



# PROPERTY TAXES

FINAL REPORT

JULY 2005

- ❖ ANALYSIS OF CURRENT COUNTY PROCESS FOR DELINQUENT PROPERTY TAXES COLLECTION
  
- ❖ EVALUATION OF THE PROPOSALS OF PRIVATE FIRMS ON THE COLLECTION OF DELINQUENT PROPERTY TAXES

#### Committee Members

- Auditor's Office
- Planning and Budget Office
- Purchasing Office

#### Resources

- Tax Assessor/Collector's Office
- County Attorney's Office



# **Delinquent Tax Collection Analysis Executive Summary**

July 2005

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## ➤ Introduction

The Commissioners' Court voted to benchmark Travis County's in-house current and delinquent property tax collection system. The Purchasing Office issued a Request For Information at the direction of the Commissioners' Court. In order to review the responses to the Request For Information (RFI) regarding the collection of delinquent taxes, the Travis County Commissioners' Court set up a Data Collection and Review Committee whose responsibility was to analyze the financial impact of the law firms' proposals. The Data Collection and Review Committee included individuals from the County Auditor's Office, the Planning and Budget Office, and the Tax-Assessor Collector's Office. The representative from the Tax Assessor Collector's Office chose to serve in the role of a resource only so that the report would be independent in both fact and appearance.

The Committee was asked to gather the numbers submitted in response to the RFI and provide a fair and comprehensive analysis that compares the vendor submissions with Travis County data. Four vendor submissions were received by the deadline, and they were as follows:

- Linebarger Goggan Blair & Sampson, LLP provided an approximately 225-page submission.
- Perdue Brandon Fielder Collins & Mott, LLP provided an approximately 340-page submission.
- McCreary Veselka Bragg & Allen, PC provided an approximately 185-page submission.
- Lam Lyn Robinson & Phillips, PC provided an approximately 33-page submission.

## ➤ **Introduction** (cont'd)

Property taxes are the primary revenue sources for Texas counties. Because of the importance of this project to Travis County, the 80 + taxing jurisdictions that Travis County serves that also depend on property taxes, the taxpayers who pay property taxes, and the amount of data that had to be gathered, compared, and analyzed this project consumed well over 2000 man hours of county staff time. An in-depth analysis of a system is rarely simple. This is no exception. To the best of our knowledge and efforts, this report is independent, fair, and factual. We prepared an Executive Summary as well as a Comprehensive Report, which includes our calculations.

## ➤ Data Used In Analysis

The analysis is very dependent on data requested in question five of the Request for Information (RFI), which reads as follows:

Question No. 5: Provide collection data for each of the six largest entities for which you have a delinquent tax collection agreement governed by Texas Tax Code Section 6.30. Show the average collection rate for all six of these same clients. Travis County will use this average to compare against its current collection efforts. This data from your firm should show a collection history for the tax years 1999, 2000, 2001, 2002, and 2003 in dollars. The collection periods should be October 1 to April 30, October 1 to June 30, October 1 to September 30 for each year for the last five years.

The data shall be in an Excel Spreadsheet similar in format to the reports distributed with this RFI and include:

- a) Original base tax levy for each year
- b) Adjustments by the Appraisal District
- c) Base tax collections
- d) Reversals to base tax
- e) Ending base tax balance
- f) Uncollectibles if removed from the collection numbers
- g) Amount of attorney's fees collected
- h) Amount of attorney's fees remitted to the counties
- i) Total number of parcels
  - i. Total on the roll
  - ii. Total delinquent

## ➤ Data from Law Firms

The data submitted by the law firms was assumed to be accurate. The Committee had no way to verify the raw data from the law firms' files. Conclusions that appeared questionable were examined. All communication between the Committee and the law firms were submitted in writing and communicated to the law firms by the Travis County Purchasing Office.

For the purpose of our analysis, only two of the four law firms that responded to the RFI submitted enough information in response to question five of the RFI to perform a meaningful analysis. Therefore, our analysis looks at comparing Travis County's delinquent tax collection efforts against data submitted by the law firms Perdue Brandon Fielder Collins & Mott, LLP (Perdue) and Linebarger Goggan Blair & Sampson, LLP (Linebarger).

