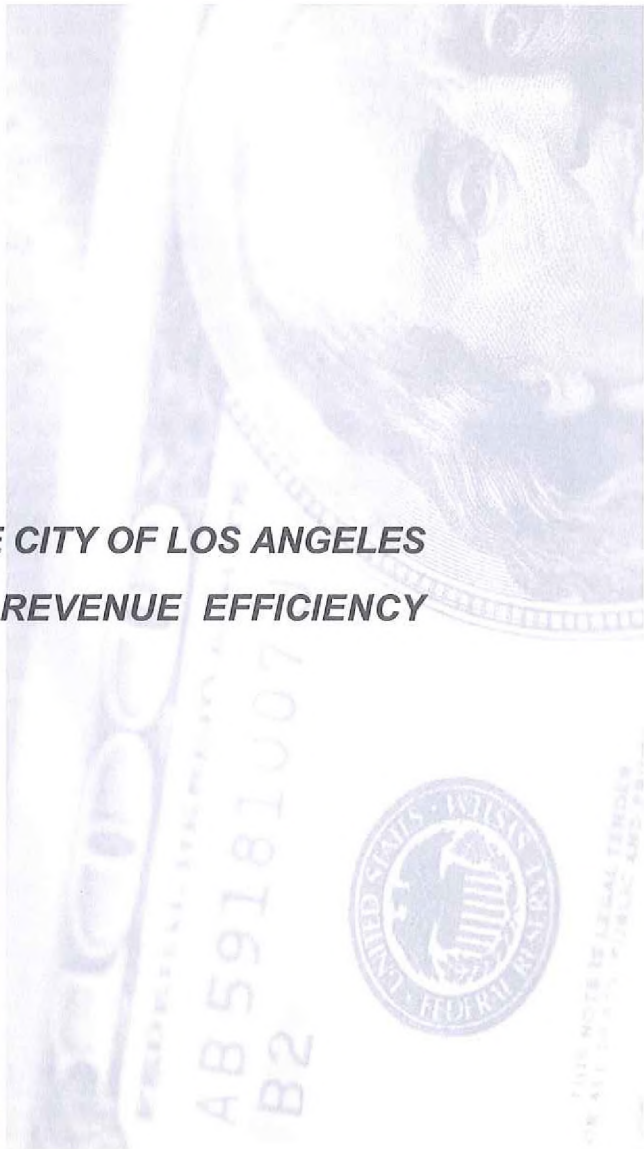
CC: Audits and Governmental Efficiency Committee
Budget and Finance Committee
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Rita Robinson, General Manager, Department of Transportation
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BLUEPRINT

FOR REFORM OF CITY COLLECTIONS

*RECOMMENDATIONS OF THE CITY OF LOS ANGELES
AD HOC COMMISSION ON REVENUE EFFICIENCY*



Ron Galperin, Chair
Hon. Cindy Miscikowski, Vice Chair
Mark Ames, Commissioner
David Farrar, Commissioner
Michael Gagan, Commissioner
Cheryl Parisi, Commissioner
Brandon Shamim, Commissioner

Commission on Revenue Efficiency (CORE)



COMMISSIONERS



Ron Galperin (Chair) is an attorney, educator, and Cantor. He concurrently serves on both the City of L.A. and the County of L.A. Quality and Productivity Commissions, focusing on government efficiency and effectiveness. He is Chair of the L.A. Jewish Federation's Fed Up With Hunger initiative, Vice President of the Bel Air-Beverly Crest Neighborhood Council, and a member of the United Way / L.A. Area Chamber of Commerce Homelessness Task Force. Mr. Galperin is the author of hundreds of articles for The L.A. Times, L.A. Business Journal, and other local and national publications. (Council President Garcetti appointee)



Hon. Cindy Miscikowski (Vice Chair) represented the 11th District on the Los Angeles City Council from 1997 through 2005. Previously, she was an aide to Councilman Marvin Braude and the Executive Director of the Skirball Cultural Center. She is currently the President of the Board of Harbor Commissioners, overseeing the Port of Los Angeles. (Mayor Villaraigosa appointee)



Mark Ames is a private investor. From 1993 through June 2007, he worked for Lehman Brothers where he was a Managing Director in the Fixed Income Division, working both in New York and London. During his time at Lehman, Mr. Ames ran various businesses within Fixed Income and has extensive experience in finance, corporate credit and securitization. He was a member of the Global Fixed Income Operating Committee and the European Fixed Income Operating Committee. Mr. Ames has a BA in Economics from Princeton University. (Mayor Villaraigosa appointee)



David Farrar served of counsel at Linebarger, Goggan, Blair & Sampson, LLP, a law firm which specializes in collecting government receivables. In 1998, Mr. Farrar served as a member of Los Angeles County's Economy and Efficiency Commission. He has also served as Chairman of the Los Angeles Community Redevelopment Commission as well as an appointee to the Board of the Metropolitan Water District of Southern California. (Councilmember Koretz appointee)



Michael Gagan is the founder of Kindel Gagan, a public affairs consulting firm. He has previously served as Chief Deputy State Treasurer under Jess Unruh and as Chief Deputy Secretary of State under March Fong Eu. While working for Treasurer Unruh, Mr. Gagan served on thirty-five financing boards and commissions as well as the governing boards of CalPERS and STRS. (Councilmember Parks appointee)



Cheryl Parisi is the Executive Director of AFSCME District Council 36. Ms. Parisi also chairs the Coalition of L.A. City Unions comprised of six unions representing 22,000 City employees. The Coalition is the voice of L.A. City workers championing quality City services for L.A.'s diverse communities. (Council President Garcetti appointee)



Brandon Shamim is the President and CEO of Beacon Management Group and Chairman of the Small Business Council for the Greater Los Angeles Area Chamber of Commerce. He served as a U.S. Department of Commerce director, worked at a national public policy think tank and is a professor at UC Riverside's Institute for Global Business Management. (Controller Greuel appointee)

Commission on Revenue Efficiency (CORE)



Blueprint for Reform of City Collections -- Summary Sheet -- October 1, 2010

L.A.'s residents and businesses deserve a City that works, and taxpayers deserve our money's worth. To make that happen, the City must become more efficient and responsive – and stop leaving hundreds of millions of dollars on the table and uncollected. Simply put, the ongoing budget crisis demands that we collect on what we're owed; the alternative is unacceptable.

1. THE COMMISSION AND ITS WORK

In the spring of 2010, the Los Angeles City Council created the Ad Hoc Commission on Revenue Efficiency (CORE) at the initiation of Council President Eric Garcetti to evaluate and recommend improvements in collections, billing and new revenues. Comprised of seven volunteer Commissioners, CORE has had more than 25 meetings and hearings to study and develop its Blueprint for Reform of City Collections.

2. COLLECTIONS IN LOS ANGELES ARE A MESS

- A staggering 76.6% of the City's \$541.1 million in non-tax receivables are more than 120 days past due, with 42.5% more than 2 years past due – and now mostly uncollectible.
- Merely 48.5% of accounts eligible for collection agency referral are actually referred.
- Less than half of City departments apply interest or penalties to past due accounts.
- The City has no real centralized billing and collection process and systems are woefully outdated.
- The tally of uncollecteds doesn't even include uncollected taxes, intergovernmental dollars & unbilled services.

3. RECOMMENDATIONS -- CORE offers 65 specific Recommendations for reform. A summary of priorities:

- **Inspector General** – Establish and appoint an Inspector General for Revenue & Collections to:
 - a. *Prepare and provide independent and objective reports on implementation of Controller's recommendations and CORE's Blueprint recommendations adopted by the City.*
 - b. *Independently report on departments' revenue and collections performance compliance.*
 - c. *Aid in facilitating collaborations and coordination needed to implement recommendations and directives.*
 - d. *Provide technical, consultative advice and independent oversight of collections reforms.*
 - e. *Serve as a conduit to other officials charged with oversight.*
- **Centralization and clear authority** -- Of and for collection, billing, reporting, systems and data.
- **Accountability, incentives and budgeting** -- Hold departments accountable and incentivize new revenues.
- **Intensify consequences for delinquencies** -- With interest, penalties, liens and public reporting.
- **Enhance quality and availability of information** -- Improve accuracy and share data.
- **Ease of payment and collection** -- Expand and improve payment options.
- **Collect systematically and with a sense of urgency** – Automate and simplify process flow.
- **Collections agencies** -- Transfer accounts to secondary vendors after the first round of collections.
- **Sell / auction aged receivables** – Instead of waiting to write off old debt, sell it now.
- **Amnesty and settlements** -- Expedite a comprehensive non-tax amnesty and settlements program.
- **LAFD billing and collection** -- Expedite modernization of LAFD's paramedic billings.

4. NEXT STEPS

Each day that L.A. continues to not act on reform is a day of lost revenue, lost business, lost City services and lost opportunity. The good news is that the problems can be fixed by recommended actions of the City's officials and departments.

CORE intends, during the remainder of its term, to continue work on new revenue sources, tax collection and compliance, securing the City's fair share of inter-governmental transfers, entrepreneurial opportunities and other revenue studies. For more information, or to download CORE's full 107-page Blueprint, visit: <http://core.lacity.org/>.

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BLUEPRINT FOR REFORM OF CITY COLLECTIONS

I. EXECUTIVE SUMMARY & ACTION ITEMS

A. Summary of Blueprint

L.A.'s residents and businesses deserve a City that works, and taxpayers deserve our money's worth. To make that happen, the City must become more efficient and responsive – and stop leaving hundreds of millions of dollars on the table and uncollected. Simply put, the ongoing budget crisis demands we collect on what we're owed; the alternative is unacceptable.

Collections in Los Angeles are a mess.

- A staggering 76.6% of the City's \$541.1 million in non-tax receivables are more than 120 days past due, with 42.5% more than 2 years past due – and now mostly uncollectible.
- City departments are collecting just over half of what they bill.
- Merely 48.5% of accounts eligible for collection agency referral are actually referred.
- Less than half of City departments apply interest or penalties to past due accounts.
- Computer systems and software for accounts receivable are woefully outdated.
- The City has no real centralized billing and collection process.
- A majority of departments routinely disregard directives and guidelines for collections.
- L.A.'s uncollected debt tally is inaccurate and makes no distinction between sums reasonably likely to be collected vs. very large sums on the books that are very unlikely to be collected.

The current failures aren't new.

- The Controller's 2007 Audit of collections made 35 recommendations to improve collections; more than one-third (1/3) have not been fully implemented.
- Per the Controller's 2010 follow-up Audit, the City still has no central billing process.
- Each Audit prompts a flurry of Council motions – but little change.¹
- Recommendations for centralization go back nearly two decades to a 1991 report by Ernst & Young proposing a Citywide collection unit.
- Successive good ideas have remained ignored.

¹ See Appendix 1, Summary of Collection-related Council Files in Report of the Chief Legislative Analyst to Council's Budget & Finance Committee, July 12, 2010.

And that isn't all.

- The tally of uncollected accounts does not include services the City has failed to bill.
- Instead of selling off old debt, the City has just written it off.
- Unreported and under-reported business and parking revenues result in uncollected business and parking taxes.
- The City spends too much to collect too little.

What is to be done?

Piecemeal approaches to fixing collections have proven ineffective. Accordingly, the Ad Hoc Commission on Revenue Efficiency (CORE) has fashioned this Blueprint to offer comprehensive and detailed reform of billing and collection. The time for business as usual has passed; we seek nothing less than a change in the culture of City Hall to one in which everyone in City government makes revenue a priority.

Specifically, CORE recommends:

- **CENTRALIZATION:** Create clearer and stronger authority for the Office of Finance; invest in the technology needed to centralize – not just collection – but billing as well.
- **ACCOUNTABILITY, INCENTIVES & BUDGETING:** L.A.'s elected officials must hold departments and managers accountable for compliance with directives, guidelines, and Controller audits. Create incentives for departments to make revenue a priority.
- **INSPECTOR GENERAL:** CORE recommends establishing an Inspector General for Revenue & Collections to independently report on, and aid in compliance and reform.
- **CHANGE ACCOUNTS RECEIVABLE PROCESS FLOW & TIMETABLE:** Replace department referrals with a *de facto* system of account transfers, maximize use of collection agencies, tightening the time frames for collecting and selling aging receivables.
- **INTENSIFY CONSEQUENCES FOR DELINQUENCIES:** Standardize and boost interest, penalties and fees; increase use of liens and public reporting.
- **ENHANCE QUALITY AND AVAILABILITY OF INFORMATION:** Improve accuracy of reports, information technology and data sharing.
- **EASE OF PAYMENT AND COLLECTION:** Expand and improve payment options.
- **SPECIFIC DEPARTMENTS:** Implement specific changes at the Fire Department, Department of Transportation and Housing Department.

CORE's scope of work.

Core was created in 2010 by the Los Angeles City Council to evaluate and recommend improvements in revenue collections. In the course of four months, the Commission has undertaken a detailed review of revenue, billing, and collections practices – with a focus on specific recommendations for reform. In accord with the charge given to CORE, the Commission intends, during the remainder of its term, to continue to work and to report on related inquiries – including: New revenue sources, tax collection and compliance, securing the City's fair share of inter-governmental transfers, entrepreneurial opportunities and other revenue studies.

Format of the Blueprint.

Each section of the Blueprint offers a bullet-point background, specific recommendations and notes. Sec. I.B. is a summary of six (6) action items for immediate revenues. The sixteen (16) Appendices include: links, a recommended accounts receivable process flow and timetable, details of departments' compliance with Collection Guidelines, a table of CORE recommendations complementary to implementation of the Controller's 2007 and 2010 audits and a summary of each of the Blueprint's sixty five (65) specific Recommendations.²

² While certain CORE recommendations are written as directives or requests the Council may want to take, such references to Council, may, in its discretion, be directives or requests initiated or undertaken by Council Committee(s). Attached as Appendix 15 is a sample "Recommendations Tracker" that identifies the parties that would be involved in implementation of each of the Blueprint's recommendations, and provides a format to track the actions and progress on each of the recommendations.

NOTE: The electronic copies of this Blueprint include hyperlinks to referenced documents, materials and Council Files.

B. Summary of City of Los Angeles accounts receivable

- How much uncollected debt does the City have?
- What are the City's receivables actually worth?

i. City departments' non-tax receivables:

The most recent tally of City departments' non-tax accounts receivable is as of the end of the third (3rd) quarter of Fiscal Year (FY) 2009-2010 from the Office of Finance's Accounts Receivable Quarterly Report, dated June 22, 2010. (See *Appendix 2*.) The report tallies \$541.1 million in non-tax receivables of 25 City departments, boards and bureaus. A staggering 76.6% of this \$541.1 million was more than 120 days past due – with 42.5% more than 2 years past due. The largest portions of these accounts were:

- a. Fire Department (LAFD): \$248.4 million in accounts receivable (constituted primarily by EMS/ambulance billings). 36.6% of the receivables were 121 days – 2 years past due and another 44.7% were more than 2 years past due.
- b. Department of Transportation (DOT): \$213.7 million in accounts receivable (constituted primarily by parking citations). 28.9% of the receivables were 121 days – 2 years past due and another 44.4% were more than 2 years past due.
- c. Housing Department (LAHD): \$37.7 million in accounts receivable (constituted primarily by housing fees and penalties). 48.8% of the receivables were 121 days – 2 years past due and another 20.1% were more than 2 years past due.

ii. The bigger picture:

The \$541.1 million in departments' non-tax receivables is only part of the picture. In fact, the City's total reported receivables are vastly greater. The City Controller's January 29, 2010 Comprehensive Annual Financial Report (CAFR)³ for the Fiscal Year ended June 30, 2009 presents the full scope of L.A.'s receivables totaling \$4.923 billion. This bigger picture, however, needs to be brought into focus and perspective. And, the real value of these figures for maintaining basic City services is much less.

iii. Breakdown of all the City's receivables:

- a. The CAFR reported gross receivables totaling \$4.923 billion – made up of \$2.849 billion in gross receivables for the City's basic government activities, plus another \$2.074 billion in gross receivables for the City's proprietary, business-type activities (Airports, Harbor, Water & Power, Sewer and Convention Center).

³ City of Los Angeles Comprehensive Annual Financial Report (CAFR) Fiscal Year Ended June 30, 2009, dated January 29, 2010. Report prepared by the City Controller and independently audited by accounting firm Simpson & Simpson. See Appendix 3 for page 102, Notes to the basic Financial Statements, receivables summary.

- b. The \$2.074 billion in gross receivables for proprietary, business-type activities (less a 1.6% allowance for uncollectibles) is money that is due to the proprietary departments; it cannot be used for general operations of the City.
- c. The \$2.849 billion in gross receivables for the City's basic government activities isn't what it first appears to be either. \$1.109 billion of the gross receivables is for loans made by the City to residents, businesses and community groups with grants the City receives. Because these are often deferred loans, there is a \$799 million allowance for uncollectibles, reducing the net report value of these loans and notes by 72% to just \$309 million. And of this net, \$304 million was not scheduled for repayment within the subsequent year.
- d. After deducting \$2.074 billion in proprietary receivables and \$1.109 billion in loan receivables from the reported \$4.923 billion in total gross receivables, what remains is an adjusted \$1.741 billion in gross receivables for government activities.
- e. Of the adjusted \$1.741 billion in gross receivables from government activities, the net receivables (gross minus allowance for uncollectibles⁴) total only \$799 million, or just 46% of the gross. Because the \$1.741 billion includes receivables up to 5 years old, along with penalties and interest which may have accrued, the 46% is lower than the City's overall collection rate.

iv. Breakdown of the City's basic government activities receivables:

What makes up the \$1.741 billion in gross receivables from government activities?

- a. Accounts -- \$549.5 million in gross receivables, less a \$331.8 million allowance for uncollectibles. This includes licenses, permits, fees, fines and certain other charges by the City and its departments.
- b. Taxes -- \$956.4 million in gross receivables, less a \$557.6 million allowance for uncollectibles, leaving \$398.8 million. This includes business tax, utility user tax, and the City's share of property, sales and other taxes. According to Finance, \$278.2 million of the \$557.6 million allowance is attributable to the fact that the gross receivable calculation includes billings based on Finance's estimated assessments. Finance uses the uppermost estimates of income and tax due to reserve for the City all potential rights and remedies for unpaid taxes. Thus, the estimates are not necessarily reflective of tax(es) actually due.
- c. Intergovernmental -- \$190.9 million in gross receivables, less a \$49.6 million allowance for uncollectibles.

v. What are the City's receivables actually worth?

The older the receivables, the less they are worth. It is essentially impossible to know the exact value of all the City's receivables, but the net estimates (discounted for uncollectibles) are likely a reasonable estimate at this time.

⁴ The allowance for uncollectibles is based on various factors, and is calculated in accord with Generally Acceptable Accounting Principles (GAAP) of the Federal Accounting Standards Advisory Board (FASAB).

vi. How much money is at stake?

It is impossible to estimate exactly how much money the City has lost because of its poor revenue and collection practices, and it is difficult to predict how much more money the City will realize as a consequence of CORE's recommended reforms. Having said that, CORE offers the following estimates:

Severely delinquent receivables:

Most of the accounts that are two or more years past due are worth pennies on the dollar – at most. That still means several millions of dollars. We should immediately do all we can to squeeze as much as possible from these old accounts through collection agencies, offers in compromise, sale of debt and enforcement. And, we must take action to never let this happen again.

Current receivables:

Not all of CORE's recommendations can, of course, be implemented overnight. But swiftly taking the more immediate steps outlined in the Blueprint could help the City realize additional net revenues of \$10 million to \$25 million annually in the next fiscal year – largely from Fire Department EMS billings and from DOT vehicle citations. The revenues could be much greater if recommendations and reforms are implemented more quickly.

Going forward:

The focus of this Blueprint is how to improve all types of debt collection in the City, with primary attention on departments' non-tax receivables. CORE's review and analysis leads the Commissioners to believe that if our reforms are implemented, the City could in two to three years begin to realize as much as \$100 million or more annually in additional net revenues from departments' non-tax receivables.

As noted in Sec. II below, CORE intends in its next phase of inquiry and reporting to offer additional recommendations for improving tax and intergovernmental collections, along with identifying opportunities to better capitalize on the City's existing assets. The potential for revenues from these sources could be even greater.

vii. Time to act

Each day that L.A. continues to not act on reform is a day of lost revenue, lost business, lost City services and lost opportunity. The good news is that the problems can be fixed – now all that's needed is to take action.

C. Summary of action items for immediate revenues and reforms

- Given the City's need for revenue now, the Commission gave special attention to identifying action items for immediate revenues. We wish to highlight the following six (6) such recommendations for the Mayor, Council and departments:⁵

18. **INSPECTOR GENERAL** -- CORE recommends the establishment and appointment of an Inspector General for Revenue and Collections to independently monitor, report on, and aid in the implementation of, the City's Collection Guidelines, the Controller's recommendations, the recommendations of this Blueprint and other collection reforms. Responsibilities:
 - a. Prepare and provide independent and objective reports on implementation of Controller's recommendations and CORE's Blueprint recommendations adopted by the City.
 - b. Independently report on departments' revenue and collections performance and on compliance with directives of the Mayor, the Council and of Finance.
 - c. Aid in facilitating collaborations and coordination needed to implement recommendations and directives.
 - d. Provide technical, consultative advice and independent oversight of collections reforms.
 - e. Work with the CORE and/or any successive Commission that may be tasked with improving revenue and collections.
 - f. Serve as a conduit to and for the Council's Audits & Governmental Efficiency Committee and the Budget & Finance Committee.
19. **COMPULSORY / AUTOMATIC ACCOUNT TRANSFERS** -- CORE recommends replacing the current system of department "referrals" of accounts from one stage of collections to another with a *de facto* system of compulsory or automatic account transfers, under the supervision of Finance.
22. **SECONDARY COLLECTIONS** -- CORE recommends that Finance amend the Collection Guidelines to provide for a compulsory or automatic transfer of unpaid accounts from primary to secondary collection vendors as soon as time allotted to primary collection has expired.
26. **RFP / RFQ FOR EVALUATION OF SALEABLE RECEIVABLES** -- CORE recommends that Finance issue a Request for Proposals (RFP) / Request for Qualifications (RFQ) for evaluation of receivables for sale and for brokers specializing in such sales.
31. **EXPEDITE NON-TAX AMNESTY PROGRAM** -- CORE recommends that the Council expedite and fund the implementation of a comprehensive non-tax amnesty program proposed by Finance in its FY 10-11 budget.
54. **EMS DATA CAPTURE AND BILLING** -- CORE recommends LAFD expedite modernization and streamlining both for Field Data Capture and Emergency Medical Services Billing and Collection -- pursuant to the two contracts for LAFD's outsourcing approved by the Council August 3, 2010. Finance and the Inspector General should monitor and report on the vendors' performance.
57. **RECALL SEVERELY AGED DELINQUENT ACCOUNTS FROM ACS** -- CORE recommends that DOT recall from ACS severely aged delinquent accounts, and transfer them, in consultation with Finance, for assignment to additional/secondary collections by another vendor (with possible inclusion in a non-tax amnesty program) -- or for sale/auction.

⁵ CORE Recommendation(s) may be applicable to one or more official(s), committee(s), department(s) and/or office(s).

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

D. Best practices

- While the City of Los Angeles is not alone in its disappointing revenues and collections, it is considerably behind other municipal governments in doing anything about it. CORE believes that much could be learned from other cities and counties which have previously focused on and implemented more efficient and effective programs to generate and collect revenues.

An Executive Brief entitled: "Facing the Budget Crunch: Creative Strategies for Municipal Collections" by the accounts receivable advisory firm Kaulkin Ginsberg identified some of the cities and counties that are doing a better job than others*:

a. Other local governments:

DALLAS -- Liquidates more than 75% of its accounts receivables with extensive use of outside collectors.

HOUSTON -- Liquidates 85% of its accounts receivables and imposes a 20% add-on as an additional cost for any accounts which are referred to outside collectors.

CHICAGO – Recognized by the National Conference of Mayors with an Outstanding Achievement and Excellence award for implementing creative and effective collection programs in partnership with outside collections agencies. Also implemented an installment payment plan utilized by more than 100,000 residents.

SAN FRANCISCO – Increased collection from parking citations with a program for companies with more than 20 vehicles and a history of violations. Companies such as UPS – which was being cited with a parking ticket every 45 minutes – were offered to pay the City monthly to avoid late fees and booting.

ARLINGTON, VA. -- Created a citywide debtors database to integrate information about varied receivables – including parking fees, taxes, library fines, etc. Chronic debtors may be denied permits and licenses.

L.A. COUNTY – Centralized collections with the Treasurer and Tax Collector and implemented a "tertiary collections" program to make a one-last-chance attempt for certain collections before merely writing-off such obligations.

* *Kaulkin Ginsberg (KG), a leading advisor to accounts receivable management and publisher of insideARM.com and The ARM Insider published conducted a research survey of "municipal receivables management" in a number of U.S. cities and published the results in an April 2007 Executive Brief entitled: "Facing the Budget Crunch: Creative Strategies for Municipal Collections". Based on its survey, and data obtained from the National League of Cities, KG estimated at the time that delinquent receivables owed to U.S. municipalities was approximately \$40 billion.*

b. Recurring themes:

Some municipal governments may be effective in some types of collections and, at the same time, ineffective in others. Moreover, some types of receivables are easier to identify and to collect on than others. Property taxes and advance fees for permits, for example, have vastly higher collection rates than fines and penalties. There are, however, recurring themes and commonalities – reflected in best practices for governments that perform well in revenue and collections. Among them:

- Centralized authority, accountability and data.
- Clear timelines for the collections process.
- A sense of urgency.
- Real and consistent consequences for non-payment.
- Strong monitoring, reporting and oversight.
- Use of specialized collections agencies.
- Great customer service.
- Prioritization of revenue and efficiency.

In CORE's next phase(s) of work, the Commissioners intend to further analyze and report on such best practices.

Attached as Appendix 14 to this Blueprint are links to multiple resources for municipal and public sector best practices and innovations.

II. CREATION AND SCOPE OF WORK OF THE COMMISSION

On Feb. 10, 2010, the Council, at the initiation of Council President Garcetti, created the Ad Hoc Commission on Revenue Efficiency (CORE) to evaluate and recommend improvements in the areas of:

- Revenue collections.
- Tax compliance.
- Accounts receivable collections.
- New revenues.
- Centralized billing.
- Implementation of recommendations in the City Controller's audit of collection practices.
- Other revenue-related studies.

Subsequent to the Council's action (*Council File No 09-2560*), seven Commissioners were appointed by five of the City's elected officials.

Beginning with its first meeting March 25, 2010, CORE has undertaken an intense and detailed review and analysis of collections practices in the course of seventeen (17) Commission meetings through the beginning of August 2010. The Commission has met with, and received reports from, various City departments, including: The Office of Finance, Animal Services, City Treasurer, Police Commission, Transportation, Bureau of Sanitation, LAHD, Building and Safety, LAFD, City Attorney, City Administrative Officer, and Chief Legislative Analyst. CORE has also received input from the Macias Consulting Group, the Coalition of L.A. City Unions, businesses, members of the public, and independent entities that specialize in the areas of revenue collections and accounts receivable management. In addition to nearly fifty (50) hours of testimony and discussion at our CORE meetings, Commissioners have also individually conducted extensive research and inquiries to bolster the work of the Commission.

