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City of Los Angeles

Centralized Billing Feasibility Study

July 19, 2010

Presentation Meeting Agenda

- Project objectives
- Scope
- Criteria used for centralization decisions
- Recommendations
- Centralization costs and benefits
- Estimated timeframe for implementation
- Critical Issues that were addressed in our report

Project Objectives

- Analyze the feasibility of centralizing the billing and collection functions within the Office of Finance
- Develop an implementation plan for the project

Scope

MCG examined billing and collection activities among the following 17 departments, offices and bureaus:

- City Controller
- City Administrative Officer (CAO)
- Office of Finance
- LAFD (Fire Department)
- Bureau of Street Lighting
- LAPD (Police Department)
- Building and Safety
- Housing
- Personnel
- Transportation
- General Services
- Bureau of Sanitation
- Bureau of Engineering
- Planning
- Environmental Affairs
- City Attorney
- City Clerk

Study Recommendation: Three Phased Centralization Approach

- **Phase 1:** Greater centralization of report development and enhanced revenue metrics.
- **Phase 2:** Greater centralization of accounts receivable management activities of high delinquency billings to Finance (including outsourcing EMS billings).
- **Phase 3:** Centralization of non-specialized billings when systems need updating or billing/collection performance declines among bill types.

Costs and Benefits of Successful Implementation

Phase 1 – Enhanced Reporting

<u>Total One-Time Cost*</u>	<u>Net Revenue over Five Years</u>
\$817	\$16,388

Phase 2 – Partial Centralization and EMS Billing Outsourcing

<u>Total One-Time Cost*</u>	<u>Net Revenue over Five Years</u>
\$7,516	\$257,565

* Dollars in Thousands

Costs and Benefits of Successful Implementation

Phase 3 – Full ARS Centralization

<u>Total One-Time Cost*</u>	<u>Net Revenue over Five Years</u>
\$9,868	(\$12,404)

Net revenue becomes positive if and when:

- Collection efficiency of existing billing process decreases (increasing benefit of centralization)
- Existing financial systems in other departments are ready for retirement and can be replaced by FMS.

* Dollars in Thousands

Criteria used for Centralization Decisions

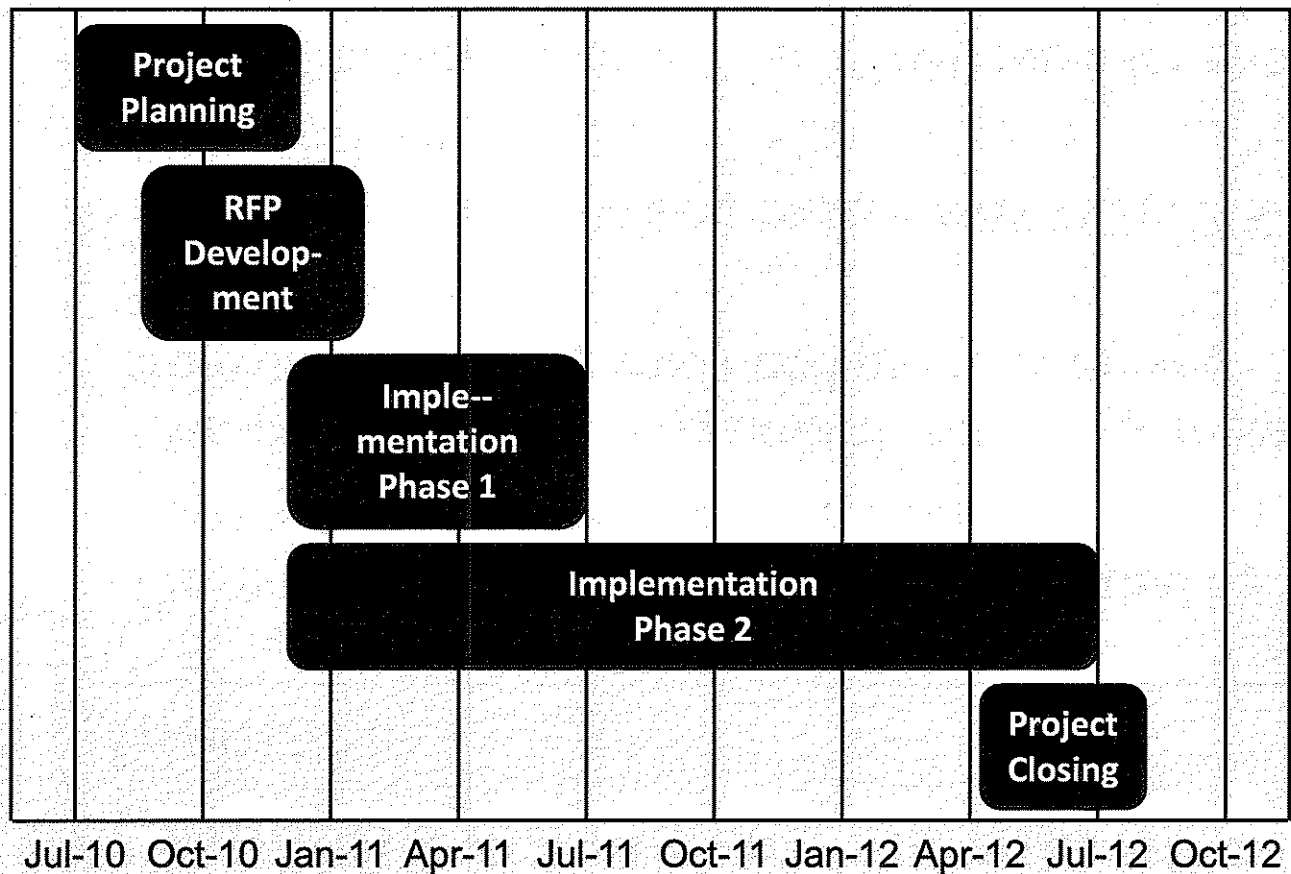
1. Current collection effectiveness and improvement potential.
2. Cost of system integration and related centralization activities.
3. Extent of consistency in billing and collection processes.
4. Extent of specialized skill sets, knowledge, and infrastructure required for potential centralization.