The Perdue firm submitted data in response to question five of the RFI for five Independent School Districts and one County. Perdue did not provide five years of data for any of the six submitted entities as requested in the RFI (Tax Year 1999 was not available). In addition, the Perdue firm was unable to provide Tax Year 2000 data for the Burleson ISD. Because of this, we did not include the Burleson ISD in any of our analysis of Perdue and we did not include the Perdue firm in any of the five-year analysis we performed.

The Linebarger firm submitted data in response to question five of the RFI for six counties. Linebarger was unable to provide data for its largest county (Harris) and supplied a letter from the Harris County Tax Assessor to that effect. The Linebarger firm did provide five years of data for all of the six submitted entities as requested in the RFI.

## ➤ **Data from Law Firms (cont'd)**

Our analysis does not include comparisons to the law firms of McCreary Veselka Bragg & Allen, PC (McCreary) or Lam, Lyn, Robinson & Philip, PC (Lam).

The McCreary firm submitted data for six counties. However, the data was not complete for any of the six counties submitted. In addition, the annual collection rates submitted for the six counties ranged from 100.55% to 104.27%. This indicates that collection rates were not calculated using the data required in question five of the RFI, as it is not possible to have an annual collection rate that exceeds 100% using that method. After checking with the McCreary firm to make sure that the requested data was not available, we eliminated the McCreary firm from our analysis.

The Lam firm really did not submit any data that was requested in question five of the RFI. After checking with the Lam firm to make sure that the requested data was not available, we eliminated the Lam firm from our analysis.

## ➤ **Data from Travis County**

The Tax Assessor-Collector's Office and the Office of the County Attorney provided the in-house data for Travis County's tax collections. The revenue data was examined by the County Auditor's Office and the expenditure data was examined by the County Planning and Budget Office to provide assurance that the in-house data was reliable and independent. Both the Tax Assessor-Collector's Office and the Office of the County Attorney cooperated fully with the Committee and allowed full access to records and personnel. Data was gathered from the EZ Tax system and tied to the information in the County's (i.e. H.T.E.) financial system.

## ➤ **Basic Foundation of Our Analysis**

We used the data provided by the two law firms and the data from Travis County to answer the following three basic economic questions:

- 1) **If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, is it likely that additional property taxes would be collected?**
- 2) **If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings for delinquent taxpayers?**
- 3) **If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings to all Travis County taxpayers (i.e. would it increase Travis County's net revenues)?**

## ➤ Call Center

One law firm submitted a proposal for relocating their call center to Austin. Also, one law firm currently has their call center located in Austin. We did not factor call center locations into our analysis, as there was no evidence that it impacted the collection rates and net revenues due to tax collections. We felt that if the issue of call center location was to be analyzed, it would be a separate issue for the Commissioners' Court.

## ➤ Other Analysis

One proposal presented numerous assertions, some of which we felt were significant enough to warrant separate analysis. These include:

- Lawsuits
- Court Costs
- Use of Independent School District Data

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## Summary

- Over the last few years, the Auditor's Office has been asked to look at various programs as part of special project efforts. In general the programs reviewed have needed major improvements. However in this case, our in-depth analysis of Travis County's delinquent tax collection processes leads us to believe that this is one of the most successful and effective programs at Travis County. Travis County's historical record of property tax collection exceeds that of the clients submitted by both Perdue and Linebarger. Also for Travis County, the revenues generated by the tax collection process exceed the costs of the tax collection process. This is logical because Travis County fronts all of the expenditures related to collecting property taxes and therefore assumes the risk if revenues do not cover those expenditures. It would be a sound financial decision to continue the current delinquent tax collection program, as outsourcing the collection of delinquent taxes after July 1 of each corresponding tax year would result in the loss of net revenues for Travis County. The result of outsourcing would be that the County would have to cut expenditures for other programs at Travis County or increase property taxes to compensate.

### ➤ Collection Rates

We found no evidence that would indicate additional taxes would be collected if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year. Travis County has a higher one-year, four-year, and five-year cumulative collection rate than the average collection rates for the largest entities submitted by the Perdue and Linebarger firms. Because Travis County collects a larger percentage of property taxes owed before July 1 of each tax year, there is less to collect after July 1. However even after July 1 of each tax year, Travis County collects a higher percentage of taxes possible to collect than the average collection rates for the largest entities submitted by either law firm. Using average cumulative collection rates, Perdue and Linebarger would be approximately **\$3.1 million and \$3.2 million**, respectively, behind Travis County's collection efforts after one year. After four years, Perdue and Linebarger would have caught up to the point where they are approximately **\$1.1 million and \$1.2 million**, respectively, behind Travis County in the collection of Tax Year 2003 property taxes. This is because Travis County has the highest cumulative collection rate after each year for all four years.