On July 6, 2010 CORE submitted a written Status Report Regarding Work of the Commission, followed by a presentation July 12, 2010 by several of CORE's Commissioners to the City Council's Budget & Finance Committee.

The Council established CORE with an initial six-month term. With submittal of this Blueprint for Reform of City Collections, the Commission is prepared to continue work in its revenue and efficiency-related inquiries and recommendations for such term(s) as may be determined at the discretion of the Council. As detailed in Sec. XII, CORE will focus its work on new revenue sources, tax collection and compliance, securing our fair share of inter-governmental transfers, entrepreneurial opportunities and other revenue studies.

III. BACKGROUND AND TIMELINE OF COLLECTIONS REPORTS AND DIRECTIVES

- The need to prioritize collections dates back several years. The following is a brief chronology:

2000 - Office of Finance is created as a new department under the new City Charter to develop Citywide guidelines for collections, to collect certain revenues and to make recommendations to the Mayor and Council.

2002 - Office of Finance publishes "Citywide Guidelines to Maximize Revenue Collections" (the "Collection Guidelines") and Mayor's Office instructs departments to be in compliance therewith.

2005 - Mayor's Office issues Executive Directive Number 5 (the "Directive No. 5"), mandating that all departments comply with the Guidelines and indicating that that Office of Finance would monitor referrals and overall compliance.

2007 - City Controller releases report entitled "Audit of Citywide Billing and Collection Practices" (the "2007 Audit") which found that departments were not following several of the key guidelines and highlighted a need for improved Citywide coordination of collections. Key findings were that:

- The City was unable to accurately determine its accounts receivable.
- Departments could not ensure that a billing occurred for every billable service provided.
- Departments did not always follow key aspects of the Collection Guidelines.

2008 - City Council considers proposal submitted by the Valley Industry and Commerce Association relative to a "Collections Sheriff" which leads to Council instructing departments to adhere to Directive No. 5, adopting additional instructions to improve collections in the Fire Department and Department of Transportation and engaging a consultant to perform a feasibility analysis on the Citywide centralization of billing and collections functions.

January 2010 - City Council establishes the Ad Hoc Commission on Revenue Efficiency (the "CORE") to review the City's efforts and recommend improvements, in: revenue collections, tax compliance, accounts receivable collections, new revenues, centralized billing, implementation of recommendations from the 2007 Audit and other revenue-related studies.

February 2010 - Macias Consulting completes and submits its Feasibility Study: Centralization of Billing and Collection Activities and accompanying Centralized Billing Plan (collectively, the "Macias Study") -- with implementation proposed to occur in three phases.

March 2010 - CORE begins meeting weekly to review the City's current efforts in revenue collections and enhancement by engaging a number of City departments and offices.

July 2010 - City Controller releases "Follow-up Audit of Citywide Billing and Collection Practices" (the 2010 "Audit"), which notes that despite some progress since the 2007 Audit, the City's total collections rate is only 53 percent.

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IV. POWERS AND DUTIES OF CITY OFFICIALS REGARDING REVENUE AND COLLECTIONS

The Charter and Administrative Code of the City of Los Angeles each keep numerous provisions delineating the powers and duties of City officials regarding revenue and collections. CORE believes it is vital that each of our City leaders be focused on fully exercising their legal powers and duties – as detailed below:

A. OFFICE OF FINANCE

City Charter, Vol. I, Article III, Sec. 300:

- (a) develop and implement the City's revenue policy consistent with the Charter and ordinance and develop guidelines for the collection of outstanding receivables;
- (b) collect revenues and issue those licenses, permits and tax registration certificates not issued by the City officers or departments; and
- (c) make recommendations to the Mayor and Council concerning the efficient organization of the revenue collection functions performed by City offices and departments.

Admin. Code, Division 20, Chapter 5, Article 1, Sec. 20.75:

The Director of Finance shall report quarterly to the Mayor, City Council, the City Administrative Officer and the Chief Legislative Analyst regarding performance of the duties imposed on the Office of Finance by the Charter and by ordinance.

B. MAYOR

City Charter, Vol. I, Article II, Sec. 231:

- (a) exercise management authority over all departments, agencies and appointed offices of the City, except where the Charter provides otherwise;
- (g) prepare and submit the Mayor's proposed annual budget to the Council ...;
- (j) establish procedures and implement policies not inconsistent with the Charter or ordinance as are necessary to effectively manage and supervise the responsibilities entrusted to the Mayor through the issuance of executive directives, which, in the absence of conflicting provisions in the Charter or ordinance, and until revised or rescinded by the Mayor, shall be binding on all departments, commissions, appointed officers and employees of the City.

Admin. Code, Division 3, Chapter 1, Article 1, Sec. 3.3:

It shall be the duty of the Mayor to be vigilant and active in the enforcement of the ordinances of the City; to exercise a constant supervision over the acts and conduct of all officers and employees.....and to secure cooperation between the various departments and offices of the City.

C. CONTROLLER

City Charter, Vol. I, Article II, Sec. 261:

- (b) prescribe the method of keeping all accounts of the offices, departments, boards or employees of the City ...
- (c) regularly review the accounting practices of offices and departments and upon finding serious failings in accounting practices, be empowered to take charge of the accounting function, and thereafter assist the office or department in implementing appropriate accounting standards and practices;
- (e) ... audit all departments and offices of the City.....
- (k) conduct performance audits of all departments and may conduct performance audits of City programs, including suggesting plans for the improvement and management of the revenues and expenditures of the City...

D. CITY ATTORNEY

City Charter, Vol. I, Article II, Sec. 271:

- (a) The City Attorney shall represent the City in all legal proceedings against the City. The City Attorney shall initiate appropriate legal proceedings on behalf of the City.

E. LEGISLATIVE BRANCH / COUNCIL

City Charter, Vol. I, Article II, Sec. 240:

All legislative power of the City except as otherwise provided in the Charter is vested in the Council and shall be exercised by ordinance, subject to the power of veto or approval by the Mayor as set forth in the Charter.....

City Charter, Vol. 1, Article III, Sec. 362:

At the end of each fiscal year, the Council shall require the income and expenditures of each department and office of the City to be audited by one or more certified public accountants, who are not connected with the department to be audited. The accountants shall make their report directly to the Council and send copies to the Mayor and Controller. The Council shall determine the extent of the audit as to each of the departments and may provide for the taking of the audit by resolution.

F. CAO (Formerly Office of Administrative and Research Services)

City Charter, Vol. I, Article II, Sec. 291:

- (a) keep the Mayor and the Council advised of the condition, finances and future needs of the City, and make recommendations as are appropriate;
- (b) assist in the preparation of the annual budget in accordance with policies prescribed by the Mayor...;
- (d) prepare reports on revenue and costs and, throughout the year, conduct studies and investigations that will assist in the preparation of the budget....;
- (h) subject to the approval of the Mayor, prescribe rules and standards governing the matters under the jurisdiction of the Office of Administrative and Research Services with which all officers and departments of the City must comply ...

City Charter, Vol. 1, Article II, Sec. 292:

The Director of the Office of Administrative and Research Services shall conduct research in administrative management for the improvement of the organization, policies and practices of all appointed offices, departments and other agencies of City government, including, without limitation, the Proprietary Departments, for the purpose of evaluating programs and developing performance measures concerning the duties of the various positions, the methods and the standards of efficiency. The Director of the Office of Administrative and Research Services shall recommend to the Mayor, Council and the respective departments and agencies those changes that will promote economy and efficiency in the conduct of City government.

G. TREASURER

Admin Code, Division 20, Chapter 5.1, Article 1, Sec. 20.80:

... Treasurer shall maintain a modern system of accounting, which shall at all times show the balance in the various funds, or accounts of the City government, as created by ordinance or otherwise....

V. CENTRALIZATION

A. Overview

Centralization of billing and collections has long been a clearly stated goal of the City. Defining the scope of centralization and implementing it, however, has remained more elusive. Some of the reasons L.A. has lagged in achieving centralization include:

- Lack of clarity and consensus about the meaning of centralization – which may or may not include centralization of collection and billing, uniform software and systems, standardized procedures and practices and/or centralized authority.
- Inadvisability of complete centralization – It would be difficult and impractical to have complete centralization. For example, it would make little sense for the collection of a library fine at the library to be done by a centralized collection unit.
- Full centralization would give departments very little “skin in the game” – and this incentive is needed for departments to focus on generating revenue for the City and for its departments.
- Limited funding – for the technological upgrades and maintenance of the infrastructure necessary for centralizing data and reporting functions.
- The inherent de-centralized power structure of L.A. government – As detailed in Sec. IV, above, entitled: Power and Duties of City Officials, many parties have a role in the functions and oversight associated with managing revenue and collections. Accordingly, the line of authority can sometimes be less than certain.

Recommendations for centralization go back nearly two decades to recommendations in 1991 by Ernst & Young for a Citywide collection unit. What followed was a litany of subsequent reports, recommendations, motions and directives related to centralization. As a consequence of Charter reform in 2000, the Office of Finance (“Finance”) was created -- and today oversees collection of more than \$2 billion annually in various taxes, licenses, permits, fees and fines.

While creation of Finance was a significant step forward in centralization, the City is still far from having what most would define as a centralized system of revenue and collections. Notably, the Controller’s 2007 Audit concluded that there was a need for more coordination among departments and Finance and that many of the problems with billing and collections could potentially be eliminated through centralizing the billing and collection processes. Further, the Controller recommended that the Mayor direct Finance to consider the feasibility of centralizing billing functions under Finance. Thereafter, Finance convened a Centralization Working Group, composed of representatives of the Mayor’s Office, City Administrative Office, Chief Legislative Office and other City departments, to develop a Task Order Solicitation to study (as has been done previously) the feasibility of centralizing collections. The Macias Consulting Group (“Macias”) was then retained to conduct a study and to present its recommendations for centralization.

B. Macias Study

Macias Consulting Group in December 2009 issued its "Feasibility Study: Centralization of Billing and Collection Activities" and accompanying "Centralized Billing Plan" (collectively, the "Macias Study"). CORE concurs with the recommendation in the Controller's 2010 Audit which stated that the City must now use the results of the Macias Study and begin developing a strategy and concrete plans for moving toward centralized billings and collections. Macias presented a summary of its report to the Council's Budget & Finance Committee July 19, 2010. (See [Agenda link referencing Council File No. 10-0225](#)).

Scope and recommendations of the Macias Study: Three phases

Macias identified at least 88 types of invoices and examined billing and collection activities among 17 departments, offices and bureaus. While the Macias Study acknowledged that not all of the City's billing types can be centralized, it concluded that some centralization is feasible. The report proposed a three-phased approach to enhance the City's billing and accounts receivable management, as follows:

- (1) Greater centralization of report development and enhanced revenue metrics. Estimated one-time cost: \$817,000; estimated net revenue over 5 years: \$16.4 million. The intent is to have a more detailed, timely, and accessible real-time electronic "dashboard" of receivables.
- (2) Greater centralization of accounts receivable management activities of high delinquency billings. Estimated one-time cost: \$7.5 million; estimated net revenue over 5 years: \$257.6 million.
- (3) Centralization of non-specialized billings which would only take place when a system needs to be replaced or when billing/collection performance declines among bill types. Estimated cost: \$9.8 million. Macias stated that spending money on this phase now might well result in no net increase in revenues.

Questions about the Macias Study

All would agree that more centralized reporting and management of receivables is vital – and will yield more revenue for the City. However, CORE joins the Controller and Finance in questioning aspects of the Macias Study. CORE notes the following:

- Net revenue estimates from Macias are overstated. Macias predicted a net increase in revenue over 6 years attributable to Phases I and II totaling \$274 million. \$251 million of that amount was attributed to a projected net increase in EMS billings from outsourcing – not from centralization;
- The estimates for increases in EMS revenues are, we believe, flawed. And as noted in the Controller's 2010 Audit, LAFD believes the consultant's estimate is grossly overstated;
- The Macias Study's recommendation of a new central reporting portal (separate from the forthcoming FMS system, discussed below), is one that is less-than-universally embraced; and
- The Macias Study's December 2009 Implementation Plan was unrealistic in laying out a schedule that was to begin January 1, 2010.

Next steps re the Macias Study

Finance and ITA are moving forward with planned implementation of the new FMS (discussed below) that will include functionality to better track and report on many of the City's accounts receivable. This improved functionality is generally in parallel to the first of the Macias Study's three contemplated phases.

As for the next phases of Centralization, there remains uncertainty about just how and when to move forward – especially given the costs that will be involved. CORE concurs both with Finance, the CAO and with the Controller's 2010 Audit that in implementing plans to move toward centralization, it is critical for the City to leverage functionalities that will be built into the FMS to effectively manage its receivables. We also concur that it would be more cost effective to build additional data elements into the new FMS instead of the City investing in a separate portal.

1. **MACIAS STUDY FOLLOW-THROUGH** -- CORE recommends that Finance prepare a memorandum for Council re the next steps it recommends to follow-up and follow-through on the "Feasibility Study: Centralization of Billing and Collection Activities", dated Dec. 21, 2009, by Macias Gini & O'Connell.

C. Financial Management System (FMS)

The Financial Management Information System ("FMIS") currently used by the City is outdated and an impediment to efficiency and effective collection in the City. Moreover, City departments do not currently have a consistent and standard format for accounts receivable management and reporting; many are working with outdated software, or just using Excel spreadsheets.

The City's Information Technology Agency ("ITA") has reported that a new and improved Financial Management System ("FMS") will be ready to launch in July 1, 2011. ITA and Finance have developed a plan for the implementation of the accounts receivable module / component by September 30, 2011. On August 20, 2010, the Council approved recommendations of the CAO for funding of \$1.06 million needed for the accounts receivable module of the FMS project, along with giving ITA authority to amend its agreement with CGI Technologies and Solutions, Inc., the contractor for the FMS project. (See Council File No. 10-0600). CORE believes it is now critical that ITA and Finance roll out on time the new FMS – and its accounts receivable module. Each day with the old systems the City currently has means lost revenue.

The nature and extent of AR integration into FMS would be evolving and vary by type of receivable. As noted in the discussion above related to the Macias Study, the first contemplated phase of such integration would be for department reporting ARs through FMS. For twenty four (24) of thirty three (33) reporting sources, FMS would initially provide detailed information and reporting regarding their receivables. For the nine (9) remaining reporting sources which involve

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certain complexities at this time, detailed data will not be automatically shared with and through the FMS. Instead only summary data will be automatically shared. An example of FMS summary reporting would be EMS billings, which are expected to be on a different system. A second phase of FMS integration (which would need funding too) would move beyond just reporting to further encompass actual management of certain accounts receivable. Attached as *Appendix 11* hereto is a one-page flowchart, entitled Proposed IT Approach for Citywide Consolidation, detailing planned reporting of receivables.

CORE believes it is imperative that the City allocate adequate resources to ensure timely and successful implementation of FMS – and its accounts receivable functionalities. CORE also further recommends monitoring of new technologies and further exploration of various cloud computing solutions that may lead to greater efficiency, flexibility, economies of scale, and reduced pricing, without the need to invest in hardware and software to run massive technology solutions. Such decisions, of course, must be balanced with the imperative of data security.

2. **FMS ROLL OUT AND FUTURE FUNDING** – CORE recommends that ITA and Finance take all actions necessary for full and smooth launch of the new FMS by July 1, 2011, coupled with implementation of the accounts receivable module / component by September 30, 2011. Additionally, it will be vital for the City to fund the future phases of greater accounts receivable centralization.
3. **CENTRAL PAYMENT PORTAL** -- CORE recommends that Finance, ITA and the Treasurer prepare and submit a report on the needed funding and projected timeline for implementing a Citywide on-line payments portal – with multiple ways to pay for accounts and receivables.
4. **CITYWIDE CUSTOMER ID SYSTEM** -- CORE recommends implementation of a consistent Citywide ID system for all accounts to be used by individuals and companies for their dealings with any and every City department. Finance, ITA and the Treasurer should prepare and submit a report on needed funding and a projected timeline for such implementation, along with projected cost savings from such a consistent system.

D. Clearer and more centralized authority

Discussions in the City about centralization have often skirted the question of whether centralization is merely about centralizing data, accounting and collections – or whether it is also about centralizing authority. The Charter Reform in 2000 that created Finance did centralize certain functions in Finance, along with strengthening the role of the Mayor as the City's Chief Executive. But, authority and responsibility can become diffused. City departments and Finance answer to the Mayor, as well as to the Council and the Council's committees, and City departments have also often been less than welcoming to Finance directives.

This lack of a clear central collections authority has led some to consider new paradigms for centralization of authority – i.e. the idea of a "Collections Sheriff" or "Collections Czar". Council motions to consider such a new post have not moved forward. The reasons might be partially attributed to the fact that the Charter already centralizes significant collections-related functions in Finance. Would the "Sheriff" be part of Finance or independent? Would certain entities need to cede authority in order for collections to be centralized in a "Sheriff"?

CORE has focused its Recommendations on achieving the benefits of centralization, while remaining mindful of its limitations. The real goal isn't about centralization *per se*; it is about revenue and efficiency, while delivering the best possible services to our City's residents, businesses and visitors.

To better clarify, strengthen and centralize revenue and collection-related authority, we recommend throughout this Blueprint greater:

- Accountability;
- Incentivization;
- Oversight;
- Collaboration;
- Standardization; and
- Clearer and more centralized authority.

At the "center" of centralization, is the Office of Finance. CORE supports:

- **Strengthening Finance:** A vital step to clearer and more centralized authority, we believe, is strengthening the role of Finance. The current situation is one where Finance is often in the position of merely "encouraging" or "suggesting" compliance and centralization.⁶ This is a recipe for non-compliance.

⁶

A prime example of departments not responding to requests and suggestions by Finance is a Revenue Enhancement Survey that Finance recently sent to departments requesting information. With limited seeming authority by the Office of Finance, most departments simply failed to respond. Finance, at the request of CORE, had requested from the departments information about:

- Compliance with referral to collections.
- Identification of lien opportunities. (See also Sec. VIII.B.35., below).
- Identification of account pools appropriate for possible Amnesty program.
- Identification of account pools appropriate for possible sale/auction.
- Status report on accounts submitted for write off.

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Of significant concern to CORE is that Finance perceives itself as having limited authority. In fact, Finance stated to CORE that “per Charter, Finance has no real authority over other departments.” The Charter does, however, empower Finance to “develop and implement the City’s revenue policy”. To do its job, Finance cannot be timid in exercising its duties and authority; it must be empowered to exercise leadership, to enforce compliance, to encourage collaboration and to be proactive and creative about revenue and collection.

- **Providing adequate resources:** It is neither realistic nor fair to ask so many things of Finance without also providing it with adequate resources. Early retirements, furloughs, hiring freezes and budget cuts have left Finance with less than adequate staffing and resources. CORE has witnessed the efforts of Finance, and, notably, its Director and its Revenue Manager to do more with less. But for Finance to live up to its potential, it needs money and people to do the work.
- **Oversight and authority:** There must be clearer lines of command and strong exercise of oversight and authority by the City’s elected leaders.

Accordingly, CORE offers the following recommendations related to Finance and its authorities:

5. **TREAT FINANCE INSTRUCTIONS AS MAYORAL DIRECTIVES** -- CORE recommends that the Mayor clarify for the benefit of all department General Managers that instructions by Finance to departments regarding revenue, billing and collections shall be treated as Mayoral directives. Finance instructions could also be incorporated into future Mayoral directives regarding collections, or used as the basis therefor.

NOTE: As described in Sec. VI.A.10., the quarterly “Dashboard” provided by Finance to the Mayor and Council now detail compliance or non-compliance with Directive No. 5. According to testimony July 17, 2010 to the Council’s Budget & Finance Committee from the Director of the Finance & Performance Management Unit of the Office of the Mayor, departments not in compliance with Directive No. 5 will henceforth be receiving a letter/memo from the Office of the Mayor detailing the non-compliance and requiring report-back from the General Manager. CORE recommends that Finance and the Council should be copied on both the letter/memo and any department report-back. Compliance with Directive No. 5 is the very minimum that a department must do. The (repeated) failures of departments to comply with Directive No. 5 have a deleterious effect on collections and serve to undermine the authority of the City’s chief executive. It is essential for the Mayor and his staff to enforce directives.

6. **STRENGTHEN AUTHORITIES OF FINANCE** -- CORE recommends that Finance submit proposed ordinance changes to Council that would clarify and strengthen the authorities needed by Finance to ensure compliance of departments with its instructions – and to provide

Finance greater latitude in developing instructions and guidelines it deems efficacious.

NOTE: As also stated in Footnote 1 of CORE's Recommended Accounts Receivable Process Flow & Timetable (Appendix 5), it may become more desirable for Finance to handle the initial billing for some City departments as the role of Finance evolves.

CREATION OF THE OFFICE OF THE TREASURER AND FINANCE – The CAO has recommended in an August 9, 2010 Memorandum that the Office of Finance and the Treasurer's Office be consolidated into one department to reduce staff costs and overhead and to create a more comprehensive approach for management of the City's funds. While CORE and its Commissioners have not studied this recommendation as of the date of issuance of CORE's Blueprint, we do believe it is vital that the entity charged with City collections be structured to have adequate funding and focus on such collections.

7. ADEQUATE STAFFING AND RESOURCES FOR FINANCE: CORE recommends that the Council prioritize staffing and funding for Finance's revenue-generating positions and work.

- i. Exempt Finance's revenue-generating positions from employee furloughs and hiring freezes.**
- ii. Allocate funding needed to fully staff Finance's Revenue Management Division.**
- iii. Allocate funding needed to fund analysts and clerical staff for the FMS project.**
- iv. Consider a stable and certain funding source for Finance's collection work – perhaps, in part, from Finance's collections.**

NOTE: Prior to the City's currently imposed mandatory furloughs, employees worked on a 5/40 schedule (5 days / week, 8 hours / day) or a 9/80 schedule (9 hours / day over 9 days, with a 10th day off). With furloughs, Finance employees have been working 72 hours over the course of 9 days (with every other Friday off). The reduction in total work hours, coupled with Finance essentially being closed every other week, has been having a very deleterious impact on collections. Under a newly approved agreement, Finance employees who are part of the Engineers & Architects Association (EAA), will be working a 9/80 schedule.

8. REVENUE COLLECTION REVIEW TASK FORCE -- CORE recommends that Finance immediately report to the Council's Budget & Finance Committee regarding the status of creation of this Task Force. CORE further recommends that the Committee request each of the members of the Task Force to appear before the Committee.

NOTE: On Feb. 10, 2010, the Council adopted a Motion presented by Councilmember Parks that a Revenue Collection Review Task Force be established by Finance, with assistance from the CAO, CLA, City Attorney and operating departments, to identify all of the methods that individually and collectively are available to the City, including outside resources, in order to secure the revenue due to the City. (See Council File No. 09-2560-S1).

Since CORE's first meeting in March, the Commission has repeatedly inquired into the status of creation of the Task Force. The Commission has also repeatedly encouraged Finance to get the Task Force going, so that CORE and the Task Force could work together. As of early September 2010, the Task Force had not yet been established. Finance reported to CORE it has been in discussions with the CAO and CLA regarding appointment of representatives to the Task Force, and that it anticipates establishment of the Task Force in September 2010.

9. REVENUE MANAGEMENT COMMITTEE – CORE recommends that Finance take all necessary steps to reconstitute and invigorate its current Revenue Management Committee (the “RMC”).

NOTE: As noted in Sec. VI.A., below, Criteria 7 of Directive No. 5 states that departments must ensure a liaison attend quarterly RMC meetings convened by Finance. As further noted in Footnote 7 and in Appendix 6 below, only 8 of 20 liaisons were reported as regularly attending the scheduled meetings in FY08-09. The purpose of the meetings is to coordinate, to make sure procedures are being followed by departments and to share best practices. CORE's Chair, along with another CORE Commissioner, attended the meeting of the RMC June 17, 2010. Less than one-half of departments were in attendance, which is particularly troubling because, according to Finance, departments not attending RMC meetings regularly are also more likely to be out of compliance with the other criteria in Directive No. 5.

While the June 17 RMC meeting was ably led by Finance's Revenue Manager, it was the opinion of the attending Commissioners that the level of engagement by RMC department representatives at this meeting was poor. The meeting was mostly about Finance “encouraging” and “suggesting” that the departments follow guidelines and directives. As noted in CORE's Recommendation Nos. 5-6, above (Sec. V.D.5-6), Finance needs to be empowered, and ready to exercise empowerment to truly manage the RMC and the collection process as a whole.

Given the City's serious need to improve collections, it may also be advisable for RMC meetings to occur monthly, instead of merely on a quarterly basis.

VI. ACCOUNTABILITY, INCENTIVES & BUDGETING

- Testimony before CORE has led Commissioners to the obvious conclusion that ongoing failures in L.A. to bill and collect stem from a lack of clear accountability and incentives. (We also stated earlier that a clear line of authority and oversight is critical). Without these elements, previous (and future) directives inevitably will fail. Addressing the lack of these elements is central to CORE's recommendations, and we believe, to achieving real progress and reform. Moreover, as we necessarily move to greater centralization of billings and collections, it is vital to give departments and department General Managers more "skin in the game" and to provide them with incentives to prioritize the generation of revenue.

A. Make departments and managers more accountable

- Enforce compliance of City departments with Mayoral Executive Directive No. 5 – Revenue Billing and Collection (the "Directive No. 5").

On October 5, 2005, Mayor Villaraigosa issued Executive Directive No. 5, entitled: Revenue Billing and Collection. Directive No. 5 (a) ordered departments to comply with the Collection Guidelines and (b) listed the seven criteria underlying the Collection Guidelines. Nearly five years after issuance of Directive No. 5, pertinent parts thereof remain ignored and/or unimplemented by departments.

Finance issues a brief annual "Report on Overall Citywide Compliance with Mayor's Executive Directive Number 5". Listed are 7 compliance criteria, with grades assessed by Finance for the departments as a whole (along with selected comments). The most recent such annual report is for FY 2008-2009, dated Oct. 7, 2009⁷. It grades compliance with 3 of the 7 criteria as "Below Standard". Grades for 2 of the criteria were listed as "Above Standard", and the remaining 2 grades were "Standard". For these latter 2 criteria, however, the application of a Standard grade might be considered overly generous. Specifically:

- Criteria 6 requires departments to properly refer uncollectible accounts to the Board of Review. A grade of Standard was applied despite the fact that only 10 out of 20 departments had complied. Finance based its standard rating on the fact that 9 of the departments' average accounts receivable balance was under \$100,000. CORE believes, however, that each department should comply -- regardless of its accounts receivable balance(s).
- Criteria 7 states that departments must "ensure" a liaison attend quarterly Revenue Management Committee meetings convened by Finance. Again, a grade of Standard was applied despite the fact that only 8 of 20 liaisons were reported as regularly attending the scheduled meetings.

⁷ See Appendix 6 for the one-page table that is part of the annual report.

