

Fort Worth Independent School District



Delinquent Tax Collection Services

Hank Johnson

Chief Financial Officer

October 12, 2010



Fort Worth
INDEPENDENT SCHOOL DISTRICT



Process for Request for Proposal

- **Engaged - Attorney: Robert Harris – Shannon, Gracey, Ratliff & Miller, LLP – Review the adequacy of the bid specifications**
- **Developed RFP Number 11-039 - Issued August 11, 2010**
- **Evaluation**
 - **Assistance – Moak, Casey & Associates – (Public Education Finance Expert)**
 - **In House – Limited to CFO and Executive Director of Purchasing**
 - **Criteria for evaluation is directly from Texas Education Code 44.031(b)(1) and Texas Government Code 2254.003(a)(2) as stated in RFP**
- **Two responses were received**
 - **Perdue, Brackett, Flores, Utt, and Burns (PBFU&B)**
 - **Linebarger Goggan Blair & Sampson, LLP (LGB&S)**



Elements of Evaluation

- Unbiased opinion from Lynn Moak regarding new revenue from increased tax collections should that be a factor
- Price
- Both firms have state of the art collection processes
- Both firms operate on similar timelines
- Collection rates:
 - Issues with collections greater than 100%
 - Over 100% caused by accounting method used by Tax Assessor/Collector
 - Need for normalization for fair evaluation
 - Normalize refunds
 - Use of other available data for fair evaluation
 - Accounts Receivable data from District's financial reports



Evaluation of RFP – Based on TEC 44.031 & TGC 2254

Criteria	PBFU&T	LGBS	Favored
Price			
Legal & Collection Fees	15%	20%	PBFU&B
Reimburse Parcel Fees *	100% if Legal	100% up to \$135,000	No significant difference
Property Value Study Appeal With Contract	No cost	10% of state revenue	PBFU&B
Without Contract	10% of state revenue	Not offered	
Property Value Study Audit With contract	No cost to the District	10% of state revenue	PBFU&B
Without contract	10% of state revenue	Not offered	

*Pending Attorney General Opinion



Evaluation of RFP – Based on TEC 44.031 & TGC 2254

Criteria	PBFU&T	LGBS	Favored
Reputation			No significant difference
Quality of Services			No significant difference
Meets District Needs			No significant difference
Past Relationship with District			PBFU&B
Competence & Qualifications			No significant difference
Profile, Experience & References			No significant difference
References			No significant difference





Evaluation of RFP – Based on TEC 44.031 & TGC 2254

Criteria	PBFU&B	LGBS	Favored
HUB Participation	Joint Venture	No Joint Venture	PBFU&B
Long Term Benefit	See following slides	See following slides	



Self Reported Collection Rates – Includes Refunds

- Refunds are addressed by both firms in their proposal
 - Page 15 – **LGB&S**
 - Page 34 – **PBFU&B**
- Collection rates including refunds **LGB&S** :
 - High 135.63%
 - Low 78.74%
 - Average 92.60%
- Collection rates including refunds **PBFU&B** :
 - High 120.16%
 - Low 72.98%
 - Average 87.69%
- Refunds included in collections:
 - LGB&S 19 Percentage points
 - PBFU&B 13 Percentage points
 - Difference 6 Percentage points



Collection Rates Using Receivable Balance

- “Levy turned over” less the outstanding delinquent tax balance at the end of the District’s fiscal year to determine collections
- Collection rates **LGB&S** :
 - High 96.7%
 - Low 61.0%
 - Average 76.8%
- Collection rates **PBFU&B** :
 - High 89.8%
 - Low 78.0%
 - Average 85.9%



Collection Rates After Normalizing Refunds

- Self reported information with “levy turned over” adjusted for refunds.
- Collection rates **LGB&S** :
 - High 114.25%
 - Low 65.99%
 - Average 76.05%
- Collection rates **PBFU&B** :
 - High 92.17%
 - Low 67.72%
 - Average 78.88%