### ➤ Effects on Delinquent Taxpayers

Delinquent taxpayers for all jurisdictions as a group would have been charged an additional **\$5.1 million** over the last five years if delinquent collections had been privatized. The 15% that Travis County charges on lawsuits plus the court costs is significantly less than the 15% that law firms charge to the **entire** pool of delinquent taxpayers on July 1. In addition, the 15% charged by Travis County, when collected, goes back into the County Treasury to benefit taxpayers instead of to the law firm.

### ➤ **Effects on Travis County Taxpayers as a whole**

When looking at the big picture (i.e. all revenues and all expenditures associated with delinquent tax collections) our analysis shows that Travis County would lose a significant amount of net revenue if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year. Whether using the average collection rates of the Perdue firm or Linebarger firm, or the best individual County collection rate submitted by either firm, Travis County would **lose between \$5.3 and \$7.1 million** in FY2004 estimated net revenues (i.e. revenues less expenditures). The estimated losses would be greater in future years if the tax levy increases.

### ➤ **Lawsuits**

Travis County files more property tax lawsuits than any of the law firms did on behalf of their clients in the data that was submitted. Travis County also has a higher property tax collection rate (current and delinquent) than any other county submitted in the law firm proposals. We found no evidence that indicated that lawsuits were unnecessary. Delinquent taxpayers can avoid a lawsuit by responding favorably to any one of three letters or telephone calls from the Tax Office by either paying their delinquent taxes or simply working out a payment plan. If the delinquent taxpayers ignore the Tax Office's collection efforts, lawsuits are initiated based on any one of the following criteria:

- 1) The taxpayer owes a large amount of tax (the larger the balance the higher the priority).
- 2) The taxpayer already has a balance from a previous tax year.
- 3) The taxpayer has a poor payment history, has written a check on insufficient funds or has broken a payment plan.
- 4) The taxpayer owes tax to a jurisdiction that has a low collection rate.

# Summary (cont'd)

## Collection Rate Summary

|   | <u>Perdue</u> | <u>Linebarger</u> | <u>Travis County</u> |
|---|---------------|-------------------|----------------------|
| A. Average Annual Collection Rate of 5 Largest Entities for Tax Year 2003   | 97.85%        | 97.70%            | <b>98.77%</b>        |
| B. Average Annual Collection Rate of 5 Largest Entities for Tax Years 2000-2003                                       | 97.60%        | 97.58%            | <b>98.65%</b>        |
| C. Average Collection Rate of 5 Largest Entities for Tax Year 2000 After 4 Years                                      | 99.33%        | 99.31%            | <b>99.70%</b>        |
| D. Average Delinquent Collection Rate of 6 Largest Entities for Feb1 to Jun 30 for Tax Years 1999-2003                | n/a           | 79.66%            | <b>91.10%</b>        |
| E. Average Delinquent Collection Rate of 6 Largest Entities for July 1, 2000 to Sept 30, 2004 for Tax Years 1999-2003 | n/a           | 66.61%            | <b>68.36%</b>        |

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## Question No. 1

### ➤ Question:

If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, is it likely that additional property taxes would be collected?

### ➤ Answer:

No. Using average cumulative collection rates, Perdue and Linebarger would be approximately **\$3.1 million and \$3.2 million**, respectively, behind Travis County's collection efforts after one year. After four years, Perdue and Linebarger would have caught up to the point where they are approximately **\$1.1 million and \$1.2 million**, respectively, behind Travis County in the collection of Tax Year 2003 property taxes. This is because Travis County has the highest cumulative collection rate after each year for all four years.

# Explanation and Summary of Exhibits A through H

## ➤ Purpose

The purpose of Exhibits A through H is to examine various collection rates to determine whether it is likely that additional property taxes would be collected if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year.

