



City of Galveston

FINANCE DEPARTMENT

PO Box 779 | Galveston, TX 77553-0779
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To: Brian Maxwell, City Manager
Mayor and City Council

Date: March 28, 2019

Subject: A motion to amend the contract with Linebarger Goggan Blair & Simpson, LLP to provide for the collection of delinquent utility bills not involving property liens, provide for a method of compensation, and establish a new end date of October 31, 2020.

BACKGROUND

1. The current contract with Linebarger Goggan Blair & Simpson (“Linebarger”) covers delinquent collection of property taxes, delinquent collection of Public Improvement District assessments, municipal court fines associated with warrants, and delinquent utility collections. The contract period began November 1, 2015 and expires October 31, 2019.
2. Linebarger coordinates delinquent property tax collections due on July 1 each year (or late as provided by state law) through the Galveston County Tax Assessor Collector’s office. This work is performed (TAC) as required by the City Council’s designation of the TAC to act as the City’s tax collector. Linebarger earns 20 percent of all delinquent amounts collected, and by State law, this amount is added to the delinquent taxpayer’s bill.
3. Linebarger also collects fines associated with municipal court warrants through coordination with the Municipal Courts. These collection efforts begin sixty days after the warrant has been issued by the court. Linebarger earns thirty percent of amounts collected from warrants, and this amount is added to the amount of the base fine, with the oversight of the Municipal Court Judge as required by state law.
4. The contract also authorizes Linebarger to collect other delinquent municipal charges and liens in the pursuit of delinquent property tax suits.
5. The contract provides for collection of delinquent utility charges, but the City has not chosen to take advantage of this service. The current language in the contract provides for a 20 percent fee for Linebarger when a utility lien has been previously put in place. The City does not place liens on properties owned or occupied by water account customers for two reasons. State law forbids the placing of utility liens on single family homestead residential properties. State law also forbids the placement of liens on rental properties for delinquent utility bills left unpaid by renters who were directly responsible for the payment of the utility bill.





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CURRENT SITUATION

1. The city has approximately \$6.8 million in outstanding water bills as of September 30, 2018. Many of these bills date back to the pre-Hurricane Ike period. The balances include amounts due and owed for water, sewer, garbage, drainage and recycling services not paid as part of a normal billed payment.
2. Approximately 95 percent of the amounts due are owed by customers who are not current customers. The 5 percent balance of the amounts due appear to relate to current account holders.
3. The amounts due include
 - a. Approximately 1,200 accounts each with balances over \$1,000;
 - b. Approximately 13,500 accounts with balances between \$75 and \$1,000; and
 - c. Approximately 6,000 accounts with balances below \$75.
4. Each account will need an appropriate level of research to determine the best collection approach. Current customers (who appear to account for five percent of the total balance due) will have to be approached differently than prior customers who are no longer on this island and have to be found first, likely through Linebarger's research capabilities.

ISSUES

1. The process of collection will likely take some time, and will have to be staged and supported by city staff and Linebarger staff.
2. Any estimate of the potential collection results of the effort should be cautiously arrived at because of the age of many of the accounts and the difficulty of locating the responsible party.
3. Account balances under \$75 are not worth pursuing at this point because of the cost of research as compared with the maximum benefit to be gained.
4. The need for diligence in pursuing and closing the files on these delinquencies is past due, and will require some persistence and creativity on the City's part. In this regard, only actual experience with specific circumstances can be used as the basis for how best to proceed.
5. Any revenue collected will help to reduce in a modest way the need for future increases in water, sewer, garbage, recycling, and/or drainage fees.

ALTERNATIVES

1. Gain City Council approval to write off the majority of the receivable without working to reduce the balance owed. This will likely be necessary after the balances have been





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worked, but it ignores the possibility that some revenue can be collected in a cost effective manner.

2. Pursue collection with city staff. This is simply beyond the City's capabilities and resources, and will cost much more than if we utilize the City's existing delinquent collection firm to lead the effort.
3. Sell the receivables. A firm specializing in factoring would have to have the capabilities already provided by Linebarger under their existing contract and we can begin the effort now.
4. Contract with Linebarger to collect delinquent utility receivables, paying 30 percent of the amount collected by the city resulting from account balance actually referred to the firm. Expect this effort to be a process that will require intensive effort on the part of city staff and Linebarger. (See the flow chart attached to understand the basic process to be used.)

RECOMMENDATION

Approve the recommended contract amendment with Linebarger.

FISCAL IMPACT

Contractor's thirty percent fee will be paid from amounts received by the City.