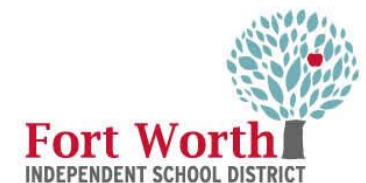
Summary of Collection Rates Using Receivable Balance

	<u>2006</u>	<u>2007</u>
<u>Eagle Mountain-Saginaw ISD</u>		
Delinquent Taxes Turned Over	\$1,691,380	\$1,471,433
Receivable Balance At End of Subsequent Year	<u>180,205</u>	<u>171,769</u>
Collections and Adjustments	\$1,511,175	\$1,299,665
Delinquent Tax Rate	89.30%	88.30%

HEB ISD

Delinquent Taxes Turned Over	\$1,459,411	\$1,462,473
Receivable Balance At End of Subsequent Year	<u>569,154</u>	<u>249,662</u>
Collections and Adjustments	\$ 890,257	\$1,212,811
Delinquent Tax Rate	61.00%	82.90%

Source: Delinquent Taxes Turned Over – Self Reported in Proposals
Receivable Balance – District’s Comprehensive Annual Financial Report

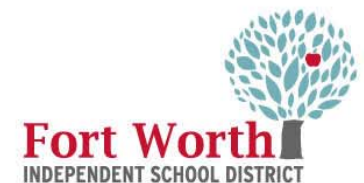




Summary of Collection Rates Using Receivable Balance

	<u>2006</u>	<u>2007</u>
<u>Mansfield ISD</u>		
Delinquent Taxes Turned Over	\$3,944,912	\$3,354,832
Receivable Balance At End of Subsequent Year	<u>403,922</u>	<u>349,708</u>
Collections and Adjustments	\$3,540,990	\$3,005,124
Delinquent Tax Rate	89.8%	89.6%
<u>Birdville ISD</u>		
Delinquent Taxes Turned Over	\$2,126,362	\$1,328,744
Receivable Balance At End of Subsequent Year	<u>826,575</u>	<u>473,539</u>
Collections and Adjustments	\$1,299,787	\$ 855,205
Delinquent Tax Rate	61.1%	64.4%

Source: Delinquent Taxes Turned Over – Self Reported in Proposals
 Receivable Balance – District’s Comprehensive Annual Financial Report





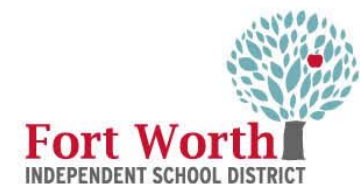
Summary of Collection Rates Using Receivable Balance

	2006	2007
<u>Clear Creek ISD</u>		
Delinquent Taxes Turned Over	\$4,877,176	\$3,017,127
Receivable Balance At End of Subsequent Year	1,071,463	598,533
Collections and Adjustments	\$3,805,713	\$2,418,594
Delinquent Tax Rate	78.0%	80.2%

Northside ISD (in millions)

Delinquent Taxes Turned Over	\$ 6,587	\$ 6,361
Receivable Balance At End of Subsequent Year	215	353
Collections and Adjustments	\$ 6,372	\$ 6,008
Delinquent Tax Rate	96.7%	94.5%

Source: Delinquent Taxes Turned Over – Self Reported in Proposals
 Receivable Balance – District’s Comprehensive Annual Financial Report





Conclusion

- PBFU&B provides a rate more favorable to the taxpayer.
- PBFU&B will provide appeal and audit services at no extra cost to the District, if needed.
- Both firms have outlined a state of the art process for collecting delinquent taxes.
- Both firms can provide a highly competent and qualified team.
- Both firms are able to meet District needs.
- Both firms are reputable.
- PBFU&B has partnered with certified WMBE firms to provide services to the District which aligns with expectations of the District's HUB program.
- No concrete evidence that collections can increase by changing firms.



Recommendation

I, Hank Johnson, Chief Financial Officer, recommend that Perdue, Brackett, Flores, UTT & Burns – A Joint Venture, provide delinquent tax collection services to the District for the next year with the option to extend the contract twice with one year extensions.



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