

# SUMMER ANALYSIS 2019

## Revenue Process Review

Summer Analysis 19-05

Finance Department

July 24, 2019

# Summer Analysis – Revenue Process Review

## Executive Summary

This analysis aims to describe the current process for invoicing, revenue collections and intends to establish a plan to improve processes and streamlining the customer invoicing and collections. Currently, the majority of City services that generate revenue are invoiced in a decentralized manner. In the most recent years, trends show that revenue projections have not been met. Staff will describe existing challenges and proposed recommendations that will improve the invoice and collections processing for city fees and services.

The proposed strategy focuses on improving the customer experience, determining upgrades in technology for virtual payments, and seeking quality control opportunities revenue and collections process. The guiding principles for proposed strategy are stabilization, determining opportunities for progress and growth in accuracy of revenue realization.

It also proposes process improvement plan and determine if the City could partner with a vendor(s) to have virtual payment methods such as pay by phone (IVR), pay by text, and kiosk.

## Current Revenue Processes

Revenue invoicing is realized by various departments throughout the City. The revenue billing and collections process for non-ad valorem fees is critical for covering budgeted expenditures that are achieved with City resources. A shortfall in revenue impacts the overall budget reconciliation process and impacts the unrestricted reserve. A snapshot analysis performed in June 2019 showed that there were at least five revenue streams that were less than 75% collected. These are listed below.

Various decentralized revenue invoicing processes are performed by distinct departments. Below is a listing of major revenue components that are used to process revenue streams for the City.

- The City's Financial system is the Tyler Munis system. This system was implemented in fiscal year 2015 to replace the outdated Sungard HTE system. The implementation was achieved in 24 months. Although the system was implemented in short amount of time, training and full

integration of all revenue streams from disparate systems were not achieved.

- The Parks and Recreation Department utilizes the RecTrac system to charge for service fees and reservations originated from this department. Transactions are manually entered into the Tyler Munis system. Efforts have been realized to integrate the data amongst the two systems. A transition of roles and priorities have limited the full integration of the two systems.
- Tracking of burglar alarm registration and false alarm penalties is managed by the Police Department in the HTE system. A manual process is in place to tie in the financial detail of the transactions to the Tyler Munis system. The lack of real time transactions limits the customer service capabilities.
- The Development Services Department processes the annual invoices for the Business Tax Receipt (BTR) licenses in the BTR module of the Tyler Munis System. The Business Tax Receipt invoices include the annual fire inspection fee for certain known businesses. Less than a third of the fire inspections represent businesses that hold a business tax receipt. New businesses that require a business tax receipts do not have the annual fire inspection fee aggregated.
- Plan review fees and inspections for the Building, Code and Planning divisions utilize the Tyler Energov system. This system is integrated with the Tyler Munis financial system.
- Fire inspections that do not have a BTR have not been invoiced for prior and current fiscal year. Once the Fire Department inspects a property, limitation in current process does not generate an invoice. A letter is given to the customer showing expected amount owed. However, there is no tracking of this on the City's financial systems. As a result, revenue is recorded only when a customer pays the fee. A current task force has been assembled to address current critical limitation.
- The Finance Department generates the Sanitation Waste Management Franchise Fees invoices on behalf of the Department of Public Works (DPW) through the Tyler Munis system. The current process requires DPW staff to facilitate information to the Finance Department, all the pertinent information required to accurately bill franchisees. 83% Franchise fees have been currently recovered.

