



# DELINQUENT TAX COLLECTION CONTRACT

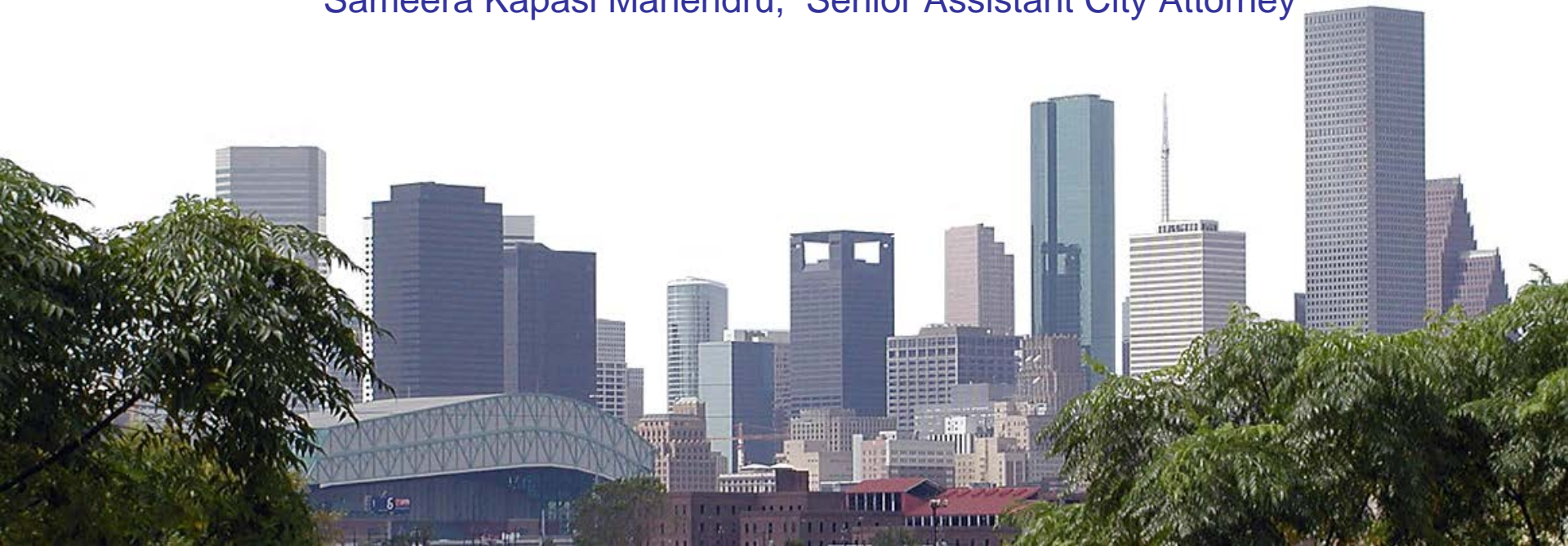
**Budget and Fiscal Affairs**

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**Presented by**

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# HISTORY OF DELINQUENT TAX COLLECTIONS

- Before 1984 - The City performed in-house assessments and collections
- 1982 - Statute change allowed attorneys to represent taxing units
  - Attorney Fees (originally 15% and later amended to 20%)
  - Fees based on any collection after the turnover date (April for business personal property and July for real property)
- 1984 - City contracted with Heard, Goggan and Blair for delinquent tax collection services
- 1987 - City issued RFP, then, again contracted with Heard, Goggan and Blair
- 1993 - City awarded contract to Calame, Linebarger, Graham & Pena
- 1998 - merger of Calame, Linebarger, Graham & Pena with Heard, Goggan and Blair, creating the current Linebarger firm
- The delinquent tax contract was not bid competitively between 1993 and 2010 remaining with Linebarger the entire time

# TAX COLLECTION CALENDAR

- Beginning in August each year, each taxing unit adopts tax rates
- Tax bills go out and collection begins around October 1
- January 31 of the following year is the deadline to pay taxes
- If taxes are not paid by February 1:
  - Penalty and interest charges are added to the delinquent tax due
  - An additional collection fee of 15 – 20% (to the delinquent tax collection law firm on February 1 if the matter is already in suit, or on the turnover date if suit has not been filed yet)
- Turnover of an electronic file of delinquent records receivable to the delinquent tax collection firm:
  - April 2 - business personal property records receivable
  - July 1 - all other property delinquent records receivable

# TAX COLLECTION AND ADDITIONAL SERVICES

- Enforce by suit, or otherwise, the collection of all delinquent taxes
- File a claim for all existing recorded City liens in delinquent real property tax suits, where applicable
- File City tax claims and represent the City in bankruptcy proceedings
- File City tax claims in condemnation cases
- Prove periodic reports to the City Attorney and Finance Department
- Establish and maintain collections offices within the City
- Maintain sufficient facilities, computers, software, telephone lines
- Maintain sufficient legal and support staff
- Research the tax status of potential city vendors and City Boards and Commissions candidates
- Review all tax sales and resales under Tax Sale/Resale Interlocal Agreements prior to each month's Constable sales with representatives of the City, Harris County, and Houston Independent School District
- Target candidate properties for foreclosure and providing statistical information on behalf of the City Housing and Community Development programs;
- Assist with tax sale purchases for City Departments;
- Provide title reports and tax and collection status reports as requested

# 2010 AND 2013 RFPs

## 2010:

- March, 2010 - the City issued a Request for Proposals for the delinquent tax contract that invited submissions from any law firm in the State
- Proposals were submitted only by Linebarger and Perdue
- Both proposals were reviewed by an evaluation committee
- The evaluation team twice met with each proposing firm separately
- Following these meetings, the evaluation committee deliberated, but withheld a final selection, pending the resolution of certain matters to be investigated further
- Upon final resolution of those matters the committee recommended Linebarger, who was awarded a new three year contract by Council

## 2013:

- RFP was issued in February, 2013
- Proposals were submitted only by Linebarger and Perdue
- The evaluation team concluded that an optimal outcome would result if the contract was made multivendor as the City is doing in other contracts
- A winning law firm was not chosen

# MULTIVENDOR

- The City explored a multivendor approach with both firms and the Harris County Tax Office (HCTO)
- The City discovered that the HCTO utilizes proprietary software owned and created by Linebarger to accommodate only one collection firm
- Linebarger currently collects for Harris County, HISD and the City
- Because of the software limitations a multivendor approach is not feasible
- A new Contract between Linebarger and the County gives the County Attorney, with HCTO's approval, the authority to request a software change

# OTHER OPTIONS

## **In-House Collections:**

- The City is not currently equipped to collect delinquent taxes itself
- If the City could collect in-house, it still could not collect attorneys fees before a suit is filed

## **Using a New Law Firm:**

- If the City were to award the contract to a firm other than Linebarger, the HCTO would incur additional costs for manual separation of the accounts that overlap with Harris County and HISD
- Perdue has offered to hold the HCTO and the City harmless for any such additional costs

## **Continuing with Linebarger:**

- Linebarger's 2010-2013 contract was extended for six months (July 1- December 31, 2013) by City Council on June 19, 2013
- The amendment also provided an additional six-month option period (January 1, 2014 - June 30, 2013) which was exercised by the Administration
- A new contract commencing July 1, 2014 requires Council approval