Finance recently began providing a quarterly "Accounts Receivable Dashboard" as part of the Management Initiatives-Universal Metric reporting and pursuant to Council File No. 09-0600-S171. While Finance previously reported to the Mayor about the general performance of departments with Directive No. 5 (See Appendix 6), the newer AR Dashboard (See Appendix 7) includes several paragraphs summarizing departmental AR performance and compliance and is provided to the Mayor, Controller, CAO and the Council's Budget & Finance Committee.

As detailed in *Sec. VI.D.*, the job of reporting on departmental AR performance and compliance is best shifted from Finance to the Inspector General recommended by CORE. The ability of Finance to do its job most effectively depends on a cooperative and collaborative relationship between Finance and the City's other departments. Putting Finance in the position of reporting and grading the performance of various City departments undermines the working relationship that will yield the best benefits of centralization.

Independent reporting, we believe, is the most effective way to achieve full compliance and improved collection rates across a broad range of receivable types and departments.

10. QUARTERLY IG REPORTS RE DEPARTMENTS' COMPLIANCE WITH COLLECTION GUIDELINES AND DIRECTIVES – CORE recommends that the Inspector general (IG) proposed by CORE (See *Sec. VI.D.*) prepare quarterly reports of departments' compliance and performance to submit to the Mayor, Controller, City Attorney and the Council:

- i. Compliance of departments with each of the criteria in Directive No. 5.
- ii. Compliance of departments with all applicable Collection Guidelines.
- iii. Performance of departments with capturing all billable services and fees – including full cost recovery.
- iv. Progress of departments in cultivating new revenue sources.
- v. Reports to include both details and a simple chart/checklist with summary scores or grades for each department.

11. QUARTERLY IG REPORTS RE COLLECTION RECOMMENDATIONS OF CORE AND CONTROLLER – CORE recommends that the Inspector General (IG) proposed by CORE (See *Sec. VI.D.*) prepare quarterly reports to submit to the Mayor, Controller, City Attorney and the Council:

- i. Status of implementation of each of the currently not-implemented and/or partially implemented recommendations in the Controller's 2007 and 2010 Audits.

NOTE: The Controller's July 2010 (Follow-up) Audit reported on status of implementation by Finance and City departments of the 35 recommendations that were part of the Controller's 2007 Audit. Attachment I to the July 2010 Audit detailed 13 of the 35 Controller recommendations that were either not implemented or only partially implemented. As part of the Commission's comprehensive Blueprint, Appendix 8 lists the CORE recommendations notably complementary and correspondent to implementation of the Controller's Audits.

ii. Status of implementation of each of CORE's recommendations that are ultimately adopted by the City.

NOTE: CORE recommends a matrix-like tracking system listing each recommendation, status of review or implementation, required actions, etc. Pending creation and appointment of the Inspector General, CORE recommends that the Council direct Finance to prepare the reports recommended in Recommendations 10 and 11.

- 12. DEPARTMENT GENERAL MANAGERS' ATTESTATION TO COMPLIANCE - CORE recommends that the Mayor, CAO and Council's Budget & Finance Committee require department General Managers, as part of annual budget requests, to submit a letter attesting their department's compliance with Directive No. 5 and with all provisions of the Collection Guidelines. Any and all provisions wherein a department is not in compliance shall be detailed by the General Manager and reviewed as part of the budget process.**
- 13. PERFORMANCE GUIDELINES FOR GENERAL MANAGERS – CORE recommends that, in order to implement a clear management evaluation policy which includes revenue and collection performance criteria, the Mayor, as Chief Executive should consider development of specific individual performance guidelines with each General Manager. These guidelines should include goals and expectations set respectively by the General Manager and the Mayor and should be evaluated annually by the Mayor and his executive team with advisory input from the City Council as appropriate to consider the General Manager's capability and performance in meeting the overall responsibilities of running the individual department.**

B. Incentivize City departments to make revenue, billing, and collections a priority through the City budget process

- Departments should not merely be in compliance with billing and the Collection Guidelines – they should be oriented to thinking and acting proactively, creatively and entrepreneurially about generating revenue. For this to become a reality, departments need more “skin in the game”. Moreover, City employees need to feel both empowered and appreciated in taking the initiative to generate revenue.

14. **L.A. COUNTY BUDGETING PARADIGM** -- CORE recommends that the CAO report to the Mayor and the Council on the feasibility of adopting aspects of the County of L.A.’s budgeting paradigm – wherein department budgets are based, in part, on collections targets. Departments that do well can benefit. Departments that fail to meet expectations are called to account by the County’s CEO and by the Board of Supervisors.

NOTE: L.A. County’s budget clearly links the revenues of each department – broken down by different types of revenue generated by each department. These numbers are linked to the budget for each department. The budget includes information about gross appropriation for the department, less revenue, then a total of the net County cost for the department (further broken down by the net County cost for various functions of said department). The County also includes a very specific department-by-department performance matrix, along with estimated revenues/collections vs. actual revenues/collections. It should also be noted that many County departments specifically have at the top of their strategic plans goals for “collection enhancement” or “pursue additional revenue source opportunities.”

15. **PILOT PROGRAM** -- CORE recommends that Council create a pilot program with several departments (or a cluster of departments) that would dedicate or earmark a portion of collections to fund the costs of collections and to benefit said departments’ operations. The paradigm might be that a portion of certain revenues be apportioned or directed to help fund and support:

- i. Collection positions at Finance.
- ii. The post of Inspector General for Revenue & Collections.
- iii. Revenue-generating positions in the specific department.
- iv. Staffing needs and programs of the specific department.

NOTE: CORE recognizes potential concerns of dedicating or earmarking revenues – especially at a time when the City has a shortfall of General Fund revenues. However, we believe that selectively giving departments more “skin in the game” will result in a net increase of revenues to benefit the General Fund.

16. **REVENUE TARGETS AND FSRs** -- CORE recommends that the Mayor, CAO and Council make department-by-department revenue targets (and performance) a fixed part the budget process, of the regular Financial Status Reports (FSRs) by the CAO, and that these targets be included in all quarterly reports by departments.

C. Employee recognition

17. **ENCOURAGE AND THANK CITY WORKERS** -- CORE recommends that each department implement a recognition program for employees. Recognizing and thanking employees for their excellence in service would serve as reinforcement of positive actions and encouragement for hard-working employees. It also serves as a peer example and department-wide mechanism to incentivize City workers to focus on ways to generate more revenue for the City.

NOTE: The City's Quality & Productivity Commission ("QPC") previously issued annual Quality and Productivity Awards to recognize exemplary employees and teams within the City. Because funding and staffing for the QPC have all but been eliminated within the last year, there were no awards in 2009. The adequate resources need to be provided by the City to continue this valuable program and work.

D. Create a post of Inspector General for Revenue & Collections

- Reports, audits, Mayoral directives, Council directives and Collection Guidelines have proven to be insufficient by themselves in bringing about reform of collections. With the City facing financial crisis, this is not the time for piecemeal approaches – or for proposed changes to potentially get lost in the shuffle of paperwork. There needs to be a clear program – with timetables – to thoroughly and comprehensively implement much needed changes.

Accordingly, the Commission recommends the establishment and appointment of an Inspector General for Revenue and Collections to independently report on, and aid in the implementation of, the City's Collection Guidelines, the Controller's recommendations and the recommendations of this Blueprint

Money on the table

- A staggering 76.6% of the City's \$541.1 million in non-tax receivables are more than 120 days past due – with 42.5% more than 2 years past due.
- City departments are collecting just over half of what they bill.
- Merely 48.5% of accounts eligible for collection agency referral are actually referred.
- Less than half of City departments apply interest or penalties to past due accounts.
- A majority of departments routinely disregard directives and guidelines for collections.
- L.A.'s ongoing budget crisis demands that the City collect what it is owed; the alternative is unacceptable.

You can expect what you inspect

Audits of collections by the Controller have been invaluable in spotlighting failures and offering recommendations. Audits, however, are conducted only every few years; there is a need for real-time monitoring and intervention. Only through ongoing, focused inspection and reporting can the City expect to fix and reform collections.

Sole and concentrated focus on revenue and collections

Every other City official and General Manager has multiple duties that include collections as only a part thereof. This is a critical time when the City needs a post solely focused on, and dedicated to, reporting, coordinating and increasing collections.

Coordination and partnership

The intention of the Inspector General position is not to supplant or usurp the authorities of Finance – but rather to help it. The elected and other officials of the City would also continue to exercise their ongoing responsibilities and authorities. The ability of Finance to do its job most effectively depends on a cooperative and collaborative relationship between Finance and the City's other departments. Putting Finance in the position of reporting and grading the performance of various City departments undermines the working relationship that will yield the best benefits of centralization.

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Changing the culture

Compliance by departments is essential – but it isn't enough. Each and every department needs to be proactive and to make revenue a priority. This culture change must happen – and it requires monitoring, follow-ups, and coordination.

18. INSPECTOR GENERAL -- CORE recommends the establishment and appointment of an Inspector General for Revenue and Collections to independently monitor, report on, and aid in the implementation of, the City's Collection Guidelines, the Controller's recommendations, the recommendations of this Blueprint and other collection reforms.

i. Responsibilities:

- a. Prepare and provide independent and objective reports on implementation of Controller's recommendations and CORE's Blueprint recommendations adopted by the City.
- b. Independently report on departments' revenue and collections performance and on compliance with directives of the Mayor, the Council and of Finance.
- c. Aid in facilitating collaborations and coordination needed to implement recommendations and directives.
- d. Provide technical, consultative advice and independent oversight of collections reforms.
- e. Work with the CORE and/or any successive Commission that may be tasked with improving revenue and collections.
- f. Serve as a conduit to and for the Council's Audits & Governmental Efficiency Committee and the Budget & Finance Committee.

ii. Appointing authority:

CORE recommends appointment by the Mayor, with confirmation by the Council. There can be one or more appointing and oversight authorities, and the post can be wholly independent and/or linked with an office of the City.

iii. Term, Oversight, and performance goals:

- a. Initial 2-year term, with renewal for a 3rd year – unless terminated.
- b. Extensions thereafter at discretion of the Mayor and Council and/or other appointing authority.
- c. Annual review by the Mayor and Council.
- d. Measurable performance goals – including: (i) Increases in revenue, (ii) Higher collection rates, (iii) Improvements in compliance with the Collection Guidelines and with the Controller recommendations and (iv) Implementation of CORE's Blueprint recommendations that are ultimately adopted by the City.

iv. Funding:

- a. Many reports have clearly cited hundreds of millions of dollars uncollected by the City each year. As shocking as these reports are, they do not even begin to include missed opportunities to identify new revenues or savings that can and must be achieved in the costs of collections. Thus, the post of Inspector General will quickly pay for itself and yield exponential returns.
- b. Sources of funding could include the General Fund either through or separate from allocations to departments, or through allocations to the offices of one or more City Officials. Funding could also be part of a set-aside from additional collections. (See *Recommendation 15, Sec. VI.B.15*).

v. Models for the Inspector General post:⁸

- a. LAPD Inspector General.
- b. LAUSD Inspector General.
- c. L.A. County Metropolitan Transportation Authority (MTA).
- d. LACCD Inspector General – Created March 10, 2010.
- e. CA Inspector General for ARRA Funds.
- f. U.S. Council of the Inspectors General for Integrity and Efficiency.
- g. Association of Inspectors General.
- h. Major U.S. cities with one or more IG(s) in addition to a Controller/ Auditor: New York, Chicago, Philadelphia, Boston, and Houston.

⁸ The Commission discussed at length questions about the nature and scope of an IG's duties and authority and how such a post could be independent yet interconnected. The IG's role is also most effective in not appropriating the lines of authority and accountability that are in place – rather in strengthening them. While all Commissioners supported enhanced collection oversight, reporting, and follow-up, Commissioner Gagan voted to oppose this Sec. VI.D., Recommendation No. 18 for an IG and Recommendation 15.ii for its funding.

VII. CHANGE ACCOUNTS RECEIVABLE PROCESS FLOW & TIMETABLE

- Various aspects of the 2009 Citywide Guidelines to Maximize Revenue Collection (the "Collection Guidelines") are in serious need of amendments, revisions and updates.

Except when departments can collect revenues up-front, the Collection Guidelines require departments to bill accounts within five days of providing service. The customer is typically given thirty days to make payment and generally, an account not paid within 45 days of the due date or 75 days from the invoice date is considered to be delinquent. The Collection Guidelines require departments to refer unpaid accounts under \$5,000 to one of three collection agencies: NCO Group Inc., Municipal Services Bureau or AllianceOne. Accounts of \$5,000 or more are referred to Finance's Citywide Collection Unit (the "CCU"). CCU can refer any account to another collection agency, Caine and Weiner, and/or the City Attorney for further collection efforts. If any department determines either that an account is uncollectible or that an account is not cost effective to pursue further, the account is referred to the Board of Review (consisting of representatives from the Office of the Controller, Treasurer, and Finance) for write-off approval. For accounts of \$5,000 or more, Council's approval is required for write-off.

Both Directive No. 5 and the Collection Guidelines require departments to refer delinquent accounts, as described above to outside collections, Finance or to the Board of Review. The problem with this process is that departments do not comply with the referral requirements. CORE strongly recommends replacing the current referral system with one in which the transfer from one phase of collection to another is compulsory / automatic – rendering the need to make referrals substantially moot.

A. Replace the current requirement of department referrals with a *de facto* system of account transfers

19. **COMPULSORY / AUTOMATIC ACCOUNT TRANSFERS** – CORE recommends replacing the current system of department "referrals" of accounts from one stage of collections to another with a *de facto* system of compulsory or automatic account transfers, under the supervision of Finance. Rather than make referrals a discretionary or recommended act by a department, the transfer should be compulsory (and, preferably, automatic) – unless there is a specific reason or circumstance to not do so.

NOTE: CORE is mindful that as simple as it may sound for account transfers to happen automatically, the reality is somewhat more complex. Currently, referrals take the form of electronic data transfers. The formats and software interfaces for these transfers vary, depending on the particular system the department is using for accounts receivable management. According to Finance, older and outdated systems of many departments make it technically difficult or impossible to program automatic transfers.

One of purposes and goals of the much-anticipated new FMS (and its intended accounts receivable component) is to make automatic transfers a reality. Even as we await implementation of the FMS, however, automatic referrals could be set up for departments with newer software in place. If elaborate reprogramming is needed to effectuate a department's automatic referrals, it may not be financially sensible to do so. Accordingly, CORE recommends that Finance identify any department(s) and systems where automatic account transfers could be quickly and cost-effectively implemented.

20. **PROCESS FLOW AND TIMETABLE** – CORE recommends that the **Current Non-Tax Accounts Receivable Process Flow and Timetable of the Collection Guidelines** be replaced with **CORE's updated Recommended Non-Tax Flowchart**. (See *Current Flowchart in Appendix 4, and Recommended Flowchart in Appendix 5*).

B. Maximize collections through collection agencies

- Best practices of the private sector and of other government entities dictate that the City *immediately* make better and greater use of collection agencies.

Collection agencies with City of L.A. contracts:

The City currently has contracts with several private collection vendors. Alliance One, Municipal Service Bureau (MSB) and NCO are the three companies that handle referrals of delinquent accounts of less than \$5,000; a fourth vendor, Caine & Weiner, handles referrals of \$5,000 or more. Additionally, DOT has its own billing and collection contract with vendor ACS. (See *Sec. XI.B*).

Department referrals to collections:

As of the end of the 3rd quarter of FY 09-10, a staggering 76.6% of the City's \$541.1 million in non-tax receivables was more than 120 days past due – with 42.5% more than 2 years past due! Worse yet (as noted in Finance's June 22, 2010 report on departments' receivable submittals for the 3rd quarter of FY 09-10), merely 48.5% of accounts eligible for referral by departments to a collection agency were actually referred. In fact, out of 21 departments, 12 were below 80% compliant with referring delinquent accounts in a timely manner to collection agencies: Specifically: El Pueblo; LAFD; LAHD; Convention Center; Police; Zoo; Transportation; and Public Works on behalf of the Department 50 (Special Funds), Board of Public Works, and Bureaus of Contract Administration, Engineering and Street Services.

Notably, General Services and the Bureau of Sanitation were 100% compliant.

Recommendations:

Based on CORE's inquiries with various collection industry experts, we recommend a more automatic process of transferring accounts to outside collections, better criteria for selection of collections vendors, more competition among a greater number of vendors and the immediate referral of seriously past-due accounts to secondary collection agencies.

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21. PRIMARY COLLECTIONS -- CORE recommends that Finance amend the Collection Guidelines setting forth the process flow for primary collections of accounts of less than \$5,000 – as follows:

- i. As noted in Recommendation No. 19, (Sec. VII.A.19), accounts under the current Collection Guidelines that are supposed to be referred by departments at forty five (45) days of delinquency, shall henceforth be *de facto* transferred to a primary collection agency (unless a department provides a specific reason or circumstance not to do – to the satisfaction of Finance).
- ii. If no payment is received within a nine (9) month period from transfer of an account to the primary collection agency, the account shall, in consultation with Finance, be automatically transferred to secondary collections (See Recommendation No.22 (Sec. VII.B.22)).
- iii. If partial payment is received within the nine (9) month period, the period for the primary agency to hold the account may be extended up to another three months.
- iv. Finance shall have discretion to “pull” any account or pool of accounts at will.

22. SECONDARY COLLECTIONS -- CORE recommends that Finance amend the Collection Guidelines to provide for a compulsory or automatic transfer of unpaid accounts from primary to secondary collection vendors as soon as time allotted to primary collection has expired. Such transfer should be automatic and, at the same time, in consultation with Finance. Such transfer, we generally believe, should be for a six (6) month period -- except where Finance determines otherwise.

NOTE: On August 11, 2010 the Council authorized Finance (Council File No. 10-0396) to negotiate and execute two (2) year contingency contracts with four (4) collection agencies for secondary collections (pursuant to an RFP that had been issued by Finance). The companies are Alliance One, Muni Services, Gila Corp. and Rickenbacker. Accounts wherein the first collection agency has been unable to collect would be assigned to a second agency for a second round of collection efforts. CORE recommends that the sooner Finance can begin referral and transfer of these accounts to secondary collectors, the better.

INTERNATIONAL COLLECTIONS: CORE also recommends that Finance report to the Council about the percentage of uncollected accounts attributable to foreign debtors – and the possible advisability of retaining special collection services therefor. There exist collection companies with international networks such that a debtor in a particular country owing money to the City would receive letters and calls from a collection agency based in that specific country.

23. **MULTIPLE VENDORS AND COMPETITION** – CORE recommends that Finance have contracts with at least two private collection agencies with respect to each major type of receivable. Each vendor would initially receive equal referrals and Finance would evaluate and publish each vendor's performance quarterly. Under a rewards-based system for distributing accounts, the evaluations would be determinative of the volume of accounts assigned in subsequent quarters. Competition is good, and Finance should reward superior performance with additional referrals.
24. **SELECTION CRITERIA AND COMPENSATION** – CORE recommends that the City's future collection agency-related Requests for Proposals (RFPs) and agreements refocus from low-fee, low-bid contracts to performance-based selection and compensation. For aged accounts, vendors should be provided with significantly enhanced commission(s) in relation to the difficulty and likelihood of collection. (See also Recommendation No. 58).

NOTE: Many public agencies mistakenly interpret California Public Contracts Law as requiring selection of the "lowest bid" vendor -- notwithstanding the fact that such criteria is often counter-productive to the goal of getting the highest net revenue.

The U.S. Department of Treasury's approach to determining fair commission to be paid, takes into account the age and type of receivables which are to be referred. Currently this commission rate may be "fixed" within a given range for accounts paid while at the same time encouraging enhanced performance.

25. **COLLECTION AGENCY CONTRACT PROVISIONS** – CORE recommends specific provisions for collection agency contracts be considered, as follows:
- i. Competition clauses (See Recommendations 23 and 58).
 - ii. Performance guarantees.
 - iii. Performance bonds.
 - iv. Annual financial statements to monitor vendor's strength and resources.
 - v. Quarterly meetings between the vendor, Finance and department personnel to review and discuss how to improve everyone's performance.
 - vi. Options for debtors to pay online.
 - vii. Benchmarks.
 - viii. Preferences for local employment.
 - ix. Incentives to aggressively work the "back end" of account pools.
 - x. Incentives to collect sooner rather than later.
 - xi. Sophisticated and effective skip tracing.
 - xii. Pairing of pools of receivables. Some pools are more attractive to collectors than others. A way to get vendors to undertake a mediocre pool at a good rate is to pair that pool with one that is more attractive.

C. Sale of Debt

- As noted in the Citywide Billing and Collection Guidelines, Sec. 5.182 of the Los Angeles Administrative Code provides procedures for writing off debts deemed uncollectible by departments.

Finance reported to CORE April 7, 2010 that \$346 million of the \$559 million in receivables is more than 121 days past due. Conceivably, the City could sell/auction/ securitize significant portions / pools / tranches of these receivables. While the City's first attempt to sell certain judgments yielded rather paltry results, the pool was a very old pool of debt that had already been written off. CORE believes sale of debt should become a regular part of the handling of aging receivables.

26. **RFP / RFQ FOR EVALUATION OF SALEABLE RECEIVABLES** -- CORE recommends that Finance issue a Request for Proposals (RFP) / Request for Qualifications (RFQ) for evaluation of receivables for sale and for brokers specializing in such sales. Council should be presented with the scope of work for the RFP / RFQ prior to its release.
27. **REDEFINE THE BOARD OF REVIEW** -- CORE recommends amending the City Administrative Code to make the primary charge of the Board of Review (BOR) the evaluation of (pools of) accounts receivable for sale or auction. Currently, the BOR is charged with evaluating improbable receivables for write-off. While there are some receivables of clearly no value that need to be evaluated for write-off approval by the BOR, nearly all the rest of the City's improbable receivables should, more appropriately, be evaluated by the BOR, in consultation with debt sale brokers, for approval for sale or auction. For the bulk of aged receivables, the City would then automatically write-off the difference between the amount of the debt and the amount realized in a final sale or auction.

NOTE: The BOR is a panel comprised of the Controller, the City Treasurer and the Director of Finance, or the duly appointed representative of each. A representative from the City Attorney's Office serves as legal counsel to the BOR. The Controller serves as Chair of the BOR, which is supposed to meet at least quarterly unless there are no write offs to be considered.

Pursuant to the City Administrative Code, Division 5, Chapter 11, Article 1, Sec. 5.182: "If any board, commission, or head of any department finds that any money is due . . . and is uncollectible, or that efforts to collect any sum would be disproportionately costly in relation to the probable outcome of the collection efforts, the board, commission, or head of a department, shall prepare a report setting forth the findings and submit the findings and reasons to a Board of Review." Upon unanimous approval by the BOR, accounts receivable of less than \$5,000 are written-off and removed from the active accounts receivable of that board, commission or department.

While the Controller and City Attorney may have (had) some concerns about selling City receivables prior to writing them off, we believe it will be better to

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sell the receivables as an alternative to write-off. Firstly, because CORE's proposal to sell the receivables well before 5 years is designed to sell the debt while it still, in fact, has value – making it inappropriate for write-off. Secondly, if the City makes an official determination that an account (or pool of accounts) is so lacking in value as to be appropriate for write-off, how might we expect debt buyers to have any interest in buying such receivables?

- 28. REVIEW OF ACCOUNTS FOR SALE -- CORE recommends that the Mayor and Council direct that accounts uncollected after secondary collections should be automatically forwarded to the Board of Review for evaluation and recommendation for auction or sale.**

D. Settlements

- It's an old adage that a bird in the hand is worth two in the bush. The City could benefit by examining the guidelines currently in place for settlement of debt. Currently, the framework for most settlements is that certain debts may be settled only if all principal and all interest is paid; up to 40% of penalties may be waived. This may be too limited to be effective.

29. FINANCE'S EXERCISE OF SETTLEMENT AUTHORITY -- CORE recommends that Finance report on its claims settlement statistics and policies to the Council's Budget & Finance Committee.

NOTE: The L.A. Admin. Code, Div. 5, Chapter 10, Article 2, Sec. 5.717.1 grants Finance the authority to settle or compromise any (non-litigated) monetary claim for payment due to the City that is administered or referred to Finance and where the amount by which the City's claim is to be reduced does not exceed \$50,000. The City Attorney's Office has similar authority for (litigated) claims it administers.

30. IMPLEMENT OFFER IN COMPROMISE PROGRAM -- CORE recommends that Finance report to the Mayor, Council, CAO and CORE on the details and timetable of the forthcoming Offer in Compromise Program. (Per FY 2010-2011 Budget).

NOTE: CORE was informed that Finance intends to implement the Offer in Compromise Program in November 2010. It is CORE's understanding that the program would essentially serve to formalize Finance's exercise of its settlement authority. Given the current economy, and the City's need for revenues, CORE encourages expeditious and practical settlements to the City's ultimate benefit.

E. Amnesty

- Finance implemented a very successful 2009 Tax Penalty Amnesty Program in May 2009, which generated more than \$20 million in revenue from more than 8,800 businesses. Finance has now proposed a similar program for more than 55,000 non-tax accounts currently assigned to collection agencies. CORE recommends moving forward with a non-tax amnesty program.

31. EXPEDITE NON-TAX AMNESTY PROGRAM -- CORE recommends that the Council expedite and fund the implementation of a comprehensive non-tax amnesty program proposed by Finance in its FY 10-11 budget.

NOTE: The non-tax accounts receivable underlying an amnesty program proposed by Finance had an inventory value of approximately \$24.5 million as of Oct. 31, 2009, with a projected one-time revenue yield of \$1 million – not including EMS accounts or parking citations. At a September meeting of CORE, Finance reported that it was looking at a pool of potential accounts that could yield about \$2 million, less the cost of an outreach campaign to inform debtors of the amnesty opportunity. Collections would be through agencies currently holding the accounts. While an amnesty was to have been initiated in September 2010, Finance is now projecting a start sometime in the Spring of 2011. CORE recommends Finance and the Council roll out an amnesty program as soon as possible, and the Commission recommends including EMS accounts and parking citations in the amnesty program.

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VIII. INTENSIFY CONSEQUENCES FOR DELINQUENCIES

A. Standardize and uniformly apply interest, penalties, and collection fees on delinquent accounts.

- Despite numerous directives from the Council and the Mayor, there is significant inconsistency between departments in application of interest, penalties and collection fees. In fact, there are departments that do not have any.⁹ It is CORE's opinion that the failure of compliance stems, in large part, from the manner in which previous directives have been made. Rather than merely encouraging or asking departments to follow best practices, they must be mandatory.

- 32. STANDARDIZE INTEREST AND PENALTIES -- CORE recommends that the Council instruct the City Attorney to prepare draft ordinance(s) necessary to apply consistent fees, penalties, and interest charges for all City receivables – except as may be noted as being impermissible. Said draft should then be sent to each department General Manager, who would have no more than 30 to days to object. Revised draft ordinance(s) would be submitted to the AGE Committee and to Council for review and approval.**

NOTE: The Collection Guidelines state that if a department is not charging interest and/or penalty on delinquent accounts, the department should draft a proposal memorandum and request to the AGE Committee. This request of the departments has proven to be ineffective. Accordingly, CORE recommends imposing, rather than merely requesting, the imposition of both appropriate interest and penalties.