Centralization Criteria – Cost Elements

1. Full-time equivalent (FTE) positions provided by each department for billing activities
2. One-time and continuing project staffing estimates from prior feasibility study and project planning engagements
3. Average salaries of billing-related staff in the 2008-09 Blue Book
4. 2008-09 Cost Allocation Plan (CAP) rates for each department
5. Information technology interface cost data from prior feasibility study and project planning engagements

Estimated Timeframe for Implementation





Initial Phases that can be Budgeted and Scheduled

1. Centralize report development and develop enhanced revenue metrics
2. Centralize billing and collections for the following invoices:
 - Ambulance (contract)
 - Inspection Restitution (Fire)
 - Fire safety watch
 - Film safety (Fire)
 - Brush clearance/ non-compliance (Fire)
 - Other Fire Department fees
 - Annual permits (e.g., CUPA) (Fire)
 - DUI charges (Police)
 - False alarm billings (Police)
 - Parking citations (delinquent collections only)
 - Ambulance (EMS) billing (outsource billing – centralize monitoring and follow up)

Phase 3 Bills: Consider on a Case-by-Case Basis

- Inspections and code violations (Bldg. & Safety)
- Street lighting repair/ replacement (Street Lighting)
- Industrial waste (Sanitation)
- Septage waste hauler (Sanitation)
- Groundwater (Sanitation)
- Refuse and recycling services (Sanitation)
- Vehicle for hire permit (Transportation)
- Other permit fees (Transportation)
- Taxi permits and fees (Transportation)
- Pipeline and franchise fees (non-gas) (Transportation)
- Gas franchise fees (Transportation)
- Temporary traffic signs (Transportation)
- Full Cost Recovery (FCR) (Planning)
- FCR - expedited permit (Planning)
- B Permit (Engineering)
- U Permit (Engineering)
- Excavation Permit (Engineering)
- Right of Way rental (Engineering)
- Miscellaneous charges (Engineering)
- Overload Permit (Engineering)

Phase 3 Bills: Consider on a Case-by-Case Basis

Criteria:

1. Systems are ready for a significant upgrade or need to be replaced
2. Invoices show substantial declines in collection efficiency

Why we Propose other Non-Centralization Strategies for Parking Citation Billings

1. Specialized firms better equipped to handle high volume of citations and complex required infrastructure
2. Although “special collection status” program aids collections, many delinquent bills remain uncollected even after being placed in special collection status
3. Assigning delinquent (<15 months) citations to City collection agencies can increase collection efficiency