## ➤ Comparisons between Travis County and the average of each law firm's largest entities

First we looked at the actual taxes collected for Tax Year 2003, which were collected in FY2004. [Travis County's collection rate was the highest.](#) (See [Exhibit A](#))

To make sure that Tax Year 2003 (FY2004) was not an anomaly, we performed the same annual collection rate calculation for Tax Year 2000 (FY2001), Tax Year 2001 (FY2002), Tax Year 2002 (FY2003) and Tax Year 2003 (FY2004) and took an average of those four years. [Travis County's average collection rate was the highest.](#) (See [Exhibit B](#))

Since taxes are collected in the current tax year and collections extend for several years, we analyzed Tax Year 2000 (FY2001) and compared all of the actual current and delinquent taxes that were attributable to Tax Year 2000 (FY2001) in the period from 10/01/2000 until 09/30/2004 as a cumulative amount. [Travis County's collection rate was the highest.](#) (See [Exhibit C](#))

## Explanation and Summary of Exhibits A – H (cont'd)

### ➤ Comparisons between Travis County and the average of each law firm's largest entities (cont'd)

The Linebarger firm asserted that although Travis County is better at current collections, Linebarger has a better record if delinquent collections were isolated and analyzed separately. They present data to support this theory. We are not convinced that current tax collections and delinquent tax collections are not integrally related. However, in order to give the Linebarger firm full consideration, we analyzed the delinquent tax collections separate from current tax collections for the time periods submitted by Linebarger. Because Travis County consistently has a higher percentage of current tax collections than Linebarger's county clients, Travis County has a smaller percentage of delinquent taxes that are possible to collect. We compared what each entity *collected* in the period analyzed to the amount that was *possible to collect* of the adjusted levy outstanding in the period analyzed for tax years 1999 (FY2000), 2000 (FY2001), 2001 (FY2002), 2002 (FY2003) and 2003 (FY2004). We analyzed the same time periods that Linebarger submitted:

- For the period from February 1 through June 30, **Travis County had a higher collection rate for the five most recent tax years.** (See **Exhibit E**)
- For the period of July 1 of each of the five most recent tax years until September 30, 2004, **Travis County had a higher collection rate for the five most recent tax years.** (See **Exhibit F**)