- 33. INCREASE INTEREST AND PENALTIES -- CORE recommends that Finance prepare a report on the feasibility of increasing the interest rate and penalties currently applied to delinquent receivables to no less than the average being charged by other municipalities.**

NOTE: Finance previously surveyed 30 other municipalities and found average interest and penalties for certain delinquent receivables to be 8.90% and 20.90%, respectively.

For delinquent business tax receivables, penalties and interest are imposed by the City is set in accord with Chapter II, Article I, Sec. 21.05 of the L.A. Municipal Code. Penalties can be hefty, ranging from 5.00% to 40.00% -- or more, depending on the length and circumstances of delinquency. The

⁹ Attached as Appendix 9 is a July 30, 2010 report submitted to the Council's Budget & Finance Committee by Finance entitled: Report on Application of Interest and Penalty of Departments' Permits and Fees. This update of a previous report on such fees and penalties as of 2008 shows there has been little progress in correcting the longstanding problem of departments not charging interest or penalties on most overdue receivables.

interest rate on delinquent taxes is based on the average Federal Short term rates for the months of July, August and September of the previous calendar year, plus 3.00%. The short term rate, as published by the IRS for the month of July 2010 is an annual 0.61%. (down from 2.40% in July 2007) Thus, the interest rate being charged by the City in 2011 based on this rate will be 3.61%.

For delinquent non-tax receivables, penalties and interest are often not assessed at all. (See Appendix 9).

While applying strong and consistent late fees, fines and penalties is necessary, the City must be cognizant that doing so in an overly punitive way can become counterproductive. Collection may become harder and less likely with too many fees, fines and penalties, so it is important to keep them efficacious and reasonable.

B. Liens – increase utilization

- Liens can have a powerful role in vouchsafing for the City security for sums owed by debtors. The liens can be upon real or personal property, for tax and non-tax liabilities and imposed by mutual agreement of parties before or after a default or imposed by operation of law or by the order of a court.

34. **ADMINISTRATIVE LIENS** -- CORE recommends that Finance move to aggressively implement the City's newly adopted administrative lien Ordinance for delinquent taxes. Finance should also report on its implementation and the results thereof to the Council's Budget & Finance Committee six (6) months after the effective date of the Ordinance.

NOTE: The City's newly adopted administrative lien program (Council File No. 09-1476) for delinquent business taxes is effective as of September 12, 2010. Under the new Ordinance (No. 181238), the Director of Finance may record liens against property to collect unpaid taxes, interest and penalties. Such liens may be recorded against real property used in connection with activities that generated the tax liability or against personal property used in connection with activities that generated the tax liability.

CORE further recommends that Finance and the City Attorney consider a similar administrative lien program for delinquent non-tax receivables.

35. **RECORDED PARKING LOT LIENS / ENCUMBRANCES** -- CORE recommends that the City Attorney, in consultation with the CLA, prepare a memorandum regarding the feasibility of requiring parking lot/facility/structure tax agreements to be recorded upon the title to the real properties whereupon such operations currently exist. Such agreements could serve as an encumbrance upon the real properties to essentially guaranty payment of the parking tax and as a lien that could be foreclosed upon in the event of non-payment (similar to property taxes).

36. **LIEN RECOMMENDATIONS** -- CORE recommends that Finance and the City Attorney collaborate to draft a framework for a Citywide policy dictating the greater use of liens and other encumbrances with recommendations for applications.

NOTE: At the request of CORE, Finance asked departments to report back on possible application of new/additional liens. Unfortunately, there was very limited response by departments. A Council directive would help to underline for departments the necessity of their responses and engagement related to liens. (See Sec. V.D., Footnote No. 6, above).

C. Role of City Attorney

- The City Attorney has a vital role to play in City collections – and a constructive, cooperative and communicative relationship between Finance and the City Attorney is vital to the goal of generating more revenue.

37. **REFERRALS TO CITY ATTORNEY** -- CORE recommends that Finance and the City Attorney clearly memorialize the parameters, dollar thresholds and timing of cases transferred to the City Attorney from Finance or from departments.

NOTE: There seems to be some difference of perspective between the City Attorney and Finance about the parameters and timeliness of referrals of certain delinquent accounts to the City Attorney. Clearer communications, processes and a formalized Memo are needed to maximize collections.

38. **CONTINGENCY CASES** -- CORE recommends that the City Attorney outline a proposed framework for contingency collection cases.

NOTE: In many cases, the City Attorney's office can win bigger judgments, or negotiate better settlements, than outside contingency counsel. However, having City Attorneys handle cases in-house – instead of through contingency attorneys – requires adequate staffing of the City Attorney's office. Along with establishing a set policy, a pilot program might be considered to provide for a set-aside from certain collections to help cover some of the costs of the City Attorney's collection section -- based on the equivalent of what would have been paid to outside contingency attorneys in collection matters successfully resolved by the City Attorney.

39. **USE OF CITY ATTORNEY LETTERHEAD** -- CORE recommends that Finance report to the Council and the City Attorney regarding departmental compliance with Sec. 4.4 of the Collection Guidelines.

NOTE: The Collection Guidelines require departments to timely send a final delinquency notice on City Attorney letterhead. Per Sec. 4.4 of the Collection Guidelines: "The City Attorney has provided standard language to be used in the final notice. A sample letter is attached as Exhibit 5. Finance must approve the department's final notice before it is used. No modifications or deviations from the language provided by the City Attorney's office are allowed. Departments are also to provide written notice to the City Attorney's office of the name and telephone number of a designated departmental contact to whom telephone calls may be referred. The use of the City Attorney's letterhead has been found to greatly enhance collections in the City and is recognized as a best practice. However, the utmost caution regarding its use must be demonstrated to assure its validity. Instances where misuse is alleged will result in immediate suspension of the practice. Random sampling will be conducted to verify that departments are using the notice as intended. Also, departments are responsible for providing the City

Attorney's office with a listing of targeted debtors in a format prescribed by that office upon request."

Use of City Attorney letterhead must at all times be in accord with the Collection Guidelines, the California Code of Professional Responsibility, the Fair Debt Collection Practices Act (FDCPA) and all applicable case law. Failure to do so can undermine the integrity of the City Attorney's Office, and subject the City to liability. Accordingly, Finance should monitor and regularly report on compliance with requirements in the Collection Guidelines regarding use of City Attorney letterhead.

40. **COLLECTION REPORTS** -- CORE recommends that Finance and the City Attorney copy the other on monthly collection reports. Finance should copy the City Attorney on any reports related to departmental compliance with the Collection Guidelines and with reports on the status of collections by each department. Similarly, CORE recommends that the City Attorney furnish updates regarding all collections and account delinquency cases being handled by the City Attorney.

D. Other consequences for debtors

As noted elsewhere herein:

- Increased and consistently applied interest, penalty, and collection costs.
- Posting delinquent debtors on the internet.
- Limitations on granting of approvals, contracts, etc. based on outstanding delinquencies.

IX. ENHANCE QUALITY AND AVAILABILITY OF INFORMATION

A. Improve accuracy of reported receivables by departments and the Office of Finance

- The tallies of uncollected debt reported by City departments to Finance are in many ways inexact, inaccurate and misleading. The format of the current reports also makes it more difficult for the City's decision makers to "separate the wheat from the chaff". Among the shortcomings of the current reporting:
 - No delineation of legally uncollectible sums -- Some of the reported receivables are, in fact, legally uncollectible (See Sec. XI.A.).
 - No delineation of the sums attributable to interest, penalties or late fees -- In the case of DOT, for example, the 15% of citations that are uncollected represent a disproportionately greater percentage of uncollected dollars because of penalties. (See Sec. XI.B.). Without a breakdown, the numbers are misleading.
 - No delineation of the portion of certain receivables that, even if collected, would have to be distributed to other parties. (See Sec. XI.B.).

41. REVISE ACCOUNTS RECEIVABLE REPORTING TEMPLATE -- CORE recommends that Finance revise the accounts receivable template used by departments and Finance for reports of quarterly receivables.¹⁰

- i. Include columns delineating breakdowns of any applied interest, penalties and late fees.**

NOTE: Exhibit 6 of the current Collection Guidelines is an AR template used by departments and Finance for reporting receivables. The current template, however, does not have interest, penalties, and late fees broken out of the totals due, making it difficult to accurately assess departmental performance and collectability of accounts.

In written comments to CORE, Finance recommended deletion of CORE's recommendation for delineating breakdowns of interest, penalties and late fees. Finance stated that such breakdowns "are not a standard practice in the industry or in accordance with Generally Accepted Accounting Principles (GAAP). It will be quite labor intensive for departments to comply." CORE and its Commissioners, however, strongly believe that delineation and breakdowns are very much needed.

¹⁰

The current AR template is also the format for the AR Quarterly Report that is part of Finance's new "Accounts Receivable Dashboard" being distributed to City officials quarterly. (See Sec. VI. A. 10).

- ii. **Include columns delineating the age of receivables with greater specificity**, and in time frames that will (a) correspond to the process flow and timetable(s) outlined in the (revised) Collection Guidelines, and (b) more clearly delineate accounts approaching statute(s) of limitations for collections.

NOTE: Exhibit 6 of the current Collection Guidelines currently has what we believe to be overly broad reporting periods. They are as follows: (a) Current accounts, (b) accounts up to 60 days past due, (c) accounts 61-120 days past due, (d) accounts 121 days – 2 years past due, and (e) accounts over 2 years past due.

In written comments to CORE, Finance stated: "there is no one size fits all for the statute of limitations. We would have to generate different agings depending on the type of debt. This would be very labor intensive and costly." Notwithstanding, CORE and its Commissioners believe that 121 days to 2 years is too broad a range, and reporting all receivables older than 2 years in one column does not provide a clear sense of just how old certain receivables may be – or how close the City may be to losing its ability to collect because of statute(s) of limitation. Accordingly, CORE recommends that the new FMS Accounts Receivable module be programmed to provide for better and more specific delineation of the age of receivables

42. **WRITE-OFFS -- CORE recommends that the Mayor and Council direct City departments and Finance to present accounts for timely write-off in accord with the timelines set forth in Collection Guidelines.** It is further recommended in the event that departments fail to timely submit qualifying receivables, certain sums shall be withheld from their budget allocations until such time as there is compliance. This recommendation will only need to be implemented so long as the current system of referrals exists.

NOTE: Departments have been repeatedly directed by the Council, the Office of the Mayor, and Finance to present aged accounts for write off. Still, in the absence of real consequences, many departments fail to comply.

By making referrals automatic, and by redefining the Board of Review to review and approve sale of receivables, this recommendation will, hopefully, become essentially moot. In the near-term, however, very large sums of uncollectible debt skew the tally of reported department receivables.

43. **AUDIT OF DEPARTMENTAL AR REPORTS -- CORE recommends that Finance present to Council and the CAO a Memorandum regarding the resources needed by Finance to adequately audit the accounts receivable being reported by departments.**

NOTE: Finance reported to CORE that because of limited staff, Finance essentially relies on the word of departments to accurately self-report.

B. Improve information technology and data sharing

- The City lacks a comprehensive and easily searchable database of all accounts and debtors. The result is often duplication in work by departments and many missed opportunities to identify and hold accountable those who are not in compliance with obligations and payment requirements to the City.

- 44. INVENTORY OF CITY DATABASES -- CORE recommends that ITA develop and submit an inventory to Council of currently existing and available department and Citywide data pools / databases that could assist in indentifying parties who may owe the City money. Specifically: Instruct ITA and Finance to prepare an inventory of known databases, with brief descriptions of the data fields in each database, the format / software of each of the databases and the accessibility of the database to other departments.**

NOTE: For example, DWP has information about business accounts which is being cross-referenced with Finance's database of businesses to identify unlicensed businesses in the City. Once an inventory of databases is submitted, opportunities to share information within the City will become more evident.

Finance reported to CORE that it does currently have some data sharing that involves LAHD and Building & Safety. The sharing of information in these databases needs to be maximized. Finance also reported that it receives data about new DWP commercial accounts, which Finance cross references to make sure the businesses are properly licensed and paying business tax.

- 45. INVENTORY OF NON-CITY DATABASES -- CORE recommends that Finance submit to Council a memorandum identifying non-City databases which might be beneficial for the City to have access to for the purposes of revenue enhancement.**

NOTE: For example, the L.A. County Assessor maintains lists of businesses for the purpose of assessing personal property tax on said businesses. The Assessor, no doubt, has businesses in its database that L.A. doesn't, and vice versa. Similarly, there are lists that other government and non-government entities have that would assist in identifying and finding those who would owe the City money.

Finance reported to CORE that it does currently receive certain data from the L.A. County Assessor, Franchise Tax Board (the "FTB") and from the Board of Equalization (the "BOE").

46. **DATA BASE OF DELINQUENTS** -- CORE recommends that Finance, in consultation with the City Attorney, develop a process for departments to access a master list / database of both business tax and non-business tax-related receivables - to verify that a party does not have delinquent accounts with any City department prior to City extending or granting to such party:

- Certain services,
- Permits,
- Approvals,
- Contracts,
- Employment, or
- Commission / board appointment or renewal.

Said report should also detail the current impediments, solutions, costs and timeline for implementation of such a master list / database, along with a simple system for departments and City offices to make the required verification(s).

47. **CROSS REFERENCE LISTS OF DELINQUENTS** -- CORE recommends that the Mayor and Council instruct the Housing Department and the Department of Building and Safety to cross reference one another's list of named delinquent accounts and to withhold issuing permits or providing other department services for parties appearing on either department's list of delinquent accounts.

NOTE: In discussion with the LAHD and with the Department of Building and Safety, the departments reported that there is no requirement to cross check between each department's respective lists.

48. **POST LIST OF TOP NON-TAX DEBTORS ON THE INTERNET** -- CORE recommends that Finance post the names of top non-tax-delinquent debtors on the City's website – subject to City attorney approval.

NOTE: Publicizing the names of top debtors on the internet is an effective way to, frankly, embarrass people and companies into paying. A list of top tax-related debtors and litigation cases in excess of \$100,000 is currently updated quarterly and accessible on the internet through Finance's website. (See [link](#)). CORE recommends that this link be more readily apparent on Finance's website than it is as of the date of this Blueprint.

A comprehensive list of non-tax-related debtors is currently accessible only to employees of the City through its intranet. CORE recommends posting on the internet a regularly updated list of top non-tax-related debtors (owing in excess of several thousand dollars), subject to counsel from the City Attorney.

X. EASE OF PAYMENT AND COLLECTION

A. Expanding and improving payment options

- It's a simple truism that the harder we make it to pay bills the less we will collect; the easier it is to pay, the more we will collect. Accordingly, it is essential that we make payments quick and easy – especially auto payments and payments via the web. However, while the 2009 Citywide Billing and Collection Guidelines dedicate several pages to acceptance of checks, there is only one brief reference to alternative payment options such as debit/credit cards and e-payments.

49. **ON-LINE AND AUTO-PAY OPTIONS** -- CORE recommends that Finance, in consultation with the Treasurer and ITA, prepare and submit a report on the extent and availability of on-line and auto-pay payment options (credit card, e-check, etc.) for various types of collections by departments and Finance and collection agencies.

NOTE: Finance informed CORE that all collection agencies doing business with the City have on-line payment options.

50. **ADVANCE PAYMENTS** -- CORE recommends that Finance identify services and billing types for which City departments should, or could, demand advance payment(s) and/or deposits.

NOTE: Sec. 1.1 of the Collection Guidelines states: "Departments should require advance payments or substantial deposits as a condition of providing service, where appropriate." Requiring and encouraging more advance payments and/or deposits – perhaps, with payor incentives – will increase revenue and decrease collection costs.

51. **CREDIT / DEBIT CARD FEES** -- CORE recommends that the Treasurer prepare and submit a report on the fees currently being paid by the City for various types of credit card and debit card transactions – and whether there may be ways to reduce costs to the City. Payments for which payors must pay additional fees to use a credit card or to pay online should generally be discouraged.

52. **RETURNED CHECKS** -- CORE recommends that the Treasurer prepare and submit a report on rejected and returned checks and the disposition thereof. A uniform and full-cost-recovery bad check charge should be applied.

53. **CONSOLIDATED BILLINGS** -- CORE recommends that Finance report to Council about possible MOUs and other arrangements to consolidate billings or assign billing responsibility to another department or agency, in or out of the City – DWP, County, BOE, etc.

XI. SPECIFIC DEPARTMENTS

A. Los Angeles Fire Department (LAFD)

BACKGROUND

- LAFD does an outstanding job in emergency response and prevention; Los Angeles is fortunate to be protected by the department's exceptional and dedicated professionals. But, it takes money to save lives – and the low rates of collections for LAFD's Emergency Medical Services (EMS) have been documented in repeated reports and audits. There has been some debate about just how bad the numbers are, but there is broad agreement that the City can and must do better. As detailed below, the City Council on August 3, 2010 approved two EMS outsource contracts – one for data collection and one for billing.

Recovery / reimbursement rates:

In FY 08-09, LAFD's billings totaled \$175.5 million, and collections totaled \$84.7 million (representing a collection rate of roughly 48.3%). EMS represents the overwhelming share of LAFD's totals, constituting \$150.8 million in billings, and \$57.64 million in collections (representing a collection rate of just 38.2%).¹¹ This percentage, however, is not what it may first appear to be.

The Macias Study estimated LAFD's current EMS revenue recovery rate at 44%, and further stated that – based on the performance of other cities they studied – the recovery rate could be increased to 85%. We believe that estimate is significantly overstated. According to LAFD, \$57.1 million needs to be deducted from the gross \$150.8 million in EMS billings to subtract sums legally uncollectible (because of laws generally prohibiting billing of Medicare and Medi-Cal patients for sums not paid by these programs), and other mandated adjustments. Thus, according to LAFD, only \$93.1 million of the \$150.8 million would be legally recoverable. Out of that sum, LAFD reported that it collected \$58.1 million (or approximately 62%).

The question is how much more of the 38% could LAFD reasonably be expected to recover? A sizeable portion of uncollected billings could be ascribed to L.A.'s indigent and uninsured. Moreover, L.A. has among the highest EMS rates in the nation. While EMS reimbursements from insurers may be slightly higher in L.A. than in some other cities, the high rates we have in L.A. inevitably lower the percentage of total billings that are collected. (And, with a roughly 30% increase in EMS billing rates proposed at this time in L.A., revenues may increase, while at the same time, ironically, recovery percentages could be expected to decline).

While we believe an 85% recovery rate is not at all likely, there is still plenty of money that's been left on the gurney. Even a 5% increase in collections could translate into nearly an additional \$5 million in annual revenues. Moreover, LAFD's current paper-based report system has resulted in lost forms and services that never even get billed.

¹¹ The City has approximately 195,000 transports annually. Nailing down exact collection numbers and percentages can be challenging because collections during any given year include sums collected in that year for prior years' EMS billings and exclude sums that may be collected in a subsequent year for that given year's billings.

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Modernizing an outdated system:

LAFD has been using a very outdated and labor-intensive system for billing and for gathering data at the scene of an ambulance call. The department's Emergency Medical Service (EMS) Report, the (F-902M), is the legal, medical and billing document used to provide a complete and detailed description of pre-hospital care delivered by the LAFD. Currently this form is filled out on paper – and only later input into a database. Filling out the F-902M is cumbersome and time-consuming for emergency service personnel; there are dozens of codes and checkboxes and a 172-page manual on how to complete this form. The consequences of making a mistake in filling out the form are many, including possible loss of the ability to obtain reimbursement. The amount billed depends on whether the service call is for basic or advanced life support – plus a fee based on miles traveled. Typically, routine supplies are included in the basic and advanced fees.

The current system is set to change with the City Council's approval of two LAFD outsource contracts for both EMS data collection and billing functions (*Council File No. 10-1078*). The intent is to save money, generate additional revenue, improve services reduce liability under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and – most crucially – to save lives. Estimates have varied on the amount of revenue that will be generated under the new protocols, but the sums are significant.

- 54. EMS DATA CAPTURE AND BILLING -- CORE recommends LAFD expedite modernization and streamlining both for Field Data Capture and Emergency Medical Services Billing and Collection – pursuant to the two contracts for LAFD's outsourcing approved by the Council August 3, 2010. Finance and the Inspector General should monitor and report on the vendors' performance.**

NOTE: It was determined by the Council that the transition to outsourcing EMS billings shall be by and through the LAFD. After full implementation of the outsourcing, there may be further consideration of centralizing overall responsibility for EMS billings and collections in Finance.

- 55. CAPITATED PAYMENT SYSTEM – CORE recommends that while modernizing the current paradigm of individual billings, the City should also pursue negotiated bulk contracts with 3rd party payors - such as Medicare, Medi-Cal and private insurers. This could be an innovative alternative to the current patient-by-patient, bill-by-bill approach.**

NOTE: Capitation is a fixed payment for services negotiated among insurance providers. LAFD reported that its preliminary research found no capitated arrangements in the country for municipal emergency ambulance services at this time. Capitated arrangements are common for non-emergency private ambulance providers as they attempt to increase revenue and/or market share by lowering fees. CORE believes that though it is unknown whether L.A. could successfully negotiate advantageous capitated payments from 3rd party payors, the recent healthcare reform legislation promotes the possibilities of such a capitated payment system through Accountable Care Organizations (ACOs).

56. **LEVERAGE EXISTING RELATIONSHIPS** – CORE recommends that the City leverage existing relationships and contracts with health insurers and providers. L.A. has business relationships with some of the same insurers and providers that reject or slow-pay EMS bills from LAFD. L.A. should assess how to use the contracts it grants to these same companies to the City's advantage.

B. Department of Transportation (DOT)

BACKGROUND

- DOT's responsibilities include issuing and collecting parking tickets and nearly all of DOT's billings and collections are attributable to parking tickets.¹² DOT issued 2.7 million tickets during FY 09-10, and in the last five years, the department has issued close to 15 million tickets -- making it the third largest parking program in the country after New York and Chicago. With DOT revenues such an important source of revenue for the City, evaluating and maximizing the department's performance in collections is essential.

Collection rates:

The Controller's 2010 Audit estimated DOT's collection rate at a shocking 53%. DOT had total billings of \$270.9 million and \$282.1 million for FY 07-08 and FY 08-09, respectively. Collections for the same periods were \$130.4 million and \$138.5 million, respectively. At the end of 3rd quarter of FY 09-10, DOT reported \$213.7 million in accrued receivables -- 28.9% of which were 121 days to 2 years past-due, and another 44.4% more than 2 years past due.

At the same time, DOT reports that it currently has an 85% closure rate within 2 years of a ticket being issued -- with 80% of tickets paid during that period. 42% of parking citations are paid "off the windshield" before the mailing of a payment notice. Another 21% are reportedly paid soon after the first payment notice. The other roughly 17% is paid within 2 years.

Reconciling the numbers:

Firstly, while 80% of tickets may, in fact, be paid within 2 years (with another 5% closed or dismissed), the unpaid tickets accrue substantial fees, fines, and collection costs that can triple the cost of a citation. Accordingly, the 15% that are due and unpaid represent a vastly greater percentage of uncollected dollars. Secondly, comparing revenue vs. billings in a given year does not necessarily reflect an accurate percentage of collections (over time) for the billings in that given year. Collections during any given year include sums collected in that year for prior years' citations and exclude sums that may be collected in a subsequent year for that given year's citations. And thirdly, there is a difference in total (gross) debt outstanding vs. the City's (net) collected share. The City is mandated by California Vehicle Code, and other various Government Codes, to distribute specific fees to state and county entities. With this distribution, the City generally nets approximately 78% of the total fine amount paid with the 22% going to the State and County. A portion of the fees and fines are also payable to the collection vendor.

In short, DOT collections aren't as bad as they might first appear. However, we believe there is great potential for improvements -- as detailed in Recommendations 57-63.

¹² Note: Revenue from parking meters and facilities is special fund vs. general fund revenue.

Timeline for collections:

DOT has a contract with Affiliated Computer Services, State and Local Solutions (ACS), to provide a Parking Management Support System and to operate a Parking Violations Bureau. Functioning as both a processing and collection agency, ACS mails two payment notices within the first two months following the citations. Late fees and penalties are added on day 37, and again on day 58, following issuance of the citation. The vendor (ACS) is paid a per-ticket citation processing fee¹³; reimbursement of certain costs, expenses, and overhead, including printing and postage; and an additional fee of \$21 for paid "Special Collection" tickets (citations more than 81 days old).

Once an account becomes a Special Collection, the California Department of Motor Vehicles (DMV) is requested to place a "hold" on vehicle registration renewal until the fees and fines are paid. While the DMV hold can be effective when it is time for the vehicle owner to renew registration, it is not effective if the vehicle is sold, returned to a leasing company, totaled or registered in another state. The hold also has very limited applicability to rental vehicles. (See *Note to Recommendation 60*).

Special Collection also triggers escalating sanctions such as additional penalties, a series of Special Collection Notices demanding payment, phone calls, and, potentially, credit bureau marking, Franchise Tax Board intercepts, towing of a scofflaw vehicle, etc. As time proceeds, however, the likelihood of collection decreases and the cost of collection for the vendor increases. However, for the remainder of the 5-year ACS contract term, compensation for collection remains essentially the same as it would have been on day 81. Maintaining the same vendor compensation for severely aging accounts, we believe, is a less-than-optimally attractive framework for any vendor to vigorously pursue collecting on severely aged delinquent accounts.

Accounts characterized as Difficult to Collect:

ACS stated to CORE that it performs the equivalent of additional/secondary collections during the 5-year period it holds accounts. The company also stated that it would be unrealistic to expect any noteworthy revenues from very old accounts. Of the 15% of tickets that are due and uncollected, ACS and DOT characterize 80% of them as "Difficult to Collect". These Difficult to Collect accounts generally fall into the following categories:¹⁴

- No DMV registry confirmation: DMV cannot confirm ownership of vehicle.
- Notices returned (Nixie): Notice returned as 'undeliverable' due to a bad or invalid address.
- DMV ownership transferred: Vehicle ownership was transferred to another entity, thus registration cannot be placed on hold.
- Declaration of Non Ownership: Statement that vehicle was sold prior to ticket date.
- Aged DMV non-renewal: The vehicle registration is on hold -- however, the plate has not renewed registration for at least two registration periods.
- DMV hold reject: Hold on the vehicle rejected due to new registered owner.

¹³ The fee is to cover the ACS processing system, network support, customer service, correspondence processing, web portal, lockbox payment processing, cashiering facilities, national DMV interface, handheld ticket issuance devices and software, automated vehicle locator, radios, computers, printers and other equipment and software.

¹⁴ See Appendix 10 for breakdown provided by DOT to CORE of Difficult to Collect categories by percentages and dollar amounts.

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Assignment to additional/secondary collections:

Old uncollected accounts are, indeed, difficult to collect. However, CORE believes that severely aged delinquent accounts should be recalled by DOT for assignment to additional/secondary collections or for sale/auction. According to the Controller's 2010 Audit, DOT's contract with ACS does not require the company to return accounts to DOT. CORE has been advised by Finance, however, that ACS is at this time agreeing to DOT's recalling of receivables that are in their 4th or 5th years. (Per Finance, the Statute of Limitations for collecting parking citations is 5 years).