- The Finance Department is responsible for processing utility bills (e.g. water, sewer, solid waste, etc.) for residents and businesses through the Tyler Munis system. The utility bills are currently invoiced by five (5) billing cycles each month. The five cycles stem from when staff was required to walk and physically capture water meter readings. Since 2016, the City has had the capabilities for reading water usage of customers from radio receptors. For each utility billing cycle, data is processed by the Finance Utility Division and sent to mailing vendor (ENCO Utility Services). The mailing vendor generates the physical invoices and mails these to the customers. Current laws require for the City to physically mail each utility invoice (Sec. 30-3 (d)(5)).
- The City utilizes a third-party collection agency (NCS Plus) to assist with collection efforts after invoice is generated and customer fails to pay invoice. An initial demand letter is sent by the Finance Department giving the customer 10 days from receipt, to fulfill payment. After no payment, the City requests for the collection agency to make a claim with customer. The city is charged a flat fee per claim rather than a percentage (2,000 claims for \$22,500 – \$11.25 p/claim). Last fiscal year, the City submitted 26 claims.

## Challenges

The following section will describe specific challenges that will be addressed with recommended proposals for enhancements. The success for sustaining a viable budget and cash flow for operations relies on improving revenue invoicing and collections.

### *Challenge No. 1 Decentralized Accountability of Invoicing Revenues*

Current processes have decentralized accountability method for generating invoices. Not monitoring the various revenue streams and their processes has resulted in a lack of invoice tracking (receivables), increased inquiries for payment by City customers, physical customer visits to City Hall, late reconciliations, and loss of revenues. Transitions in administrative strategies, outdated roles and responsibilities, and a lack for having a unified system for revenue collections attribute to current inefficiencies. The Finance Department lacked having a controller position in prior fiscal years. A controller position was fulfilled this fiscal year. Part of the controller's responsibility is to ensure that revenues are recognized and provide centralized support functions essential to the financial operations of the City. Decentralized capabilities also have prompted disparate administrative policies and procedures for processing revenues.

### *Challenge No. 2 Limited Online Platforms for Customer Payments*

The Tyler Munis system provides a customer self-service portal that enables customers to pay online for certain services and fees that originate within named system. Systems that require manual integration, such as Burglar Alarms, Fire Inspections are not able to be processed online through the customer self-service portal. The current online portal lacks features such as pay-by-phone (Interactive Voice Response – IVR), pay-by-text, or mobile app pay. Processing of online payments require a third-party merchant gateway service. Communication issues between the online platform and the third-party merchant gateway have resulted in errors that have to be manually corrected at a later point in time.

Facilitating a user-friendly, one stop online platform for all customers to process their payments, will result in a reduction of the number of phone calls that the City’s customer service receives, customer’s visits to City Hall, and improve productivity.

### *Challenge No. 3 Reporting for Accounts Receivable*

Due to decentralized accountability of revenues, the revenue collection performance metrics and monitoring is limited. Aging reports for customers also are not available due to the current condition of revenue invoicing and collection. As a result, City stakeholders are not able to review account liabilities and amounts owed comprehensively.

## Recommendations/Solutions

### *Proposed Solution No. 1 Integration of Systems*

- The RecTrac software platform has the capability of sharing information with the Tyler Munis system. An automated bulk import process will be enabled for the system to process revenue information and accurately share revenue data. An implementation timeline for this component is expected to be achieved in 90 days. The Finance Department will lead efforts and work with corresponding departments such as Innovation Technology and Parks and Recreation to fulfill request.