# Explanation and Summary of Exhibits A – H (cont'd)

## ➤ **Comparisons between Travis County and the average of each law firm's largest entities** (cont'd)

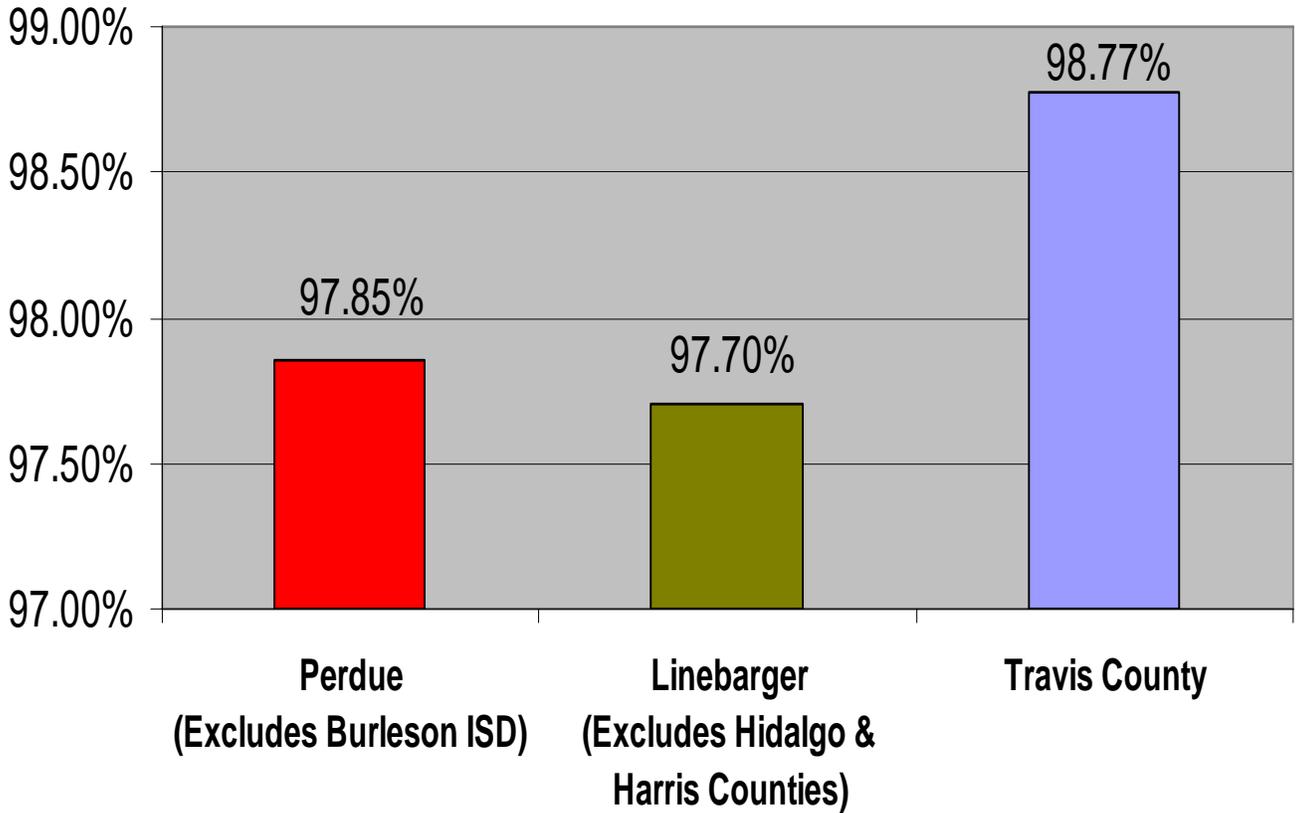
We also forecasted future tax collection revenue in dollars. We took the Tax Year 2003 (FY2004) actual adjusted tax levy and projected out for the next four years to forecast on a cumulative basis the taxes attributable to Tax Year 2003 (FY2004). The collection rates used for projections were the actual averages that each entity achieved over the past four years attributed to Tax Year 2000 (FY2001). Because the Perdue firm only gave us four years of data, we were only able to do a four year projection for all three entities. **Travis County had the highest amount of projected taxes collected after four years.** (See **Exhibit G**)

Because the Linebarger firm did provide five years of data as requested and adding the fifth year did benefit them, we performed the same analysis for five years using Travis County and Linebarger data. We used collection rates attributable to Tax Year 1999 (FY2000) and projected Tax Year 2003 (FY2004) revenue for the next five years (FY2005-FY2008). **Travis County had the highest amount of projected taxes collected after five years.** (See **Exhibit H**)

**The analysis concludes that Travis County collects more taxes and collects them faster than the two law firms have demonstrated in their collection efforts with their largest clients. Although the Perdue firm had higher collection rates than the Linebarger firm, we did not see evidence indicating that the collection efforts of either firm could be expected to surpass the efforts of Travis County.**

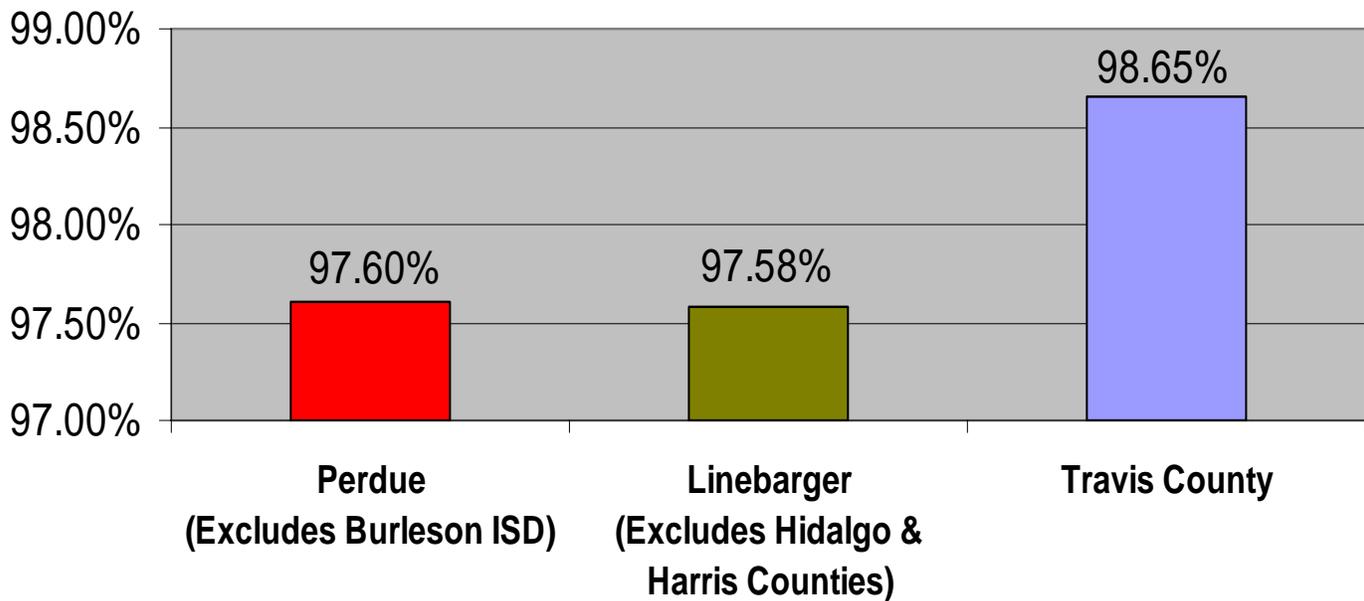
# Exhibit A – Annual Collection Rates For Tax Year 2003