More than \$90 million in DOT receivables are more than 2 years old, making them tougher to collect. However, squeezing even modestly more value from these accounts would make a difference for the City at this time. Even after payment of the \$21 processing fee to the current vendor (ACS) and payment of a substantial contingency fee to another collection vendor (if it collects), assigning very old accounts to additional/secondary collections has potential to generate valuable revenue. The same would be true for the sale of very old accounts – even a penny on the dollar is better than none at all.

As DOT's contract with ACS ends in March 2011, there will be an opportunity for the City to revise terms and conditions of any new contract(s). Immediately, however, CORE sees no reason to not assign severely aged delinquent accounts to another vendor or for sale/auction.

- 57. RECALL SEVERELY AGED DELINQUENT ACCOUNTS FROM ACS -- CORE recommends that DOT recall from ACS severely aged delinquent accounts and transfer them, in consultation with Finance, for assignment to additional/secondary collections by another vendor (with possible inclusion in a non-tax amnesty program) or for sale/auction.**

NOTE: ACS has stated in writing that it "is ready at a day's notice" to relinquish 4- and 5-year-old accounts – to be assigned to another vendor, NCO, for an additional/secondary collections pilot program. Because of questions about how valuable – or not valuable – these old accounts may now be, Finance reported to CORE, as of September 2010, that discussions are ongoing with NCO as to the terms, conditions and logistics of any contemplated assignment – including the need for transfer of all account(s)-related data, information and contacts.

CORE believes DOT should also consider recalling 2- and 3-year old accounts and/or create enhanced incentives for ACS and/or a secondary vendor to strongly pursue more difficult collections (as noted above, and in Recommendation No. 58, below).

- 58. AMEND COLLECTION CONTRACTS – CORE recommends amendment of Finance's private collection contracts to make additional/secondary collection attractive to collection vendors. Because collecting aged accounts is considerably more difficult than primary collection, Finance should amend its existing contracts with private collections vendors to provide that an enhanced commission (of up to 40%) be paid with respect to collecting aged and difficult accounts. Working very aged accounts is not**

attractive to City vendors under the current compensation agreements. (See also Recommendation No. 24).

NOTE: CORE's recommendation to recall and reassign aged accounts for aggressive collection by a contingency fee vendor is mindful that DOT's contract with ACS provides (until the expiration of the contract in March 2011), that ACS would likely have to be paid the \$21 fee it receives upon payment of a delinquent ticket -- in addition to the up to 40% contingency fee that would be paid to whichever vendor actually collects the ticket. Our analysis leads us to conclude that this could markedly increase City revenues from parking tickets, even after paying each of these fees. Vendors performing collections on DOT accounts should be required to have a multi-state DMV database.

59. **NEW DOT BILLING AND COLLECTION CONTRACT(S)** – CORE recommends that DOT consult with CORE prior to and during the process of issuing an RFP for a (new) vendor contract. Expiration of the existing ACS contract presents the opportunity to assess the strengths and weaknesses of current practices and fee structure(s) -- and ways to improve.
60. **RENTAL CAR PROGRAM** – CORE recommends that DOT should develop and present to Council a new strategic program to boost collections on parking tickets issued to rental vehicles. For citations issued between May 2006 and June 2008, the category of "rentals and miscellaneous" constituted 11.65%, or \$22.96 million, of DOT's Difficult to Collect accounts. As detailed below, rental companies can simply provide DOT with renter information and then they are excused from responsibility. If a rental car company does not timely furnish the information, DOT and its vendor may, and should, seek payment from the rental car company.

The City should also consider using renewal of franchise agreements with rental companies at LAX, or the negotiations to eventually build a central rental car facility at LAX, as leverage to engage these companies in taking more responsibility. We might, for example, request that rental companies maintain a list of renters with unpaid tickets and refuse to rent to them until the tickets are paid.

NOTE: Standard vehicle rental agreements state that the renter is responsible for all tickets issued to the vehicle while it is rented. Most car rental agreements also have provisions that allow the rental company to charge the renter's credit card for unpaid parking violations but this rarely happens. California's Vehicle Code essentially takes rental companies "off the hook" for parking tickets if they simply furnish the ticketing agency (DOT) with information about the party renting the vehicle at the time a ticket was issued. Moreover, the DMV will not withhold registration renewals of the vehicle for such tickets.

Per CA Vehicle Code Div. 3, Chapter 1, Article 6, Sec. 4760(c): "The court or designated processing agency shall issue an abstract or notice of disposition of parking violation to the renter or lessor of a vehicle issued a notice of delinquent parking violation relating to standing or parking if the renter or

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lessor provides the court or processing agency with the name, address, and driver's license number of the rentee or lessee at the time of occurrence of the parking violation."

Some rental companies report information about renters to DOT electronically as part of DOT's voluntary fleet program, others don't. A DOT representative reported to CORE that the voluntary program is not as successful as anticipated. Once DOT does get information about a renter, notices are sent to the renter, but collecting from renters out of L.A. is difficult, especially without the enforcement mechanism inherent in withholding of vehicle registration renewals.

The City might consider seeking a change in the law to make rental companies responsible for citations if the renter does not pay. Naturally, rental companies would be opposed to such a change in the law.

- 61. PRIORITIZE REPAIR OF BROKEN PARKING METERS – CORE recommends DOT's swifter repair and replacement of broken meters to improve revenues from both meters and parking citations.** According to a recent study conducted for the City, 10-12% of the City's parking meters were broken or failed at any given time. This results in a very substantial loss of both parking meter income and in the ability of traffic officers to issue citations.

NOTE: On April 30, 2010, the City Council instructed DOT to prepare a rolling 5-year plan which identifies the necessary maintenance, upgrade, technology and repair of parking structure and meter assets. (See Council File No. 10-0596). DOT is also currently installing 10,000 new single space meters and reported that it expects to complete doing so by the end of September 2010.

- 62. REVISE DOT REPORTING OF RECEIVABLES – CORE recommends that DOT amend and supplement its current format for reporting of accounts receivable.** Reports of DOT's receivables are quite misleading. As noted above, because the current AR reporting format does not separate out late fees and penalties, the 15% of parking citations that are due and unpaid disproportionately impact the reported sums due. Moreover, the reported sums due do not reflect the sizeable portion of said sums that, if paid, would actually be payable to other entities (pursuant to the California Vehicle Code), or to the collection vendor. DOT should thus revise its AR reporting template (in accord with Blueprint Recommendation No. 41), and also create separate report columns to clarify the net amount that would accrue to DOT, after required distributions to other parties.

- 63. ADDITIONAL STRATEGIES TO ENHANCE PARKING REVENUE AND COLLECTIONS – CORE recommends that DOT and the City address and improve the following to achieve significantly more net revenues from parking enforcement:**

- a. **TRAFFIC OFFICERS** – CORE recommends funding for sufficient numbers of citation officers. Parking ticket revenues are being hindered by reductions in the number of traffic officers employed by the City to issue citations, coupled with frequent assignment of officers to traffic control or special events duties – thus reducing the number of citations that can be issued. Maintaining revenue-producing positions in the City must be a priority.

NOTE: Recently, the number of citations issued by DOT has declined. DOT reported to CORE that fewer citations are attributable to several factors, including a slower economy and to a reduction in the number of DOT's citation officers. Recent retirements and hiring limitations have resulted in 42 fewer officers and 18 fewer supervisors. A DOT official described the loss of personnel to CORE as "a big hole in our operation."

- b. **COLLECTION OVERHEAD AND EXPENSES** – CORE recommends that DOT present to the Council's Audits and Governmental Efficiency Committee (AGE) a report on overhead and expenses for parking management support services. DOT's current vendor contract provides for reimbursement of various overhead and expenses, including printing, postage, certain supplies, document storage, etc. There is also a provision for a mark-up of up to 10% on some of these reimbursements. A report reviewing such overhead and expenses during the period of the contract is advisable.

NOTE: For the vendor contract RFP being issued by DOT, the department is recommending that prospective bidders present bids that are both all-inclusive of expenses and with expenses broken out, so the City may make a comparison and select the better alternative(s).

- c. **SCOFFLAW ENFORCEMENT** – CORE recommends the Council consider seeking a change in the current definition of a scofflaw in California Vehicle Code -- from a vehicle that has five delinquent and unsatisfied citations to a vehicle that has three delinquent and unsatisfied citations. Reducing the threshold for scofflaw enforcement would serve to increase the City's overall collection rate, and collection revenues.

- d. **VEHICLE LIENHOLDERS** – CORE recommends that DOT consider the feasibility of providing notice to vehicle lienholders of impoundments or impending impoundments. A lienholder may be a vehicle dealer, bank, credit union or acceptance corporation that holds a security interest – and the right to repossess the vehicle in the event that a borrower or lessee fails to pay as promised. Impoundment of a vehicle for multiple unpaid parking tickets can increase both the potential for default by a borrower or lessee – and

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

the costs for lienholders who reclaim a vehicle from impoundment in order to repossess it. Thus, it may merit considering how notices to lienholders might be used to put extra pressure on repeat parking violators to pay.

- e. **REDUCE MARGINS OF ERROR** – CORE recommends that DOT report to the Council’s Audits and Governmental Efficiency Committee (AGE) on opportunities to reduce margins of error in issuance of citations. Such citations being issued not just by DOT but also by LAPD, the General Services Dept. (GSD) and other City entities.
- f. **POLICY RE UNLIKELY TO COLLECT CITATIONS** – CORE recommends that DOT and its vendor(s) develop an internal policy on issuance to and reporting as receivable citations issued to homeless and others from whom collection is less likely.
- g. **TECHNOLOGY** – CORE recommends that DOT report to the Council’s Audits and Governmental Efficiency Committee (AGE) on opportunities for application of new and improved parking and citation-related technologies. For example, expanding the use of license plate scanning and recognition cameras and devices increases both scofflaw identification and citations issued.

NOTE: DOT informed CORE that it is preparing an RFP for “LA Express Park”, a demand-based / congestion pricing parking demonstration project funded through a \$15 million grant from the U.S. Department of Transportation.

C. Housing Department

BACKGROUND

- The Los Angeles Housing Department (LAHD) reports that its Billings and Collection Unit (BCU) issues approximately 250,000 bills and collects more than \$43 million annually in fees to support the department. LAHD's primary sources of revenue are fees and penalties for code enforcement, inspections and rental unit registrations.

As of the end of the 3rd quarter of FY 09-10, LAHD reported \$37.7 million in accounts receivable. 8.6% of this sum was current, 17.6% 60 days or less past-due, 48.8% 121 days to 2 years past-due, and another 20.1% more than 2 years past-due. Of notable concern to the Commission, LAHD had less than \$7.8 million, or less than 20.6%, referred to collections at the end of the 3rd quarter, in contravention of the City's Collection Guidelines and directives.

Billing timeline and Municipal Code Ordinances:

LAHD stated to CORE that City Municipal Code Ordinance requirements for the department's Rent Stabilization Ordinance (RENT) and Systematic Code Enforcement Program (SCEP) fees are such that LAHD's collection process cannot always adhere to the City's Collection Guidelines. Annual bills are issued January 1 of each year and are due the last day of February, or the first business day thereafter. First-tier and second-tier penalties are assessed for accounts 30 days and 60 days past due, respectively. LAHD then sends letters demanding payment in full within 10 days. Thereafter, accounts are considered mature and ripe for referral to (outside) collections. LAHD reported that it is seeking changes in relevant Ordinances to reduce the annual bill collection process and timeline to have only a single tier of penalties.

Referrals to Collections:

LAHD further stated to CORE that essentially all of its accounts receivable more than 2 years past due were referred to collections. The more than 48% of receivables 121 days-2 years past due that had not been referred to collections, LAHD stated, were as a result of (a) the extended time it takes for accounts to be considered mature and ripe for referral to collections, (b) a backlog created in 2009 with development and implementation of a new Billing Information Management System and (c) accounts suspended from collections pending challenges, appeals, investigation and review. There are 17 categories of annual fee exemptions and LAHD receives thousands of requests for exemptions each year.

Properties and owners with significant outstanding balances:

As of May 19, 2010, LAHD provided to CORE a 1-page list (the "May 19 List") of 20 property owners with outstanding balances of \$25,000 or more past due (not including properties with unresolved or pending issues or properties which are currently under review by the department). The 20 owners on the May 19 List are reported to collectively owe more than \$873,000 for fees dating back to 2006.

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

On May 26, 2010, LAHD also provided CORE with a 13-page list (the "May 26 List") detailing property owners with a reported balance of housing-related fees due of \$25,000 or more. The May 26 List included balances reportedly owed by, among others, the L.A. Community Redevelopment Agency (CRA), Federal National Mortgage Association (FNMA), L.A. Unified School District (LAUSD), and the University of Southern California (USC). After CORE raised questions with LAHD about some of these reported balances, LAHD returned to the Commission and provided a follow up memorandum, dated August 5, 2010, (the "August 5 Memo"), with updated information:

- CRA – 54 units were on LAHD's May 26 List. LAHD's August 5 Memo stated that bills to the CRA were "wrong-billed" and now have been removed.
- FNMA – More than 130 properties owned by FNMA were on the May 26 List. According to the August 5 Memo, each of these properties requires extensive review to determine the correct owner as of the date LAHD sends its Annual Bill.
- LAUSD – 88 separate parcels owned by LAUSD were on the May 26 List. LAHD's August 5 Memo stated that these parcels are now schools. LAHD has now removed the parcels from its list and permanently exempted them from housing-related fees.
- USC – Of the 17 parcels on the May 26 List, the August 5 Memo stated all 17 are being adjusted to reflect certain exemptions.

Liens:

CORE believes that real property liens are especially suitable and efficacious for unpaid LAHD fees and fines. Liens are utilized by the department for properties subject to the Rent Escrow Account Program (REAP), which is an enforcement tool used to compel properties with violations into compliance. LAHD reported it is considering expanding lien authority to cover all properties subject to its administration. We encourage LAHD to present and implement such a plan.

Outstanding issues and recommendations:

CORE's Commissioners are mindful of LAHD's challenges with the timing prescribed in current Ordinances, identification of owners and processing of exemption requests. Commissioners are concerned, however, about the accuracy of LAHD's reported receivables and by the lagging referrals to collections. Accordingly:

- 64. HOUSING DEPARTMENT REPORT TO AGE COMMITTEE -- CORE recommends that the Council's Audits & Governmental Efficiency Committee instruct LAHD to present an overview of its billing and collections practices, status of accounts receivable and utilization of liens.**

NOTE: LAHD reported to CORE in August 2010 that a Controller's audit of the department is pending.

- 65. REDUCE TIMELINES FOR PAYMENT OF LAHD BILLS -- CORE recommends that LAHD propose to the City Council recommended Ordinance changes to compress the tiers and timeline of LAHD's collection process.**

XII. CORE'S NEXT PHASES OF INQUIRY AND REVIEW

In accord with the charge given to CORE upon its creation by the Council, the Commission will continue to work on further inquiries and recommendations related specifically to collections. In the period remaining prior to the end of the six-month charge to CORE (or as may be amended in the discretion of the Council), CORE will seek to additionally address our charge to initiate inquiries, and to make recommendations, regarding new revenues, tax collection and compliance, securing the City's proper share of inter-governmental transfers, and other revenue-related studies. More specifically:

A. Intra-governmental

- Review of business and parking tax collections, consideration of strategies to increase compliance with business and parking licensing and tax requirements and consultation with BTAC.
- Review of best practices of other local governments.
- Consultations with other parties identified in initial Scope of Work.
- Sales tax-related opportunities (for city to potentially save on its purchases).
- Business tax credit(s).

B. Inter-governmental

- Tracking and auditing transfers and revenue due from other governmental entities – Dollars L.A. gets vs. dollars L.A. should be getting.
- Better data sharing with Assessor, FTB, BOE and others to make sure the City has more comprehensive lists of businesses in L.A.
- Opportunities to have other government entities possibly take responsibility, or share the cost, of certain City services or functions.

C. Maximizing City Assets / Better and more entrepreneurial use of City assets

- Review of various current fees. Assessment of full-cost-recovery and cost-benefit analysis.
- Opportunities related to the Bureau of Sanitation.
- Explore opportunities for guaranties and up-front license fees from vendors.
- ID / assess revenue opportunities across departments for City assets.
- Licensing fees: Overview of opportunities for the City to generate (more) revenues from logos, trademarks, tradenames, patents, software and proprietary processes. Consideration of additional opportunities to generate

revenues with licensing, signage, and branding. Inquiry into mechanisms for inventorying and capitalizing on City assets and intellectual property.

- Opportunities for L.A. to sell / contract out services to other cities – for example, capitalize on our excess asphalt-making capacity. While the City Charter has certain prohibitions on commercial enterprise activities, the City may offer its services to other government agencies and in the process cover overhead costs and help keep people employed.
- Reduce contracting costs by offering City contractors the ability to make certain purchases with discounts afforded to the City.

D. Real estate-transfer related revenues

- Review and analysis of contracts with County for Documentary Transfer Tax (DTT) and real property-related collections, and the potential value of retaining forensic and contingency consultants.
- Strategies to boost Documentary Transfer Tax (DTT) revenues based on recorded transfers, and non-recorded transfers within legal entities.
- Possible changes to City ordinance(s) re DTT. (Subject to consideration of any applicable limitation(s) pursuant to CA Proposition 218).
- Data and information sharing.
- Analysis of compliance with existing City business tax for business real property transfers and use of Finance Form L193 for such calculations.

XIII. ACKNOWLEDGEMENTS

The Commission would like to express its appreciation and thanks to the following:

- Appointing officials. The Commissioners are grateful and honored to have the support, commitment and leadership of the elected officials who honored us with appointments to the Commission on Revenue Efficiency:
 - Hon. Mayor Antonio Villaraigosa.
 - Hon. Controller Wendy Greuel.
 - Hon. Council President Eric Garcetti.
 - Hon. Councilmember Paul Koretz, Chair of Audits & Governmental Efficiency Committee.
 - Hon. Councilmember Bernard Parks, Chair of Budget & Finance Committee.
 - Additional thanks to each of their staff.
- Office of Finance. We particularly wish to thank Antoinette Christovale, Director of Finance, and Jeffrey Whitmore, Revenue Manager, Revenue Management Division.
- Chief Legislative Analyst. We thank the CLA for all of its ongoing staff assistance. We particularly wish to thank Jon Dearing and John Wickham, Legislative Analysts.
- City Departments and offices that have appeared before the Commission:
 - Animal Services Department
 - City Treasurer
 - Police Commission
 - Department of Transportation
 - Bureau of Sanitation
 - Housing Department
 - Department of Building and Safety
 - Fire Department
 - City Attorney's Office
 - City Administrative Officer
- Neighborhood Council stakeholders and budget representatives.
- Members of the public for valuable input.
- Coalition of L.A. City Workers.
- Outside consultants and others.

XIV. APPENDICES -- attached

Appendix 1 – Collection-related Council Files.

Appendix 2 – Accounts Receivable Quarterly Report, 3rd quarter FY 2009-2010.

Appendix 3 – Notes to the Basic Financial Statements, FY ended June 30 2009.

Appendix 4 – Current Non-Tax AR Process Flow and Timetable (the “Current Flowchart”) that now serves as Exhibit “1” to the Citywide Billing and Collection Guidelines (the “Collection Guidelines”).

Appendix 5 – Recommended Non-Tax AR Process Flow and Timetable (the “CORE Flowchart”) prepared and recommended by CORE.

Appendix 6 – Office of Finance report for the Revenue Billing and Collection Program for fiscal year 2008-09.

Appendix 7 – Details of departments that are in or out of compliance with the Collection Guidelines and/or Mayor’s Executive Directive Number 5.

Appendix 8 – CORE recommendations complementary to implementation of Controller’s 2007 and 2010 Audits.

Appendix 9 – Report on the Application of Interest and Penalty to Departments’ Permits and Fees.

Appendix 10 – DOT Breakdown of Difficult to Collect Accounts.

Appendix 11 – Proposed IT Approach for Citywide Consolidation.

Appendix 12 – Glossary of terms.

Appendix 13 – Links to reports, memos, and research information.

Appendix 14 – Links to best practices and innovations.

Appendix 15 – CORE Blueprint Recommendations Tracker (Sample).

Appendix 16 – Summary of all enumerated CORE recommendations.

Appendix 1

Collection-Related Council Files (Page 1 of 2 pages)

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: July 12, 2010
TO: The Honorable Members of the Budget & Finance Committee
FROM: Gerry F. Miller
Chief Legislative Analyst

Budget & Finance Committee Hearing to discuss Collections-Related matters

As requested by the Chair of the Budget & Finance Committee on July 12, 2010, the CLA, CAO, and Macias Consulting Services will be in attendance at the July 19, 2010 Budget & Finance Committee meeting to discuss collections and accounts receivable issues currently pending under the following Council Files:

- * 10-1155 - Motion (Zine-Garcetti, et al)
- * 10-1155-S1 - Motion (Hahn-Koretz, et al)
- * 10-1155-S2 - Motion (Koretz-Hahn-Garcetti)
- * 08-2122 - Collection Sheriff
- * 07-0465 - Motion (Parks-Smith)
- * 07-1886 - Motion (Greuel-Parks)
- * 05-2514 - Motion (Parks-Greuel)

Inasmuch as the City Clerk considers Council Files 08-2122, 07-0465, 07-1886, and 05-2514 to be closed, this report is submitted in response to instructions contained in each, thereby serving to reopen all four Council Files for further consideration.

GFM:KEK:trm



Appendix 1

Collection-Related Council Files (Page 2 of 2 pages)

10-1155-S2

10-1155-S1

10-1155

10-1078

10-0600

10-0596

10-0396

10-0332

10-0225

09-2560-S1

09-2560

09-2560

09-1476

09-0600-S171

08-2848

08-2122

07-1886

07-0465

05-2514

Appendix 2

Accounts Receivable Quarterly Report, 3rd quarter FY 2009-2010

ATTACHMENT 1

Accounts Receivable Quarterly Report as of the end of 3rd Quarter Fiscal Year 2009/2010

FMS No.	Department Name	COLLECTIONS		TOTAL A/R		Amount of Total A/R Referred to Collections ¹	% Eligible A/R Referred to Collections ¹	OUTSTANDING RECEIVABLES					Aging of Accounts Receivables				
		Total Collections YTD	Total Collections	Total A/R	Total A/R			% Current	% 60 Days or Less Past Due	% 61-120 Days Past Due	% 121 Days-2 Years Past Due	% Over 2 Years Past Due	% Current	% 60 Days or Less Past Due	% 61-120 Days Past Due	% 121 Days-2 Years Past Due	% Over 2 Years Past Due
8	Building & Safety	\$ 11,391,376	\$ 8,256,927	\$ 4,095,829	\$ 8,256,927	\$ 8,256,927	84.4%	8.8%	9.4%	6.6%	37.0%	38.3%					
32	ITA	\$ 1,658	-	\$ 11,967	\$ -	-	Name Eligible	5.2%	84.0%	0.0%	0.0%	0.0%					
33	El Pueblo	\$ 798,288	15,282	\$ 38,822	\$ 15,282	\$ 15,282	40.7%	0.0%	5.8%	82.2%	42.1%	0.0%					
37	Environmental Affairs	\$ 272,353	-	\$ 302,651	\$ -	-	0.0%	55.8%	11.8%	0.0%	32.4%	0.0%					
38	Fire Department	\$ 57,758,741	458,944	\$ 248,401,193	\$ 88,134,898	\$ 45,874,416	45.5%	0.0%	15.8%	5.1%	36.0%	44.7%					
39	Office Of Finance	\$ 60,454	80,796	\$ 329,170	\$ 259,944	\$ 259,944	80.7%	0.0%	14.1%	2.4%	71.1%	12.5%					
40	General Services	\$ 675,550	7,220	\$ 15,949	\$ 7,220	\$ 7,220	100.0%	0.0%	54.8%	0.0%	0.0%	46.2%					
43	Housing Department	\$ 38,147,181	83,194	\$ 37,700,000	\$ 7,779,416	\$ 7,779,416	83.1%	8.1%	17.6%	4.3%	48.8%	20.1%					
48	Convention Center	\$ 6,995,892	87,294	\$ 571,412	\$ 159,048	\$ 87,294	87.2%	0.7%	50.6%	2.0%	14.0%	31.7%					
68	City Planning	\$ 2,297,925	77,574	\$ 1,057,525	\$ 533,265	\$ 77,574	77.5%	33.0%	1.9%	5.2%	34.9%	24.2%					
70	Police Dept.	\$ 5,790,020	63,374	\$ 15,355,045	\$ 1,053,488	\$ 63,374	63.3%	1.8%	8.1%	5.0%	47.4%	37.1%					
40	PW(Dep't 48)	\$ 1,326	4,141	\$ 6,297	\$ 360	\$ 4,141	4.1%	11.8%	0.0%	0.0%	0.0%	88.2%					
50	PW(Non Dept Appr Spec Fund)	\$ 14,385,036	63,871	\$ 5,650,112	\$ 2,421,705	\$ 63,871	63.8%	17.8%	4.3%	2.4%	11.0%	55.0%					
74	PW-Board of Public Works	\$ 38,842	42,374	\$ 25,388	\$ 2,214	\$ 42,374	42.3%	15.0%	12.8%	2.3%	27.7%	41.2%					
75	PW-Bureau/Contract Admin.	\$ 947,859	85,754	\$ 821,257	\$ 610,217	\$ 85,754	85.5%	18.0%	6.1%	1.9%	4.3%	71.7%					
78	PW-Bureau/Engineering	\$ 856,212	85,754	\$ 209,897	\$ 88,235	\$ 85,754	85.7%	47.9%	14.7%	9.8%	12.2%	18.5%					
82	PW-Bureau/Sanitation	\$ -	Name Eligible	\$ 3,343	\$ -	-	Name Eligible	0.0%	0.0%	0.0%	0.0%	100.0%					
84	PW-Sanitation (PWMP)	\$ 12,910,618	55,114	\$ 6,942,250	\$ 2,325,812	\$ 55,114	100.0%	63.0%	0.3%	4.1%	11.6%	21.1%					
84	PW-Bureau/Street Lighting	\$ -	43,856	\$ 13,386	\$ 1,726	\$ 1,726	55.1%	0.0%	0.0%	0.0%	0.0%	100.0%					
88	PW-Bureau/Street Benches	\$ 447,682	93,334	\$ 175,228	\$ 43,745	\$ 93,334	43.8%	23.9%	20.1%	2.3%	9.2%	41.3%					
85	PW-Sr. Services (Signs)	\$ 91,069	93,334	\$ 3,639,794	\$ 3,793,100	\$ 93,334	93.3%	0.9%	1.1%	0.3%	40.3%	56.9%					
94	PW-Dept 84	\$ 685,755	84,034	\$ 180,000	\$ 125	\$ 84,034	84.0%	0.4%	84.4%	0.1%	0.0%	0.0%					
87	Zoo	\$ 223,680	0.0%	\$ 27,588	\$ -	-	0.0%	92.0%	0.2%	5.0%	2.2%	0.0%					
88	Recreation & Parks	\$ 30,000	Name Eligible	\$ 2,420	\$ -	-	Name Eligible	100.0%	0.0%	0.0%	0.0%	0.0%					
94	Transportation	\$ 105,008,034	48,574	\$ 213,710,445	\$ -	-	0.0%	18.0%	4.5%	4.2%	28.9%	44.6%					
	CITYWIDE	\$ 258,074,867	48,574	\$ 541,197,712	\$ 134,264,169	\$ 48,574	48.5%	9.0%	8.3%	5.1%	34.1%	42.8%					

¹ This column calculates the total amount of delinquent accounts that is eligible for referral to collectors (delinquent accounts over 61 days past due) to the legal amount that has been actually referred to collectors.