### *Proposed Solution No. 2 Partner with Vendors for Revenue Invoicing and Collection*

- The Police Department proposes to utilize a third-party vendor to process burglar alarm and false alarms invoicing. This is a common practice amongst regional law enforcement agencies. PM AM Corporation, offers FAMS software for false alarm management system. This system is already integrated with the Computer Aid Dispatch system that the Police Department holds. PM AM Corporation receives 20% of the recovered fees as a form of payment for invoicing and collections. The estimated annual expenditure for the City would be \$23,500 with estimated gross receipts of \$116,000. Estimated implementation time will be from 90-120 days. The Innovation Technology Department will lead implementation for this effort. Preliminary analysis has estimated an increase in revenue of approximately 8%. This is due to a more closely monitoring of false alarms and subsequent annual renewals.
- The Finance Department is proposing to utilize a vendor that provides virtual payment methods to improve customer service experience. The City of Hollywood partners with Paymentus Corp. to assist in processing customer payment. New functionalities such as online quick pay, pay-by-phone (IVR), pay-by-text, pay-by-email, customer notifications (email, text), kiosk, and agent assisted features are expected to improve the collections processes. Implementing the new virtual payment platform will facilitate ease of payments to our customers, reduce the number of phone calls the City receives and the number of customers assisted by the front desk representatives. The Finance Department will lead implementation for this effort. The anticipated implementation time will be 180 days.
- The Fire Rescue Department is proposing to partner with Fire Recovery USA. As such a new software platform to accurately record fire inspections is being acquired. The new software platform can easily share information with Fire Recovery USA. This vendor supports over 1,100 departments in 42 States. The use of software and partnering with invoicing vendor will address the current shortfall of existing processes. Fire Recovery USA charges \$18 per invoice. The estimated cost for these services is approximately \$55,000 annually. Estimated time for implementation is 60-90 days. The Fire Department along with Innovation Technology are leading this effort. Additionally, a team has been assembled to back bill invoices that have not reached customers for fiscal years 17/18 and 19/20. The goal for Fiscal Year 19/20 is to achieve collections in excess of \$270,000.

*Proposed Solution No. 3 Streamline current capabilities*

- Within the Utility Billing Division of the Finance Department, the current monthly process requires five (5) billing cycles. To improve the current process, the number of billing cycles will be reduced to three billing cycles. This transition will require public notification. An anticipated timeline of 180 days is required to achieve it. The Finance Department will lead effort and work with Public Works to determine logistics and anticipated tasks required.
- The Finance Department will seek to hire a business improvement and mapping consulting agency to review existing revenue invoicing and collection methods and offer best practices for implementation. The Finance Department is currently assessing capabilities of potential vendors.

*Proposed Solution No. 4 Consolidated Periodic Revenue Performance Reporting*

- The Finance Department will lead efforts to report on a quarterly basis the revenue actual figures that are general fund related and utility billing revenues. A variance analysis will be performed for revenues that are performing less than 50% of estimated collection for each quarter. The metrics will help direct staff and address shortages in a more timely fashion.

		@ June 2019			
Fund Description	Description	2019 Revised Budget	Actual @ June 2019	Over / (Under)	Percent
General Fund	MISCELLANEOUS REVENUE OTHER	(480,000)	(49,841)	(430,159)	10%
General Fund	FILING FEES	(221,520)	(160,730)	(60,790)	73%
General Fund	FIRE INSP FEES	(470,650)	(134,606)	(336,044)	29%
General Fund	ZONING PLAN PROCESSING	(200,000)	(109,010)	(90,990)	55%
General Fund	CODE COMPLIANCE FINES	(300,000)	(175,488)	(124,512)	58%

## Next Steps

- The Finance Department will bring forth a contract for a virtual payment platform solution to the City Commission to consider and approve in October 2019. Implementation schedule will follow after approval.
- The Fire Department expects to integrate the fire inspection billing process by November 2019. Currently, the Department is acquiring the software component for inspections. The software is the same as what the Broward Sheriff's Office (BSO) Fire Department currently utilizes.

Should a merger occur with BSO, the data will migrate to the agency and Finance will manage invoice processing.

- Staff estimates completing migration to the new FAMS False Alarm Management system by November of 2019. Procurement and contracting efforts are currently underway to reach goal.
- Backlogged billing is being addressed by an effort by the Innovation Technology, Finance, and Fire Rescue Departments. Fire Rescue personnel is manually invoicing each inspection that has not been invoiced. Completion estimates are not available as current process is still being developed. The Innovation Technology Department will oversee completion of effort.
- Deliver a comprehensive business improvement plan that will integrate methods and determine long range approach to enhance revenue invoicing and collections. Estimated completion date for plan will be January 2020.