## Average Annual Collection Rate of 5 Largest Entities for Tax Year 2003 (FY04) as of 9/30/04



# Exhibit B – Annual Collection Rate for Each Tax Year Averaged Over Four Years

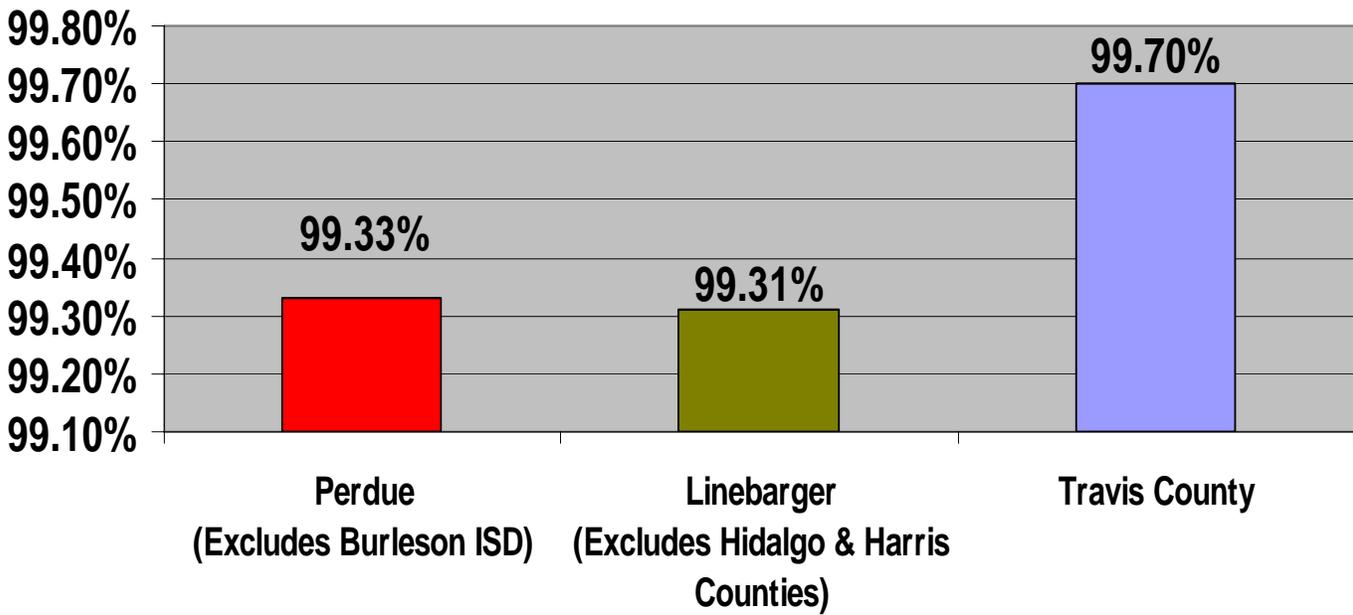
## Average Annual Collection Rate for 5 Largest Entities for Tax Years 2000-2003 as of Sept. 30