Appendix 3

Notes to the Basic Financial Statements, FY ended June 30 2009

CITY OF LOS ANGELES

NOTES TO THE BASIC FINANCIAL STATEMENTS Fiscal Year Ended June 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Primary Government

The primary government's net receivables at June 30, 2009 are as follows (in thousands):

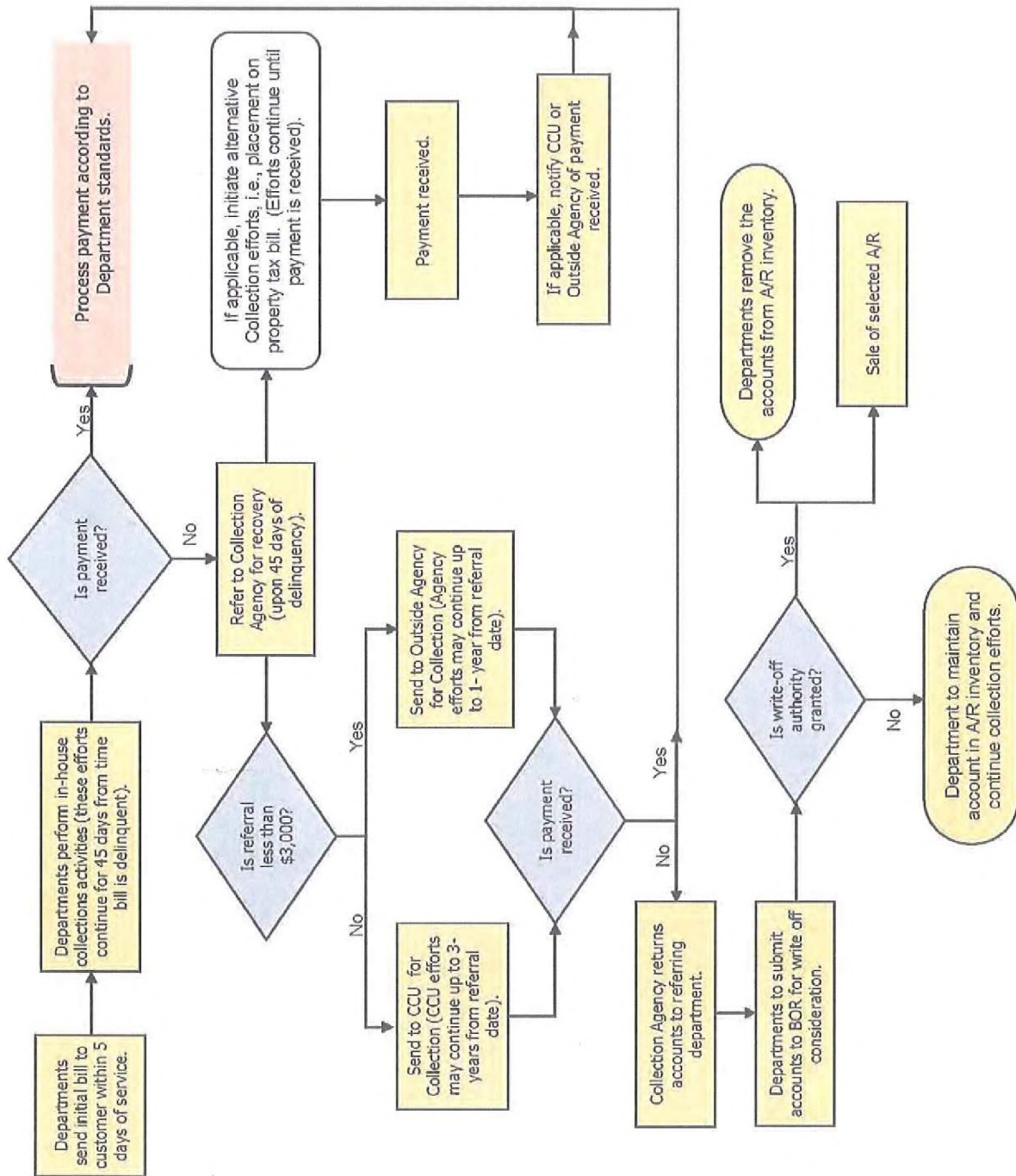
	Governmental Activities	Business-type Activities
Gross Receivables		
Taxes	\$ 956,440	\$ --
Accounts	549,451	868,047
Special Assessments	23,807	--
Investment Income	19,844	10,363
Intergovernmental	190,974	82,979
Loans and Notes	1,108,757	1,111,651
Total	2,849,283	2,074,040
Allowance for Uncollectibles		
Taxes	(557,635)	--
Accounts	(331,782)	(33,569)
Special Assessments	(2,348)	--
Intergovernmental	(49,571)	--
Loans and Notes	(799,451)	--
Total	(1,740,795)	(33,569)
Net Receivables	\$ 1,108,488	\$ 2,040,471
Net Receivables not scheduled for collection during the subsequent year:		
Accounts	\$ --	\$ 116,333
Loans and Notes	303,980	1,080,428

Of the \$557.6 million allowance for uncollectible taxes, \$278.2 million relates to a valuation allowance for estimated business taxes receivable.

The majority of the governmental activities loans consist of grant funded loans provided as follows: a) to property owners for the upgrading and rehabilitation of residential or rental properties to eliminate the spread of slums and blight and repair earthquake damage; b) to businesses to carry out economic development projects; and c) to community based organizations to acquire, construct or improve existing public facilities. Interest rates ranged from 0.5% to 14% for interest bearing loans. The principal and interest are paid either monthly, quarterly, annually (amortizing loans), or when residual receipts are generated in accordance with the loan agreements (residual receipts loans), or deferred until maturity, transfer of title or sale of property occurs (deferred loans).

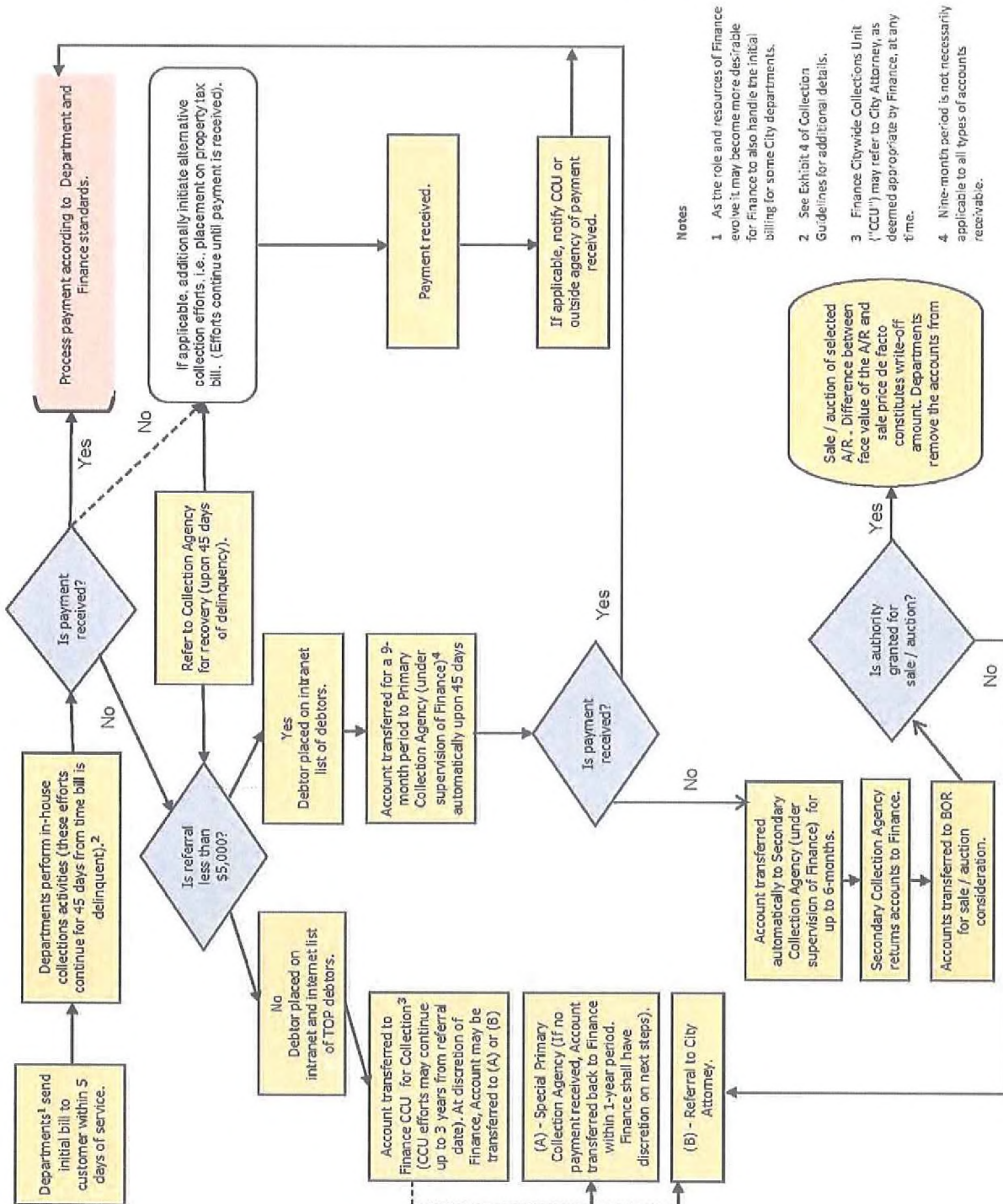
Appendix 4

Current Non-Tax Accounts Receivable Process Flow and Timetable (the "Current Flowchart") that now serves as Exhibit "1" to the Citywide Billing and Collection Guidelines (the "Collection Guidelines").



Appendix 5

Recommended Non-Tax Accounts Receivable Process Flow and Timetable (the "CORE Flowchart") prepared and recommended by CORE.



- Notes**
- 1 As the role and resources of Finance evolve it may become more desirable for Finance to also handle the initial billing for some City departments.
 - 2 See Exhibit 4 of Collection Guidelines for additional details.
 - 3 Finance Citywide Collections Unit ("CCU") may refer to City Attorney, as deemed appropriate by Finance, at any time.
 - 4 Nine-month period is not necessarily applicable to all types of accounts receivable.

Appendix 6

Office of Finance report for the Revenue Billing and Collection program for fiscal year 2008-09

**OFFICE OF FINANCE
FISCAL YEAR 2008/2009 REPORT ON OVERALL CITYWIDE COMPLIANCE WITH MAYOR'S EXECUTIVE DIRECTIVE NO. 5**

CRITERIA	OVERALL GRADE	COMMENTS
1. Submit to the Office of Finance for approval the template for delinquency notices that illustrate use of City Attorney letterhead and language advising the debtor that their account may be subject to remedies including referral to a collection agency or legal action if payment is not received. Once approved, incorporate this into your departmental procedures.	Below Standard	Finance reviewed departments billing and collection policies and procedures in FY 08/09 and found that not all departments were using recommended City Attorney letterhead and language on delinquency notices. It has been reported that the City Attorney letterhead is not reproduced due to a limited billing system. Seven of twenty departments use City Attorney letterhead and language on delinquency notices. Five departments who do not use both City Attorney letterhead and language also have minimal accounts receivable and this corresponds with their exempt status for quarterly reporting.
2. Refer delinquent accounts to outside collection agencies or the City's Collection Unit in the Office of Finance, generally following 45 days of delinquency.	Below Standard	Departments have \$187 million in accounts that are more than two years old and need to be referred to collection. This information is based on the fourth quarterly accounts receivable report for FY 2008/09 submitted by departments. Seven of these departments received standard marks in this category because they have minimal accounts receivable and this corresponds with their exempt status for quarterly reporting. The progress report further emphasizes departments who have a significant amount of severely aged delinquent accounts that need to be referred to collection.
3. Review and implement measures to apply penalties and interest to all delinquent accounts that effectively deter delinquency and encourages voluntary compliance in making timely payments.	Below Standard	Finance conducted a review in FY 2008/09 and found that not all departments apply both interest and penalty. Only three out of twenty departments apply interest and penalty. Of the seventeen departments that do not apply both interest and penalty, four departments had minimal accounts receivable and this corresponds with their quarterly report exempt status.
4. Submit quarterly reports on accounts receivable to the Office of Finance.	Above Standard	All departments submitted all four quarterly accounts receivable reports in FY 2008/09.
5. Formulate and incorporate written policies and procedures for each process that involves billing and/or collection and submit to the Office of Finance.	Above Standard	Finance conducted a review in FY 2008/09 of departments billing and collection policies and procedures to ensure the most current information is on file. Seventeen out of twenty departments submitted these manuals. The remaining three departments do not have these manuals because they have minimal accounts receivable.
6. Submit department reports of uncollectible accounts for write-off to the Board of Review annually as directed by Section 5.182 of the Los Angeles Administrative Code and Board of Review Protocols and Procedures.	Standard	Ten of twenty departments have referred accounts deemed uncollectible to the Board of Review (BOR) for approval for write-off at least annually, in accordance with LAAC 5.182. Six of the departments that did not refer accounts to the BOR in FY 2008-09 also had minimal accounts receivable and this corresponds with their exempt status for quarterly reporting.
7. Ensure that a designated Department Executive Liaison regularly attends Revenue Management Committee meetings, chaired by the Office of Finance, and shares meeting information with all relevant department staff.	Standard	Eight of twenty Department Executive Liaisons have regularly attended the scheduled Revenue Management Committee meetings. Four of the Departments who attended less than half of these meetings also had minimal accounts receivable and this corresponds with their exempt status for quarterly reporting.

NOTE: This 1-page chart is a part of the full 5-page report and accompanying cover letter, dated October 7, 2009, from Finance.

Appendix 7

Details of departments that are in or out of compliance with the Collection Guidelines and/or Directive No. 5¹⁵

Reporting appropriate accounts receivable

The type of accounts receivable that should appear on departments' quarterly reports include invoices for services rendered, permits, and/or fees that are billed to external customers. However, to date many departments are still reporting revenue sources that are not considered accounts receivable, which overstates the amount of debt outstanding. Finance noted that 11 out of the 21 reports included inappropriate accounts receivable information. This includes reports from Building and Safety, Fire, General Services, Transportation and Zoo. Moreover, inappropriate revenue information was found in the reports from Public Works Office of Accounting on behalf of Department 50 (Special Funds), Department 40 (General Services), Department 94 (Transportation), Board of Public Works, Bureau of Contract Administration, Bureau of Engineering, Bureau of Street Lighting, and Bureau of Street Services.

Accurate reporting on the aging of accounts

Finance noted the following five departments need improvement in properly reporting the aging of accounts receivable: Fire Department, Building & Safety, Convention Center, and the Department of Public Works Office of Accounting on behalf of Department 50 (Special Funds) and Bureau of Engineering.

Timely referral of delinquent accounts to collection agencies

Only 48.5% of accounts that are eligible for referral to collection had actually been referred. Of the 21 departments submitting reports, 12 were below 80% compliant in this regard. These departments include: El Pueblo; LAFD; LAHD; Convention Center; Police; Zoo; Transportation; and Public Works on behalf of the Department 50 (Special Funds), Board of Public Works, and Bureaus of Contract Administration; Engineering and Street Services.

Notably, General Services and Sanitation were 100% compliant.

Submittal of uncollectible accounts to the Board of Review

After two years, accounts should have been referred to a collection agency if under \$5,000, or to the CCU if over \$5,000 and returned to the originating department if uncollected for write-off approval. While departments did not address the status of their uncollectible accounts, Finance reported that 38% of accounts from the Department of Building and Safety are more than two years old; 44% of Fire accounts are older than two years old; 45.2 % of those belonging to General Services; 37.1% from LAPD; 71.7% from Public Works Contract Administration; 56.9% from Public Works Street Services (Signs); and 44.4% from LADOT. It should be noted, however; that LAFD just recently obtained authority to refer Emergency Medical Service accounts to collection agencies and they have aggressively begun referral.

¹⁵ Per Finance's Accounts Receivable Dashboard, dated June 22, 2010. As noted in Sec. VI. A. 10, CORE recommends supplementing the current reporting format with a checklist of chart.

Appendix 8

CORE recommendations complementary to implementation of Controller's 2007 and 2010 Audits

The Controller's July 2010 (Follow-up) Audit reported on status of implementation by Finance and City departments of the 35 recommendations that were part of the Controller's 2007 Audit. Attachment I to the July 2010 Audit detailed 13 of the 35 Controller recommendations that were either not implemented, or only partially implemented.

Implementation of the Controller's 2007 Audit recommendations is vital to improvement of the process -- and, even more importantly, to revenue. Moreover, a key part of the Council's charge to CORE was to review and make recommendations related to such implementation.

As part of the Commission's comprehensive Blueprint, the CORE recommendations in the chart below are notably complementary and correspondent to implementation of the Controller's recommendations. In *Sec. VI.A.11.i.*, CORE also recommends that the CORE-recommended Inspector General (IG) prepare quarterly reports to submit to the Mayor, Controller, City Attorney and the Council regarding status of implementation of each of the currently not-implemented and/or partially implemented recommendations in the Controller's 2007 and 2010 Audits.

CONTROLLER'S RECOMMENDATION	CORE'S COMPLEMENTARY / CORRESPONDENT RECOMMENDATION(S)
NOT IMPLEMENTED	
7 - Finance should refer uncollectible accounts to Board of Review.	19, 22, 26-28, 42
21 - Finance should work with departments to determine appropriate penalties for delinquent accounts.	32-33
22 - Finance should determine when interest accrues, and interest rate changes for delinquent accounts.	32-33
31 - LAFD should pre-number certificates of fitness and track their inventory / revenue collection.	50
PARTIALLY IMPLEMENTED	
9 - LAFD should ensure that Paramedics and EMTs complete service reports.	1, 54-56
10 - LAFD should establish procedures to ensure billing section inputs service reports.	1, 54-56
18 - LAFD should establish controls for timely CUPA billings.	1, 20-21
19 - Departments should comply with Collections Guidelines timeframes.	19-20
24 - Citywide Billing and Collection Unit should review and assess departmental compliance with Collections Guidelines.	10, 41, 43
27 - Finance should provide departments with system to reconcile their accounts to Finance's records.	2, 3, 4
28 - Finance should consider requiring departments to manage accounts referred for collection.	2, 4, 14-15
33 - Finance should require departments receiving high volume of checks to work with City Treasurer to install check verification system.	4, 49, 51-52
34 - Finance should develop database of delinquent debtors to which departments can refer before accepting payment by check.	4, 44-48

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

RECOMMENDATIONS OF THE CITY OF LOS ANGELES
AD HOC COMMISSION ON REVENUE EFFICIENCY (CORE)

Appendix 9

**Report on the Application of Interest and Penalty
to Departments' Permits and Fees (Page 1 of 4)**

**Report on the Application of Interest and Penalty
to Departments' Permits and Fees**

Revenue Source #	Permit and/or Fee	Monthly Interest Rate	Annual Interest Rate	Monthly Penalty Rate	Annual Penalty Rate
Animal Services					
3213	Duplicate Tags	none	none	none	none
3218	Cat Identification Fees	none	none	none	none
3842	Bad Check Collection Fees	none	none	none	none
3905	Animal Euthanasia Fees	none	none	none	none
3906	Animal Pick-up Fees	none	none	none	none
3907	Animal Impoundment Fees	none	none	none	none
3909	Pet ID System Fees	none	none	none	none
3910	Trap Rental Fees	none	none	none	none
3911	Care and Food	none	none	none	none
3912	Cat Pound Fees	none	none	none	none
3913	Dog Pound Fees	none	none	none	none
3914	Veterinary Medical Fees	none	none	none	none
3915	Other Animal Pound Fees	none	none	none	none
3916	Advertising Fees	none	none	none	none
4551	Miscellaneous Revenues	none	none	none	none
3211	Dog Licenses	none	none	none	none
3212	Dog Licenses Application	none	none	none	none
3214	Sentry Dog Licenses	none	none	none	none
3215	Sentry Dog Trainers Licenses	none	none	none	none
3217	Equine Licenses	none	none	none	none
3219	Breeder's License Fees	none	none	none	none
3220	Comm & Ind Guard Dog Licenses	none	none	none	none
3274	Filming Permits	none	none	none	none
3918	Animal Regulation Permits	none	none	none	none
3919	Miscellaneous-Animal Regulation	none	none	none	none
3216	Dog License Penalty	none	none	none	none
4321	Other Fines	none	none	none	none
Bldg. & Safety					
3241	Emergency Electrical	none	none	50%	n/a
3937	Elevator	none	none	50%	n/a
3938	Pressure Vessel	none	none	50%	n/a
3846	Non-compliance	1%	12%	250%	n/a
3280	Local Enforcement Agency Inspections	none	none	none	25%
City Attorney					
3293	Tobacco Permit penalty for late annual renewal is \$75.				
City Clerk					
	none	none	none	none	none
ITA					
	n/a	n/a	n/a	n/a	n/a
El Pueblo					
4422	Filming Fees	none	none	none	none
4429	CA Maintenance Fee	none	none	none	none
4551	Late Fee, NSF Fees	none	none	none	none
Fire					
3891	Continuing Permit Fees*	none	none	none	50%
3882	Non Continuing Permit Fees	none	none	none	none
3900	High Rise Permit Fee	none	none	none	50%
3274	Filming Permit	none	none	none	none
3197	Brush Removal Fee	none	none	none	50%
3883	Fire Safety officer Cost Recovery Fee	none	none	none	none
3884	Fire Services - San Fernando	none	none	none	none

Appendix 9

Report on the Application of Interest and Penalty to Departments' Permits and Fees (Page 2 of 4)

Revenue Source #	Permit and/or Fee	Monthly Interest Rate	Annual Interest Rate	Monthly Penalty Rate	Annual Penalty Rate
3887	Miscellaneous Fire Service Fee	none	none	none	none
3888	CUPA Fees	none	none	none	50%
4091	Emergency Ambulance Service Fees	none	none	none	none
3897	Underground Storage Tank Fee	none	none	none	none
4194	Services to Propriety Dept - Airports	none	none	none	none
4198	Services to Propriety Dept - Harbor	none	none	none	none
3892	Construction Plan Check	none	none	none	none
Finance					
3293	Tobacco Permit	* See City Attorney above			
3861	Police Permit	* See Police Department below			
3891	Fire Permit	* See Fire Department above			
4041	Sewer	* See Public Works below			
General Services					
4423	Lease and Rental of City Property	1%	none	10%	none
Housing					
4281	Reap Admin Fees ¹	1%	12%		100%
4249	Code Enforcement Fees ²	none	none		150%
4190	Rental Registration Fees ³	none	none		\$14 + \$14
¹ 100% of Delinquent fee, if delinquent fee not received within 30 days from late notice letter					
² 50% + 100% Late Fee + Delinquent Fee.					
³ \$14 Late Fee + \$14 Delinquent Fee.					
Convention Center					
4180	Equipment Rental Revenue	1.5%	18%	none	none
4181	Consumer Shows Revenue	1.5%	18%	none	none
4182	Trade Shows	1.5%	18%	none	none
4183	Conventions	1.5%	18%	none	none
4184	Dance & Other Hall Rentals/Filming	1.5%	18%	none	none
4185	Room Rentals	1.5%	18%	none	none
4186	Electrical Services Revenue	1.5%	18%	none	none
4187	Parking Revenue	1.5%	18%	none	none
4188	Food & Beverage Revenue	1.5%	18%	none	none
4189	Other	1.5%	18%	none	none
4190	Telecomm	1.5%	18%	none	none
4403	Interest Income ⁴	* This is the account used to record the interest			
4544	Salvage Receipts	1.5%	18%	none	none
4551	Miscellaneous Revenue	1.5%	18%	none	none
Personnel					
	none	none	none	none	none
City Planning					
3828	Plan & Land Use Fees	none	none	none	none
Police-False Alarm					
3870	Alarm Permit Renewal fee			* See note below	
* 50% penalty applied for late renewal January 1st through March 31st. 100% penalty applied for late renewal after March 31st.					
3870	False Alarm Fees ⁵	none	none	none	none
Police-Permits					
3861	* Original Fee-Amount due when applying for Police Permits and amount due when permittee pays for annual renewal after Dec. 31. No other penalty or interest charge is charged. Annual Police Permit Fee-Annual renewal fee (due Dec. 31 for the following year. After Dec. 31, original fee is due. Change of Location Fee-Amount due when applying for an address change.				
Public Works- Departments 50, 74, 76, 78, 86 & 94					
100/74/3852	Reimb of Accounting Services	none	none	none	none
834/50/4877	Vacation Work Order Deposits	none	none	none	none

Appendix 9

Report on the Application of Interest and Penalty to Departments' Permits and Fees (Page 3 of 4)

Revenue Source #	Permit and/or Fee	Monthly Interest Rate	Annual Interest Rate	Monthly Penalty Rate	Annual Penalty Rate
47R/50/4084	Private Transfer Station Fees	*See note below		* See note below	
	*Interest is set at 8% per year for gate rate (disposal charge at transfer station).				
834/50/4879	Excavation-Spl W/O Deposits	none	none	none	none
100/78/428	Leases and Rentals Other	none	none	none	none
834/50/4871	St Lighting Deposits	none	none	none	none
100/86/3991	Outside Serv - Misc	none	none	none	none
100/86/3196	Weed Assessments	none	none	none	none
834/50/4875	B Permit Deposits	none	none	none	none
100/76/3252	B Permits	none	none	none	none
100/74/3852	Reimb of Accounting Services	none	none	none	none
100/78/3250	U-Permits	none	none	none	none
438/50/4229	One Stop Permit Center Fees	none	none	none	none
568/50/4233	Equipment/Training Surcharge	none	none	none	none
100/76/3296	Public Right of Way Const Enf	none	none	none	none
100/86/3295	Public Right of Way Const Enf	none	none	none	none
100/94/3295	Public Right of Way Const Enf	none	none	none	none
100/78/3986	Trench Replacing	none	none	none	none
100/76/3954	Special Excavation Inspection	none	none	none	none
41A/50/3986	St Damage Restoration Fee	none	none	none	none
100/74/3852	Reimb of Accounting Services	none	none	none	none
438/50/4229	One Stop Permit Center Fees	none	none	none	none
100/86/3261	Overload Permits	none	none	none	none
834/50/4879	Excavation-Spl W/O Deposits	none	none	none	none
834/50/4876	R/W & Land Work Order Deposits	none	none	none	none
4041	Sewer*				
	*Loan then 10% penalty or \$50 admin fee whichever is higher, plus 1% penalty per month from recordation.				
4043/4045	Waste Water Agency Fees	*See note below			
	*1 to 30 days late = prime rate plus 1%; 31 to 60 days late = prime rate + 5%; Greater than 60 days = 10%				
3102	Private Waste Hauler A6939 Compliance Fee			*See note below	
	* 2.5% penalty applied quarterly (maximum 10% penalty)				
Public Works/Bureau of Sanitation-IWMD					
4044	Industrial Waste Fees	none	none	2.5%	10%
4061	Septage Disposal Fee	none	none	*See note below	
	* 10% delinquent fee				
4041	Ground Water Fee	none	none	none	none
Public Works/Bureau of Street Services					
3253	B - Bench Applications	none	none	none	none
3253	B - Bench Relocations	none	none	none	none
3253	B - Bench Permit Renewal	none	none	none	none
3255	E - Building Materials	none	none	none	none
3259	G - House Move F.F.	none	none	none	none
3259	G - House Move Permits	none	none	none	none
3261	J - Overload Permits	none	none	none	none
3261	J - Overload (Annual)	none	none	none	none
3256	V - Canopy Application	none	none	none	none
3257	V - Canopy Renewal	none	none	none	none
3265	V - Flower Vending	none	none	none	none
3258	V - House Numbers on Curb	none	none	none	none
4322	V - Illegal Sign Removal	none	none	none	none
3985	V - Import/Export	none	none	none	none
4015	V - Newsstand Permit Fees	none	none	none	none
3981	V - Overload Inspections	none	none	none	none

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

RECOMMENDATIONS OF THE CITY OF LOS ANGELES
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Appendix 9

Report on the Application of Interest and Penalty to Departments' Permits and Fees (Page 4 of 4)

Revenue Source #	Permit and/or Fee	Monthly Interest Rate	Annual Interest Rate	Monthly Penalty Rate	Annual Penalty Rate
3265	V - Sidewalk Selling	none	none	none	none
3583	V - Temporary Street Closure	none	none	none	none
3991	V - Water Testing	none	none	none	none
4321/01	V - Peak Hour Enforcement	none	none	none	none
3264	V - Newsrack Permit Fee	none	none	none	none
Zoo					
	None	None	None	None	None
Rec. & Parks					
	None*	* Permits issued are pre-paid			
Transportation					
3198	Transp. Impact Assessment Fee	none	none	none	none
3092	Franchise Income - Electric Line	none	none	none	none
3093	Franchise Income - Gas	none	none	1%	12%
3094	Franchise Income - Pipe Lines	none	none	10%	50%
3095	Franchise Income - Railways	none	none	none	none
3096	Franchise Income - Taxi Cabs	1.50%	18%	none	10% (flat)
3111	Application and Sales	none	none	none	none
3252	B-Permits	none	none	none	none
3274	Filming Permits	none	none	none	none
3284	Vehicle Applications	none	none	none	none
3285	Search Light Permits	none	none	none	none
3286	Driver Permits	none	none	none	none
3842	Bad Check Collection Fees	none	none	none	none
3973	Special Environment Improvement Fees	none	none	none	none
3993	Damages Repaired	none	none	none	none
3994	Maintenance Agreements	none	none	none	none
3997	Warning Signs	none	none	none	none
3998	Temporary Traffic Signs	none	none	none	none
3999	Street Name Signs	none	none	none	none
4011	Neighborhood Watch Signs	none	none	none	none
4218	Fingerprint Fees	none	none	none	none
4219	Traffic count fees	none	none	none	none
4231	Booting Fees	none	none	none	none
4232	Transportation Control	none	none	none	none
4251	Credit Card Fee	none	none	none	none
4312	Municipal Courts - Parking Fines	none	none	*See note below	
	*Amount of parking ticket doubles after 37 days; effective 8/16/10 \$25 additional penalty added after 58 days from billing date.				
4320	Disabled Placard Fee	none	none	None	None
4612	State Maintenance	none	none	None	None
461H	Planning Expedited Rel Cost	none	none	None	None

Appendix 10

DOT Breakdown of Difficult to Collect Accounts

City of Los Angeles
 Department of Transportation
 Difficult to Collect Data
 For Citations Issued Between FY 05/06 and FY 07/08

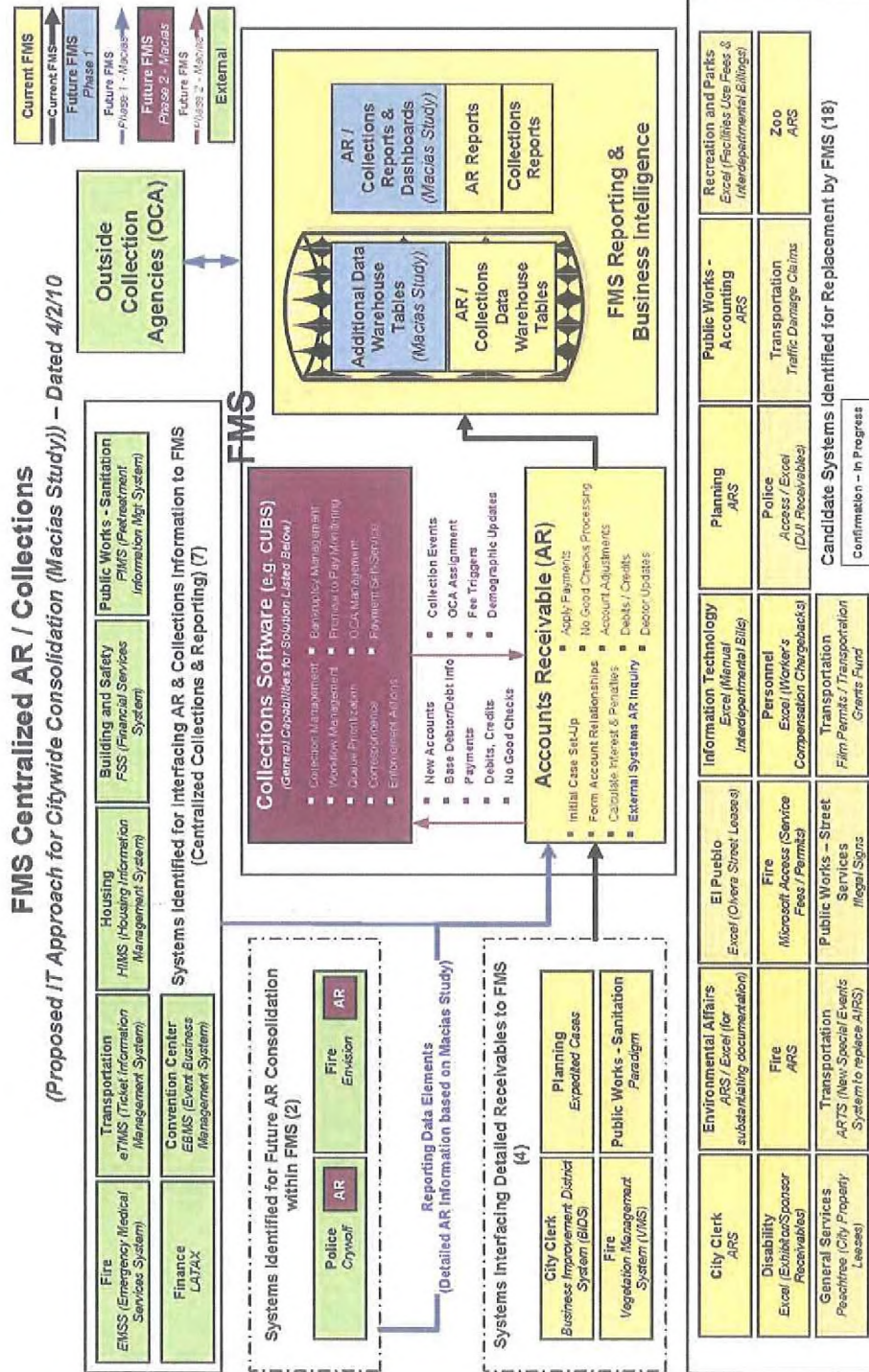
Difficult to Collect (DTC) Category	DTC Explanation	Number of Citations Per DTC Category	DTC Citation Percentage Per Category	Dollar Amount Due Per DTC Category	DTC Dollar Amount Due Percentage Per Category
No Registry Confirm	DMV has not confirmed owner as of date ticket was issued	388,349	20.84%	\$21,431,660	10.55%
Nixie	Notice returned as undeliverable	154,195	7.99%	\$16,848,008	9.29%
DMV Ownership Transferee	DMV has released hold because ownership was transferred to new owner	604,924	31.33%	\$76,339,544	37.52%
Declaration of Non Owner	Although DMV provided their name, citizen is claiming they sold the vehicle prior to the ticket being issued	104,273	5.40%	\$6,436,452	3.17%
Aged DMV Non-Renewal	DMV has released the registry hold after two renewal cycles	101,706	5.27%	\$12,078,835	5.95%
DMV Hold Rejected	DMV rejected the registry hold request	341,942	17.72%	\$44,823,220	22.08%
Rentals and Miscellaneous	issued to a rental vehicle	224,783	11.65%	\$22,961,066	11.32%
Total Difficult-to Collect		1,929,872	100.00%	\$202,908,808	100.00%
FY 05-06 thru FY 08-10 Total Issuance					
Diff-to-Collect as Percentage of Total Issuance		14,984,947			
		12.88%			
Breakdown of Difficult-to-Collect Amount					
Fines				\$91,732,544	
Penalties				\$84,949,150	
Special Collection Fees				\$26,333,104	
Total Difficult-to Collect				\$202,908,808	
Estimated City Share (77.7% of base fine amount and all late penalties go to the City)				\$156,119,347	

Source: Difficult-to-Collect Report as of June 30, 2010

Note: This is Difficult-to-Collect and NOT total receivable

Appendix 11

FMS Centralized AR /Collections Proposed IT Approach for Citywide Consolidation



Appendix 12

Glossary of terms

- 2007 Audit – The City Controller’s June 2007 “Audit of Citywide Billing and Collection Practices”
- 2010 Audit – The City Controller’s July 2010 “Follow-up Audit of Citywide Billing and Collection Practices”
- AGE Committee – Audits & Governmental Efficiency Committee of the L.A. City Council
- AR -- Accounts Receivable
- AR Dashboard – Accounts Receivable Dashboard that is being distributed quarterly to City officials by Finance.
- BOR – Board of Review
- CCU -- Citywide Collections Unit
- CLA – Chief Legislative Analyst
- Collection Guidelines -- Office of Finance’s Citywide Collection Guidelines to Maximize Revenue Collections (Originally dated 2002; updated 2009)
- Directive No. 5 -- Mayor Villaraigosa’s Oct. 20, 2005 Executive Directive Number – re Revenue Billing and Collection
- DOT – Los Angeles Department of Transportation
- FDCPA – The Fair Debt Collection Practices Act. A United States added in 1978 as Title VIII of the Consumer Credit Protection Act, 15 U.S.C. Sec. 1692, et. seq.
- Finance – The Office of Finance
- HIPAA – Health Insurance Portability and Accountability Act
- LAFD – Los Angeles Fire Department
- LAHD – Los Angeles Housing Department
- LAMC – Los Angeles Municipal Code
- Macias Study -- “Feasibility Study: Centralization of Billing and Collection Activities” and accompanying “Centralized Billing Plan” (collectively, the “Macias Study”)
- RFP – Request for Proposals
- RFQ – Request for Qualifications
- RMC -- Revenue Management Committee. Made up of revenue and collection managers from City departments, and convened quarterly by Finance.

Appendix 13

Links to reports, memos, and research information

http://www.core.lacity.org/html/supp_documents.html

L.A. City Controller Follow-Up Audit of Citywide Billing and Collection Practices 7-1-2010
Accounts Receivable "Dashboard" from Office of Finance 6-22-2010
City of Los Angeles Adopted Budget FY 2010-2011
Mayor's 2010/2011 complete proposed Budget.
Office of Finance Top Debtors List
CAO Budget Memos
Los Angeles Housing Department Collections Report 5-25-2010
CAO Memo re Health Care Costs 5-5-2010
CLA Budget Report 5-5-2010
CAO Cost Savings from Audits Memo 5-4-2010
Audit of Citywide Fixed Assets and Equipment 5-3-2010
Release from Controller Greuel re Fixed Assets 5-3-10
Fleet Consolidation Memo 4-29-2010
Coren Report re Collections of Documentary Transfer Tax 4-29-2010
Bureau of Sanitation Report re Terminal Island Renewable Energy 4-22-2010
City Attorney Report re Proposed Business Tax Liens 4-19-2010
Accounts Receivable as of the 2nd Quarter Fiscal Year 2009-2010
Budget Ideas from Coalition of L.A. City Unions 4-16-2010
Animal Services Report on Dog Licensing 4-6-2010
City Controller's Press Release re Urgent Cash Flow 4-5-2010
City Controller's Urgent Cash Flow Update 4-5-2010
CLA Report Options for Revenue Generation 3-3-2010
Report of the Chief Legislative Analyst 2-10-2010
CAO Mid-year Financial Status Report and 3-year Plan 1-29-2010
LAFD Status of Recommendations 1-12-2010
Centralization Implementation Plan (MACIAS) 12-11-2009
LA Centralized Billing Report (Macias) 12-21-09
Citywide Guidelines to Maximize Revenue Collections 6-2009
City of LA Preliminary Financial Report for Year, Ending 6-30-2009
Audit of Billing Practices 6-11-2007
ACS Contract for Parking Management System 1-20-2006
Mayor Villaraigosa's Executive Directive No. 5 – Revenue Billing and Collection 10-20-2005

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

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Appendix 14

Links to best practices and innovations

Alliance for Innovation: <http://transformgov.org/en/home/>

Association of Credit and Collection Professionals: <http://www.acainternational.org/>

Cal-ICMA: <http://icma.org/en/icma/home>

California Association of Collectors, Inc.: <http://www.calcollectors.net/index.asp>

California Local Government Finance Almanac: <http://www.californiacityfinance.com/>

California Revenue Officers Association: <http://www.croa.info/mc/page.do?sitePageId=89214&orgId=caroa>

California Society of Municipal Finance Officers: <http://www.csmfo.org/>

Center for Governmental Studies: <http://www.cgs.org/>

Center for Public Accountability: <http://www.seiu721.org/accountability/center-for-public-accountability-staff.php>

Council for Excellence in Government: <http://www.excelgov.org/>

Governing.com: <http://www.governing.com/>

Government Executive: www.govexec.com

Innovations in American Government Program: <http://innovations.harvard.edu/>

Inside ARM: <http://www.insidearm.com/>

League of California Cities: <http://www.cacities.org/index.jsp>

Little Hoover Commission: <http://www.lhc.ca.gov/>

Municipal Management Association of Southern California: <https://www.mmasc.org/Default.aspx>

Municipal Research & Services Center of WA.: <http://www.mrsc.org/subjects/management/bestpractices.aspx>

National Association of Counties: <http://www.naco.org/Pages/default.aspx>

National League of Cities: <http://www.nlc.org/>

The United States Conference of Mayors: <http://www.usmayors.org/bestpractices/>

BLUEPRINT FOR REFORM OF CITY COLLECTIONS

RECOMMENDATIONS OF THE CITY OF LOS ANGELES
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Appendix 15

CORE Blueprint Recommendations Tracker (Sample)

See attached 11 pages (Blueprint pages 87-97)

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

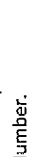
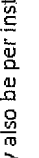
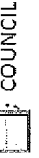
Rec. #	Recommendation	Applicable City Dept. / Office / Entity	Status 1/1/11	Status 4/1/11	Status 7/1/11	Status 10/1/11	Status 1/1/12
5	CORE recommends that the Mayor clarify for the benefit of all department General Managers that instructions by Finance to departments regarding revenue, billing and collections shall be treated as Mayoral directives. Finance instructions could also be incorporated into future Mayoral directives regarding collections, or used as the basis therefor.	Mayor					
13	CORE recommends that, in order to implement a clear management evaluation policy which includes revenue and collection performance criteria, the Mayor, as Chief Executive should consider development of specific individual performance guidelines with each General Manager. These guidelines should include goals and expectations set respectively by the General Manager and the Mayor and should be evaluated annually by the Mayor and his executive team with advisory input from the City Council as appropriate to consider the General Manager's capability and performance in meeting the overall responsibilities of running the individual department.	Mayor					
7	CORE recommends that the Council prioritize staffing and funding for Finance's revenue-generating positions and work. i. Exempt Finance's revenue-generating positions from employee furloughs and hiring freezes. ii. Allocate funding needed to fully staff Finance's Revenue Management Division. iii. Allocate funding needed to fund analysts and clerical staff for the FMS project. iv. Consider a stable and certain funding source for Finance's collection work – perhaps, in part, from Finance's collections.	City Council					
15	CORE recommends that Council create a pilot program with several departments (or a cluster of departments) that would dedicate or earmark a portion of collections to fund the costs of collections and to benefit said departments' operations. The paradigm might be that a portion of certain revenues be apportioned or directed to help fund and support: i. Collection positions at Finance. ii. The post of Inspector General for Revenue & Collections. iii. Revenue-generating positions in the specific department. iv. Staffing needs and programs of the specific department.	City Council					
31	CORE recommends that the Council expedite and fund the implementation of a comprehensive non-tax amnesty program proposed by Finance in its FY 10-11 budget.	City Council					

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

32	CORE recommends that the Council instruct the City Attorney to prepare draft ordinance(s) necessary to apply consistent fees, penalties, and interest charges for all City receivables – except as may be noted as being impermissible. Said draft should then be sent to each department General Manager, who would have no more than 30 to days to object. Revised draft ordinance(s) would be submitted to the AGE Committee and to Council for review and approval.	City Council						
63c	CORE recommends the Council consider seeking a change in the current definition of a scofflaw in California Vehicle Code --- from a vehicle that has five delinquent and unsatisfied citations to a vehicle that has three delinquent and unsatisfied citations. Reducing the threshold for scofflaw enforcement would serve to increase the City's overall collection rate, and collection revenues.	City Council						
64	CORE recommends that the Council's Audits & Governmental Efficiency Committee instruct LAHD to present an overview of its billing and collections practices, status of accounts receivable and utilization of liens.	Audits & Government Efficiency Committee						
35	CORE recommends that the City Attorney, in consultation with the CLA, prepare a memorandum regarding the feasibility of requiring parking lot/facility/structure tax agreements to be recorded upon the title to the real properties whereupon such operations currently exist. Such agreements could serve as an encumbrance upon the real properties to essentially guaranty payment of the parking tax and as a lien that could be foreclosed upon in the event of non-payment (similar to property taxes).	City Attorney						
38	CORE recommends that the City Attorney outline a proposed framework for contingency collection cases.	City Attorney						
18	CORE recommends the establishment and appointment of an Inspector General for Revenue and Collections to independently report on, and aid in the implementation of, the City's Collection Guidelines, the Controller's recommendations, the recommendations of this Blueprint and other collection reforms.	Mayor & City Council						
27	CORE recommends amending the City Administrative Code to make the primary charge of the Board of Review (BOR) the evaluation of (pools of) accounts receivable for sale or auction. Currently, the BOR is charged with evaluating improbable receivables for write-off. While there are some receivables of clearly no value that need to be evaluated for write-off approval by the BOR, nearly all the rest of the City's improbable receivables should, more appropriately, be evaluated by the BOR, in consultation with debt sale brokers, for approval for sale or auction. For the bulk of aged receivables, the City would then automatically write-off the difference between the amount of the debt and the amount realized in a final sale or auction.	Mayor & City Council						

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

28	CORE recommends that the Mayor and Council direct that accounts uncollected after secondary collections should be automatically forwarded to the Board of Review for evaluation and recommendation for auction or sale.	Mayor & City Council					
42	CORE recommends that the Mayor and Council direct City departments and Finance to present accounts for timely write-off in accord with the timelines set forth in Collection Guidelines. It is further recommended in the event that departments fail to timely submit qualifying receivables, certain sums shall be withheld from their budget allocations until such time as there is compliance. This recommendation will only need to be implemented so long as the current system of referrals exists.	Mayor & City Council					
47	CORE recommends that the Mayor and Council instruct the Housing Department and the Department of Building and Safety to cross reference one another's list of named delinquent accounts and to withhold issuing permits or providing other department services for parties appearing on either department's list of delinquent accounts.	Mayor & City Council					
63a	CORE recommends funding for sufficient numbers of citation officers. Parking ticket revenues are being hindered by reductions in the number of traffic officers employed by the City to issue citations, coupled with frequent assignment of officers to traffic control or special events duties – thus reducing the number of citations that can be issued. Maintaining revenue-producing positions in the City must be a priority.	Mayor & City Council					
12	CORE recommends that the Mayor, CAO and Council's Budget & Finance Committee require department General Managers, as part of annual budget requests, to submit a letter attesting their department's compliance with Directive No. 5 and with all provisions of the Collection Guidelines. Any and all provisions wherein a department is not in compliance shall be detailed by the General Manager and reviewed as part of the budget process.	Mayor, CAO and Council Budget & Finance Committee					
16	CORE recommends that the Mayor, CAO and Council make department-by-department revenue targets (and performance) a fixed part the budget process, of the regular Financial Status Reports (FSRs) by the CAO, and that these targets be included in all quarterly reports by departments.	Mayor, CAO and Council Budget & Finance Committee					
14	CORE recommends that the CAO report to the Mayor and the Council on the feasibility of adopting aspects of the County of L.A.'s budgeting paradigm – wherein department budgets are based, in part, on collections targets. Departments that do well can benefit. Departments that fail to meet expectations are called to account by the County's CEO and by the Board of Supervisors.	Chief Administrative Officer					



CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

51	CORE recommends that the Treasurer prepare and submit a report on the fees currently being paid by the City for various types of credit card and debit card transactions – and whether there may be ways to reduce costs to the City. Payments for which payors must pay additional fees to use a credit card or to pay online should generally be discouraged.	Treasurer					
52	CORE recommends that the Treasurer prepare and submit a report on rejected and returned checks and the disposition thereof. A uniform and full-cost-recovery bad check charge should be applied.	Treasurer					
1	CORE recommends that Finance prepare a memorandum for Council re the next steps it recommends to follow-up and follow-through on the "Feasibility Study: Centralization of Billing and Collection Activities", dated Dec. 21, 2009, by Macias Gini & O'Connell.	Finance					
6	CORE recommends that Finance submit proposed ordinance changes to Council that would clarify and strengthen the authorities needed by Finance to ensure compliance of departments with its instructions – and to provide Finance greater latitude in developing instructions and guidelines it deems efficacious.	Finance					
8	CORE recommends that Finance immediately report to the Council's Budget & Finance Committee regarding the status of creation of this Task Force. CORE further recommends that the Committee request each of the members of the Task Force to appear before the Committee.	Finance					
9	CORE recommends that Finance take all necessary steps to reconstitute and invigorate its current Revenue Management Committee (the "RMC").	Finance					
21	CORE recommends that Finance amend the Collection Guidelines setting forth the process flow for primary collections of accounts of less than \$5,000 – as follows: i. As noted in Recommendation No. 19, (Sec. VII.A.19), accounts under the current Collection Guidelines that are supposed to be referred by departments at forty five (45) days of delinquency, shall henceforth be de facto transferred to a primary collection agency (unless a department provides a specific reason or circumstance not to do – to the satisfaction of Finance). ii. If no payment is received within a nine (9) month period from transfer of an account to the primary collection agency, the account shall, in consultation with Finance, be automatically transferred to secondary collections (See Recommendation No.22 (Sec. VII.B.22). iii. If partial payment is received within the nine (9) month period, the period for the primary agency to hold the account may be extended up to another three months. iv. Finance shall have discretion to "pull" any account or pool of accounts at will.	Finance					

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

22	<p>CORE recommends that Finance amend the Collection Guidelines to provide for an automatic or compulsory transfer of unpaid accounts from primary to secondary collection vendors as soon as time allotted to primary collection has expired. Such transfer should be automatic and, at the same time, in consultation with Finance. Such transfer, we generally believe, should be for a six (6) month period -- except where Finance determines otherwise.</p>	Finance				
23	<p>CORE recommends that Finance have contracts with at least two private collection agencies with respect to each major type of receivable. Each vendor would initially receive equal referrals and Finance would evaluate and publish each vendor's performance quarterly. Under a rewards-based system for distributing accounts, the evaluations would be determinative of the volume of accounts assigned in subsequent quarters. Competition is good, and Finance should reward superior performance with additional referrals.</p>	Finance				
24	<p>CORE recommends that the City's future collection agency-related Requests for Proposals (RFPs) and agreements refocus from low-fee, low-bid contracts to performance-based selection and compensation. For aged accounts, vendors should be provided with significantly enhanced commission(s) in relation to the difficulty and likelihood of collection.</p>	Finance				
25	<p>CORE recommends specific provisions for collection agency contracts be considered, as follows:</p> <ul style="list-style-type: none"> i. Competition clauses (See Recommendations 23 and 58). ii. Performance guarantees. iii. Performance bonds. iv. Annual financial statements to monitor vendor's strength and resources. v. Quarterly meetings between the vendor, Finance and department personnel to review and discuss how to improve everyone's performance. vi. Options for debtors to pay online. vii. Benchmarks. viii. Preferences for local employment. ix. Incentives to aggressively work the "back end" of account pools. x. Incentives to collect sooner rather than later. xi. Sophisticated and effective skip tracing. xii. Pairing of pools of receivables. Some pools are more attractive to collectors than others. A way to get vendors to undertake a mediocre pool at a good rate is to pair that pool with one that is more attractive. 	Finance				
26	<p>CORE recommends that Finance issue a Request for Proposals (RFP) / Request for Qualifications (RFQ) for evaluation of receivables for sale and for brokers specializing in such sales. Council should be presented with the scope of work for the RFP / RFQ prior to its release.</p>	Finance				

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

29	CORE recommends that Finance report on its claims settlement statistics and policies to the Council's Budget & Finance Committee.	Finance					
30	CORE recommends that Finance report to the Mayor, Council, CAO and CORE on the details and timetable of the forthcoming Offer in Compromise Program.	Finance					
33	CORE recommends that Finance prepare a report on the feasibility of increasing the interest rate and penalties currently applied to delinquent receivables to no less than the average being charged by other municipalities.	Finance					
34	CORE recommends that Finance move to aggressively implement the City's newly adopted administrative lien Ordinance for delinquent taxes. Finance should also report on its implementation and the results thereof to the Council's Budget & Finance Committee six (6) months after the effective date of the Ordinance.	Finance					
39	CORE recommends that Finance report to the Council and the City Attorney regarding departmental compliance with Sec. 4.4 of the Collection Guidelines.	Finance					
41	CORE recommends that Finance revise the accounts receivable template used by departments and Finance for reports of quarterly receivables. i. Include columns delineating breakdowns of any applied interest, penalties and late fees. ii. Include columns delineating the age of receivables with greater specificity, and in time frames that will (a) correspond to the process flow and timetable(s) outlined in the (revised) Collection Guidelines, and (b) more clearly delineate accounts approaching statute(s) of limitations for collections.	Finance					
43	CORE recommends that Finance present to Council and the CAO a Memorandum regarding the resources needed by Finance to adequately audit the accounts receivable being reported by departments.	Finance					
45	CORE recommends that Finance submit to Council a memorandum identifying non-City databases which might be beneficial for the City to have access to for the purposes of revenue enhancement.	Finance					
46	CORE recommends that Finance, in consultation with the City Attorney, develop a process for departments to access a master list / database of both business tax and non-business tax-related receivables - to verify that a party does not have delinquent accounts with any City department prior to City extending or granting to	Finance					
48	CORE recommends that Finance post the names of top non-tax-delinquent debtors on the City's website -- subject to City attorney approval.	Finance					

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

49	CORE recommends that Finance, in consultation with the Treasurer and ITA, prepare and submit a report on the extent and availability of on-line and auto-pay payment options (credit card, e-check, etc.) for various types of collections by departments and Finance and collection agencies.	Finance					
50	CORE recommends that Finance identify services and billing types for which City departments should, or could, demand advance payment(s) and/or deposits.	Finance					
53	CORE recommends that Finance report to Council about possible MOUs and other arrangements to consolidate billings or assign billing responsibility to another department or agency, in or out of the City – DWP, County, BOE, etc.	Finance					
58	CORE recommends amendment of Finance's private collection contracts to make additional/secondary collection attractive to collection vendors. Because collecting aged accounts is considerably more difficult than primary collection, Finance should amend its existing contracts with private collections vendors to provide that an enhanced commission (of up to 40%) be paid with respect to collecting aged and difficult accounts. Working very aged accounts is not attractive to City vendors under the current compensation agreements. (See also Recommendation No. 24).	Finance					
2	CORE recommends that ITA and Finance take all actions necessary for full and smooth launch of the new FMS by July 1, 2011, coupled with implementation of the accounts receivable module / component by September 30, 2011. Additionally, it will be vital for the City to fund the future phases of greater accounts receivable centralization.	Finance & Information Technology Agency					
4	CORE recommends implement-action of a consistent Citywide ID system for all accounts to be used by individuals and companies for their dealings with any and every City department. Finance, ITA and the Treasurer should prepare and submit a report on needed funding and a projected timeline for such implementation, along with projected cost savings from such a consistent system.	Finance & Information Technology Agency					

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

3	CORE recommends that Finance, ITA and the Treasurer prepare and submit a report on the needed funding and projected timeline for implementing a Citywide on-line payments portal – with multiple ways to pay for accounts and receivables.	Finance, Information Technology Agency & Treasurer					
36	CORE recommends that Finance and the City Attorney collaborate to draft a framework for a Citywide policy dictating the greater use of liens and other encumbrances with recommendations for applications.	Finance & City Attorney					
37	CORE recommends that Finance and the City Attorney clearly memorialize the parameters, dollar thresholds and timing of cases transferred to the City Attorney from Finance or from departments.	Finance & City Attorney					
40	CORE recommends that Finance and the City Attorney copy the other on monthly collection reports. Finance should copy the City Attorney on any reports related to departmental compliance with the Collection Guidelines and with reports on the status of collections by each department. Similarly, CORE recommends that the City Attorney furnish updates regarding all collections and account delinquency cases being handled by the City Attorney.	Finance & City Attorney					
44	CORE recommends that ITA develop and submit an inventory to Council of currently existing and available department and Citywide data pools / databases that could assist in identifying parties who may owe the City money. Specifically: Instruct ITA and Finance to prepare an inventory of known databases, with brief descriptions of the data fields in each database, the format / software of each of the databases and the accessibility of the database to other departments.	Information Technology Agency					
54	CORE recommends LAFD expedite modernization and streamlining both for Field Data Capture and Emergency Medical Services Billing and Collection – pursuant to the two contracts for LAFD's outsourcing approved by the Council August 3, 2010. Finance and the Inspector General should monitor and report on the vendors' performance	Fire Department, Finance & Inspector General					
55	CORE recommends that while modernizing the current paradigm of individual billings, the City should also pursue negotiated bulk contracts with 3rd party payors - such as Medicare, Medi-Cal and private insurers. This could be an innovative alternative to the current patient-by-patient, bill-by-bill approach.	Fire Department					
56	CORE recommends that the City leverage existing relationships and contracts with health insurers and providers. L.A. has business relationships with some of the same insurers and providers that reject or slow-pay EMS bills from LAFD. L.A. should assess how to use the contracts it grants to these same companies to the City's advantage.	Fire Department					

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

57	<p>CORE recommends that DOT recall from ACS severely aged delinquent accounts and transfer them, in consultation with Finance, for assignment to additional/secondary collections by another vendor (with possible inclusion in a non-tax amnesty program) or for sale/auction.</p>	Department of Transportation		
59	<p>CORE recommends that DOT consult with CORE prior to and during the process of issuing an RFP for a (new) vendor contract. Expiration of the existing ACS contract presents the opportunity to assess the strengths and weaknesses of current practices and fee structure(s) -- and ways to improve.</p>	Department of Transportation		
60	<p>CORE recommends that DOT should develop and present to Council a new strategic program to boost collections on parking tickets issued to rental vehicles. For citations issued between May 2006 and June 2008, the category of "rentals and miscellaneous" constituted 11.65%, or \$22.96 million, of DOT's Difficult to Collect accounts. As detailed below, rental companies can simply provide DOT with renter information and then they are excused from responsibility. If a rental car company does not timely furnish the information, DOT and its vendor may, and should, seek payment from the rental car company.</p> <p>The City should also consider using renewal of franchise agreements with rental companies at LAX, or the negotiations to eventually build a central rental car facility at LAX, as leverage to engage these companies in taking more responsibility. We might, for example, request that rental companies maintain a list of renters with unpaid tickets and refuse to rent to them until the tickets are paid.</p>	Department of Transportation		
61	<p>CORE recommends DOT's swifter repair and replacement of broken meters to improve revenues from both meters and parking citations. According to a recent study conducted for the City, 10-12% of the City's parking meters were broken or failed at any given time. This results in a very substantial loss of both parking meter income and in the ability of traffic officers to issue citations.</p>	Department of Transportation		

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

62	<p>CORE recommends that DOT amend and supplement its current format for reporting of accounts receivable. Reports of DOT's receivables are quite misleading. As noted above, because the current AR reporting format does not separate out late fees and penalties, the 15% of parking citations that are due and unpaid disproportionately impact the reported sums due. Moreover, the reported sums due do not reflect the sizeable portion of said sums that, if paid, would actually be payable to other entities (pursuant to the California Vehicle Code), or to the collection vendor. DOT should thus revise its AR reporting template (in accord with Blueprint Recommendation No. 41), and also create separate report columns to clarify the net amount that would accrue to DOT, after required distributions to other parties.</p>	Department of Transportation			
63b	<p>CORE recommends that DOT present to the Council's Audits and Governmental Efficiency Committee (AGE) a report on overhead and expenses for parking management support services. DOT's current vendor contract provides for reimbursement of various overhead and expenses, including printing, postage, certain supplies, document storage, etc. There is also a provision for a mark-up of up to 10% on some of these reimbursements. A report reviewing such overhead and expenses during the period of the contract is advisable.</p>	Department of Transportation			
63d	<p>CORE recommends that DOT consider the feasibility of providing notice to vehicle lienholders of impoundments or impending impoundments. A lienholder may be a vehicle dealer, bank, credit union or acceptance corporation that holds a security interest – and the right to repossess the vehicle in the event that a borrower or lessee fails to pay as promised. Impoundment of a vehicle for multiple unpaid parking tickets can increase both the potential for default by a borrower or lessee – and the costs for lienholders who reclaim a vehicle from impoundment in order to repossess it. Thus, it may merit considering how notices to lienholders might be used to put extra pressure on repeat parking violators to pay.</p>	Department of Transportation			
63e	<p>CORE recommends that DOT report to the Council's Audits and Governmental Efficiency Committee (AGE) on opportunities to reduce margins of error in issuance of citations. Such citations being issued not just by DOT but also by LAPD, the General Services Dept. (GSD) and other City entities.</p>	Department of Transportation			
63f	<p>CORE recommends that DOT and its vendor(s) develop an internal policy on issuance to and reporting as receivable citations issued to homeless and others from whom collection is less likely.</p>	Department of Transportation			
63g	<p>CORE recommends that DOT report to the Council's Audits and Governmental Efficiency Committee (AGE) on opportunities for application of new and improved parking and citation-related technologies. For example, expanding the use of license plate scanning and recognition cameras and devices increases both scofflaw identification and citations issued.</p>	Department of Transportation			

CORE Blueprint for Reform of City Collections -- Recommendations Tracker (Sample)

65	CORE recommends that LAHD propose to the City Council recommended Ordinance changes to compress the tiers and timeline of LAHD's collection process.	Department of Housing					
19	CORE recommends replacing the current system of department "referrals" of accounts from one stage of collections to another with a de facto system of compulsory account transfers, under the supervision of Finance. Rather than make referrals a discretionary or recommended act by a department, the transfer should be compulsory (and, preferably, automatic) – unless there is a specific reason or circumstance to not do so.	All Departments					
20	CORE recommends that the Current Non-Tax Accounts Receivable Process Flow and Timetable of the Collection Guidelines be replaced with CORE's updated Recommended Non-Tax Flowchart.	All Departments					
10	CORE recommends that the Inspector general (IG) proposed by CORE (See Sec. VI.D.) prepare quarterly reports of departments' compliance and performance to submit to the Mayor, Controller, City Attorney and the Council: i. Compliance of departments with each of the criteria in Directive No. 5. ii. Compliance of departments with all applicable Collection Guidelines. iii. Performance of departments with capturing all billable services and fees – including full cost recovery. iv. Progress of departments in cultivating new revenue sources. v. Reports to include both details and a simple chart/checklist with summary scores or grades for each department.	Inspector General					
11	CORE recommends that the Inspector General (IG) proposed by CORE (See Sec. VI.D.) prepare quarterly reports to submit to the Mayor, Controller, City Attorney and the Council: i. Status of implementation of each of the currently not-implemented and/or partially implemented recommendations in the Controller's 2007 and 2010 Audits. ii. Status of implementation of each of CORE's recommendations that are ultimately adopted by the City.	Inspector General					

Appendix 16

Summary of all enumerated CORE recommendations

V. CENTRALIZATION

B. Macias Study

1. MACIAS STUDY FOLLOW-THROUGH -- CORE recommends that Finance prepare a memorandum for Council re the next steps it recommends to follow-up and follow-through on the "Feasibility Study: Centralization of Billing and Collection Activities", dated Dec. 21, 2009, by Macias Gini & O'Connell.

C. Financial Management System (FMS)

2. FMS ROLL OUT AND FUTURE FUNDING -- CORE recommends that ITA and Finance take all actions necessary for full and smooth launch of the new FMS by July 1, 2011, coupled with implementation of the accounts receivable module / component by September 30, 2011. Additionally, it will be vital for the City to fund the future phases of greater accounts receivable centralization.
3. CENTRAL PAYMENT PORTAL -- CORE recommends that Finance, ITA and the Treasurer prepare and submit a report on the needed funding and projected timeline for implementing a Citywide on-line payments portal.
4. CITYWIDE CUSTOMER ID SYSTEM -- CORE recommends implementation of a consistent Citywide ID system for all accounts to be used by individuals and companies for their dealings with any and every City department.

D. Clearer and more centralized authority

5. TREAT FINANCE INSTRUCTIONS AS MAYORAL DIRECTIVES -- CORE recommends that the Mayor clarify for the benefit of all department managers that instructions by Finance to departments regarding revenue, billing and collections shall be treated as Mayoral directives.
6. STRENGTHEN AUTHORITIES OF THE Finance -- CORE recommends that Finance submit proposed ordinance changes to Council that would clarify and strengthen the authorities needed by Finance to ensure compliance of departments with its instructions.

7. ADEQUATE STAFFING AND RESOURCES FOR FINANCE -- CORE recommends that the Council prioritize staffing and funding for Finance's revenue-generating positions and work.
 - i. Exempt Finance's revenue-generating positions from employee furloughs and hiring freezes.
 - ii. Allocate funding needed to fully staff Finance's Revenue Management Division.
 - iii. Allocate funding needed to fund analysts and clerical staff for the FMS project.
 - iv. Consider a stable and certain funding source for Finance's collection work -- perhaps, in part, from Finance's collections.
8. REVENUE COLLECTION REVIEW TASK FORCE -- CORE recommends that Finance immediately report to the Council's Budget & Finance Committee regarding the status of creation of this Task Force.
9. REVENUE MANAGEMENT COMMITTEE -- CORE recommends that Finance immediately report to the Council's Budget & Finance Committee regarding the status of creation of this Task Force.

VI. ACCOUNTABILITY, INCENTIVES & BUDGETING

A. Make departments and managers more accountable

10. QUARTERLY IG REPORTS RE DEPARTMENTS' COMPLIANCE WITH COLLECTION GUIDELINES AND DIRECTIVES -- CORE recommends that the Inspector general (IG) proposed by CORE (*See Sec. VI.D.*) prepare quarterly reports of departments' compliance and performance to submit to the Mayor, Controller, City Attorney and the Council:
 - i. Compliance of departments with each of the criteria in Directive No. 5.
 - ii. Compliance of departments with all applicable Collection Guidelines.
 - iii. Performance of departments with capturing all billable services and fees -- including full cost recovery.
 - iv. Progress of departments in cultivating new revenue sources.
 - v. Reports to include both details and a simple chart/checklist with summary scores or grades for each department.

11. QUARTERLY IG REPORTS RE COLLECTION RECOMMENDATIONS OF CORE AND CONTROLLER – CORE recommends that the Inspector General (IG) proposed by CORE (See Sec. VI.D.) prepare quarterly reports to submit to the Mayor, Controller, City Attorney and the Council:
 - i. Status of implementation of each of the currently not-implemented and/or partially implemented recommendations in the Controller's 2007 and 2010 Audits.
 - ii. Status of implementation of each of CORE's recommendations that are ultimately adopted by the City.
12. DEPARTMENT MANAGERS ATTESTATION TO COMPLIANCE -- CORE recommends that the Mayor, CAO and Council's Budget & Finance Committee require department managers, as part of annual budget requests, to submit a letter attesting their department's compliance with Directive No. 5. and with all provisions of the Collection Guidelines.
13. PERFORMANCE GUIDELINES FOR GENERAL MANAGERS -- CORE recommends that in order to implement a clear management evaluation policy which includes revenue and collection performance criteria, the Mayor as Chief Executive should consider development of specific individual performance guidelines with each General Manager.

B. Incentivize City departments to make revenue, billing, and collections a priority through the City budget process

14. L.A. COUNTY BUDGETING PARADIGM – CORE recommends that the CAO report to the Mayor and the Council on the feasibility of adopting aspects of the County of L.A.'s budgeting paradigm.
15. PILOT PROGRAM -- CORE recommends that Council create a pilot program with several departments (or a cluster of departments) that would dedicate or earmark a portion of collections to fund the costs of collections and to benefit said departments' operations.
16. REVENUE TARGETS AND FSRs -- CORE recommends that the Mayor, CAO and Council make department-by-department revenue targets (and performance) a fixed part the budget process, of the regular Financial Status Reports (FSRs) by the CAO, and that these targets be included in all quarterly reports by departments.

C. Employee recognition

17. ENCOURAGE AND THANK CITY WORKERS -- CORE recommends that each department implement a recognition program for employees.

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D. Create a post of Inspector General for Revenue & Collections

18. INSPECTOR GENERAL -- CORE recommends the establishment and appointment of an Inspector General for Revenue and Collections to independently monitor, report on, and aid in the implementation of, the City's Collection Guidelines, the Controller's recommendations, the recommendations of this Blueprint and other collection reforms.

Responsibilities:

- g. Prepare and provide independent and objective reports on implementation of Controller's recommendations and CORE's Blueprint recommendations adopted by the City.
- h. Independently report on departments' revenue and collections performance and on compliance with directives of the Mayor, the Council and of Finance.
- i. Aid in facilitating collaborations and coordination needed to implement recommendations and directives.
- j. Provide technical, consultative advice and independent oversight of collections reforms.
- k. Work with the CORE and/or any successive Commission that may be tasked with improving revenue and collections.
- l. Serve as a conduit to and for the Council's Audits & Governmental Efficiency Committee and the Budget & Finance Committee.

VII. CHANGE ACCOUNTS RECEIVABLE PROCESS FLOW & TIMETABLE

A. Replace the current requirement of department referrals with a de facto system of account transfers

19. COMPULSORY / AUTOMATIC ACCOUNT TRANSFERS -- CORE recommends replacing the current system of department "referrals" of accounts from one stage of collections to another with a *de facto* system of compulsory or automatic account transfers, under the supervision of Finance.
20. PROCESS FLOW AND TIMETABLE -- CORE recommends that the Current Non-Tax Accounts Receivable Process Flow and Timetable of the Collection Guidelines be replaced with CORE's updated Recommended Flowchart.

B. Maximize collections through collection agencies

21. PRIMARY COLLECTIONS -- CORE recommends that Finance amend the Collection Guidelines setting forth the process flow for primary collections of accounts of less than \$5,000.
22. SECONDARY COLLECTIONS -- CORE recommends that Finance amend the Collection Guidelines to provide for a compulsory or automatic transfer of unpaid accounts from primary to secondary collection vendors as soon as time allotted to primary collection has expired.

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- 23. MULTIPLE VENDORS AND COMPETITION – CORE recommends that Finance have contracts with at least two private collection agencies with respect to each major type of receivable.
- 24. SELECTION CRITERIA AND COMPENSATION – CORE recommends that the City's future collection agency-related Requests for Proposals (RFPs) and agreements refocus from low-fee, low-bid contracts to performance-based selection and compensation.
- 25. COLLECTION AGENCY CONTRACT PROVISIONS – CORE recommends specific provisions for collection agency contracts be considered.

C. Sale of Debt

- 26. RFP / RFQ FOR EVALUATION OF SALEABLE RECEIVABLES -- CORE recommends that Finance issue a Request for Proposals (RFP) / Request for Qualifications (RFQ) for evaluation of receivables for sale and for brokers specializing in such sales.
- 27. REDEFINE THE BOARD OF REVIEW -- CORE recommends amending the City Administrative Code to make the primary charge of the Board of Review (BOR) the evaluation of (pools of) accounts receivable for sale or auction.
- 28. REVIEW OF ACCOUNTS FOR SALE -- CORE recommends that the Mayor and Council direct that accounts uncollected after secondary collections should be automatically forwarded to the Board of Review for evaluation and recommendation for auction or sale.

D. Settlements

- 29. FINANCE'S EXERCISE OF SETTLEMENT AUTHORITY -- CORE recommends that Finance report on its claims settlement statistics and policies to the Council's Budget & Finance Committee.
- 30. IMPLEMENT OFFER IN COMPROMISE PROGRAM -- CORE recommends that Finance report to the Mayor, Council, CAO and CORE on the details and timetable of the forthcoming Offer in Compromise Program.

E. Amnesty

- 31. EXPEDITE NON-TAX AMNESTY PROGRAM -- CORE recommends that the Council expedite and fund the implementation of a comprehensive non-tax amnesty program proposed by Finance in its FY 10-11 budget.

VIII. INTENSIFY CONSEQUENCES FOR DELINQUENCIES

A. Standardize and uniformly apply interest, penalties, and collection fees on delinquent accounts.

32. STANDARDIZE INTEREST AND PENALTIES -- CORE recommends that the Council instruct the City Attorney to prepare draft ordinance(s) necessary to apply consistent fees, penalties, and interest charges for all City receivables.

33. INCREASE INTEREST AND PENALTIES -- CORE recommends that Finance prepare a report on the feasibility of increasing the interest rate and penalties currently applied to delinquent receivables to no less than the average being charged by other municipalities.

B. Liens – increase utilization

34. ADMINISTRATIVE LIENS -- CORE recommends that Finance move to aggressively implement the City's newly adopted administrative lien Ordinance for delinquent taxes.

35. RECORDED PARKING LOT LIENS / ENCUMBRANCES -- CORE recommends that the City Attorney, in consultation with the CLA, prepare a memorandum regarding the feasibility of requiring parking lot/facility/structure tax agreements to be recorded upon the title to the real properties whereupon such operations currently exist.

36. LIEN RECOMMENDATIONS -- CORE recommends that Finance and the City Attorney collaborate to draft a framework for a Citywide policy dictating the greater use of liens and other encumbrances with recommendations for applications.

C. Role of City Attorney

37. REFERRALS TO CITY ATTORNEY -- CORE recommends that Finance and the City Attorney clearly memorialize the parameters, dollar thresholds, and timing of cases transferred to the City Attorney from Finance or from departments.

38. CONTINGENCY CASES -- CORE recommends that the City Attorney outline a proposed framework for contingency collection cases.

39. USE OF CITY ATTORNEY LETTERHEAD -- CORE recommends that Finance report to the Council and the City Attorney regarding departmental compliance with Sec. 4.4 of the Collection Guidelines.

40. COLLECTION REPORTS -- CORE recommends that Finance and the City Attorney copy the other on monthly collection reports.

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IX. ENHANCE QUALITY AND AVAILABILITY OF INFORMATION

A. Improve accuracy of reported receivables by departments and the Office of Finance

41. REVISE ACCOUNTS RECEIVABLE REPORTING TEMPLATE -- CORE recommends that Finance revise the accounts receivable used by departments and Finance for reports of quarterly receivables.
- i. Include columns delineating breakdowns of any applied interest, penalties and late fees.
 - ii. Include columns delineating the age of receivables with greater specificity.
42. WRITE-OFFS -- CORE recommends that the Mayor and Council direct City departments and Finance to present accounts for timely write-off in accord with the timelines set forth in Collection Guidelines.
43. AUDIT OF DEPARTMENTAL AR REPORTS -- CORE recommends that Finance present to Council and the CAO a Memorandum regarding the resources needed by Finance to adequately audit the accounts receivable being reported by departments.

B. Improve information technology and data sharing

44. INVENTORY OF CITY DATABASES -- CORE recommends that ITA develop and submit an inventory to Council of currently existing and available department and Citywide data pools / databases that could assist in indentifying parties who may owe the City money.
45. INVENTORY OF NON-CITY DATABASES -- CORE recommends that Finance submit to Council a memorandum identifying non-City databases which might be beneficial for the City to have access to for the purposes of revenue enhancement.
46. DATA BASE OF DELINQUENTS -- CORE recommends that Finance, in consultation with the City Attorney, develop a process for departments to access a master list / database of both business tax and non-business tax-related receivables.
47. CROSS REFERENCE LISTS OF DELINQUENTS -- CORE recommends that the Mayor and Council instruct the Housing Department and the Department of Building and Safety to cross reference one another's list of named delinquent accounts and to withhold issuing permits or providing other department services for parties appearing on either department's list of delinquent accounts.
48. POST LIST OF TOP NON-TAX DEBTORS ON THE INTERNET -- CORE recommends that Finance post the names of top non-tax-delinquent debtors on the City's website.

X. EASE OF PAYMENT AND COLLECTION

A. Expanding and improving payment options

49. ON-LINE AND AUTO-PAY OPTIONS -- CORE recommends that Finance, in consultation with the Treasurer and ITA, prepare and submit a report on the extent and availability of on-line and auto-pay payment options.
50. ADVANCE PAYMENTS -- CORE recommends that Finance identify services and billing types for which City departments should, or could, demand advance payment(s) and/or deposits.
51. CREDIT / DEBIT CARD FEES -- CORE recommends that the Treasurer prepare and submit a report on the fees currently being paid by the City for various types of credit card and debit card transactions.
52. RETURNED CHECKS -- CORE recommends that the Treasurer prepare and submit a report on rejected and returned checks and the disposition thereof.
53. CONSOLIDATED BILLINGS -- CORE recommends that Finance report to Council about possible MOUs and other arrangements to consolidate billings or assign billing responsibility to another department or agency, in or out of the City – DWP, County, BOE, etc.

XI. SPECIFIC DEPARTMENTS

A. Los Angeles Fire Department (LAFD)

54. EMS DATA CAPTURE AND BILLING -- CORE recommends LAFD expedite modernization and streamlining both for Field Data Capture and Emergency Medical Services Billing and Collection – pursuant to the two contracts for LAFD's outsourcing approved by the Council August 3, 2010. Finance and the Inspector General should monitor and report on the vendors' performance.
55. CAPITATED PAYMENT SYSTEM – CORE recommends that while modernizing the current paradigm of individual billings, the City should also pursue negotiated bulk contracts with 3rd party payers.
56. LEVERAGE EXISTING RELATIONSHIPS – CORE recommends that the City leverage existing relationships and contracts with health insurers and providers.

B. Department of Transportation (DOT)

57. RECALL SEVERELY AGED DELINQUENT ACCOUNTS FROM ACS -- CORE recommends that DOT recall from ACS severely aged delinquent accounts and transfer them, in consultation with Finance, for assignment to additional/secondary collections by another vendor (with possible inclusion in a non-tax amnesty program) or for sale/auction.

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58. AMEND COLLECTION CONTRACTS – CORE recommends amendment of Finance's private collection contracts to make additional/secondary collection attractive to collection vendors.
59. NEW DOT BILLING AND COLLECTION CONTRACT(S) – CORE recommends that DOT consult with CORE prior to and during the process of issuing an RFP for a (new) vendor contract.
60. RENTAL CAR PROGRAM – CORE recommends that DOT should develop and present to Council a new strategic program to boost collections on parking tickets issued to rental vehicles.
61. PRIORITIZE REPAIR OF BROKEN PARKING METERS – CORE recommends DOT's swifter repair and replacement of broken meters to improve revenues from both meters and parking citations.
62. REVISE DOT REPORTING OF RECEIVABLES – CORE recommends that DOT amend and supplement its current format for reporting of accounts receivable.
63. ADDITIONAL STRATEGIES TO ENHANCE PARKING REVENUE AND COLLECTIONS.
 - a) TRAFFIC OFFICERS – CORE recommends funding for sufficient numbers of citation officers.
 - b) COLLECTION OVERHEAD AND EXPENSES – CORE recommends that DOT present to the Council's Audits and Governmental Efficiency Committee (AGE) a report on overhead and expenses for parking management support services.
 - c) SCOFFLAW ENFORCEMENT – CORE recommends the Council consider seeking a change in the current definition of a scofflaw in California Vehicle Code.
 - d) VEHICLE LIENHOLDERS – CORE recommends that DOT consider the feasibility of providing notice to vehicle lienholders of impoundments or impending impoundments.
 - e) REDUCE MARGINS OF ERROR – CORE recommends that DOT report to the Council's Audits and Governmental Efficiency Committee (AGE) on opportunities to reduce margins of error in issuance of citations.
 - f) POLICY RE UNLIKELY TO COLLECT CITATIONS – CORE recommends that DOT and its vendor(s) develop an internal policy on issuance to and reporting as receivable citations issued to homeless and others from whom collection is less likely.
 - g) TECHNOLOGY – CORE recommends that DOT report to the Council's Audits and Governmental Efficiency Committee (AGE) on opportunities for application of new and improved parking and citation-related technologies.

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C. Housing Department

64. HOUSING DEPARTMENT REPORT TO AGE COMMITTEE -- CORE recommends that the Council's Audits & Governmental Efficiency Committee instruct LAHD to present an overview of its billing and collections practices, status of accounts receivable and utilization of liens.
65. REDUCE TIMELINES FOR PAYMENT OF LAHD BILLS -- CORE recommends that LAHD propose to the City Council recommended Ordinance changes to compress the tiers and timeline of LAHD's collection process.