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# Exhibit C – Collection Rate for Tax Year 2000 after 4 Years

## Average Cumulative Collection Rate of 5 Largest Entities for Tax Year 2000 After 4 Years (Collections from 10/01/00 - 9/30/04)



## Exhibit C – Collection Rate for Tax Year 2000 after 4 Years (cont'd)

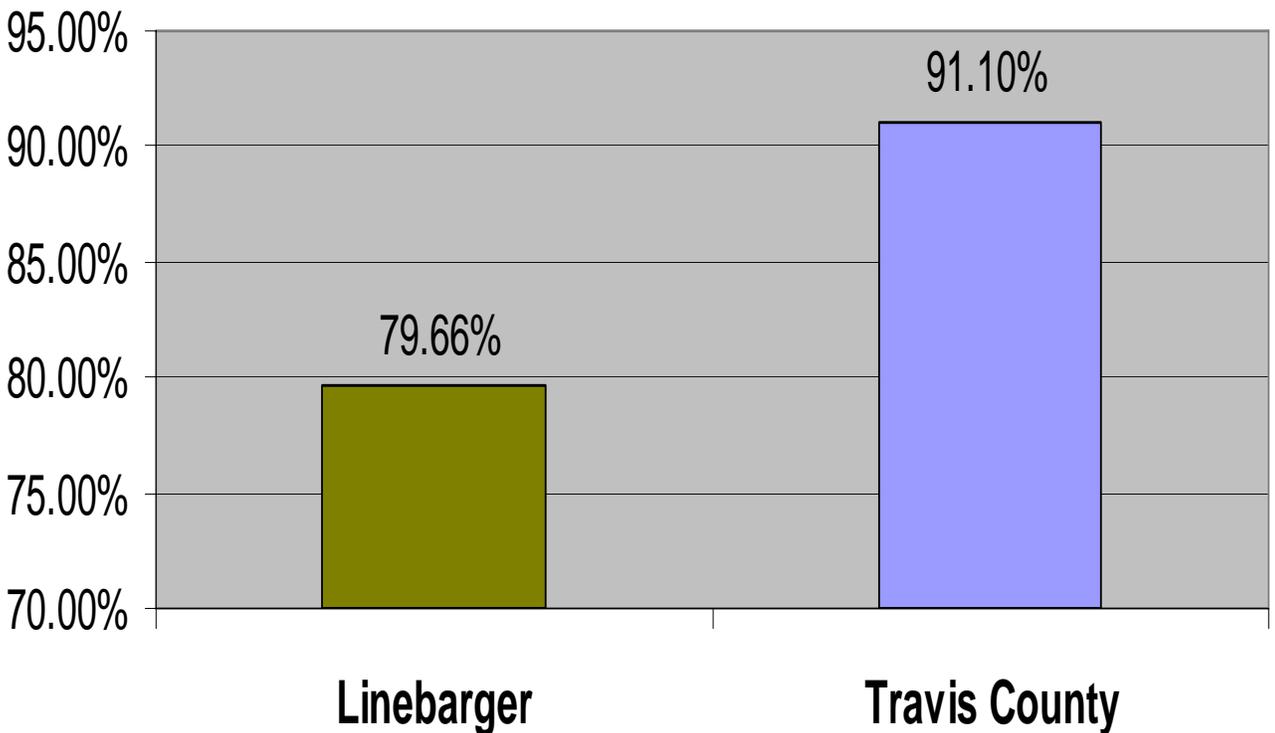
- This is the amount that was collected for Tax Year 2000 for the period 10/01/2000 through 9/31/2004. Tax Year 2000 was chosen for this analysis because it is the most recent Tax Year for which four years of collection data are available. The comparison of this collection rate gives more weight to the collection efforts of the Law Firms because it shows what they were able to do over a longer period of collection efforts for a given Tax Year. At the end of this collection period the Law Firms have had 3 years and 3 months to collect delinquent taxes and the collection rate shows what has been cumulatively collected for the entire 4-year period.

## Exhibit D

- Exhibit D has been intentionally left out of this Executive Summary. Please see main report.

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**Average Delinquent Collection Rate  
for Feb 1-Jun 30  
for Tax Years 1999-2003  
for 6 Largest Entities**



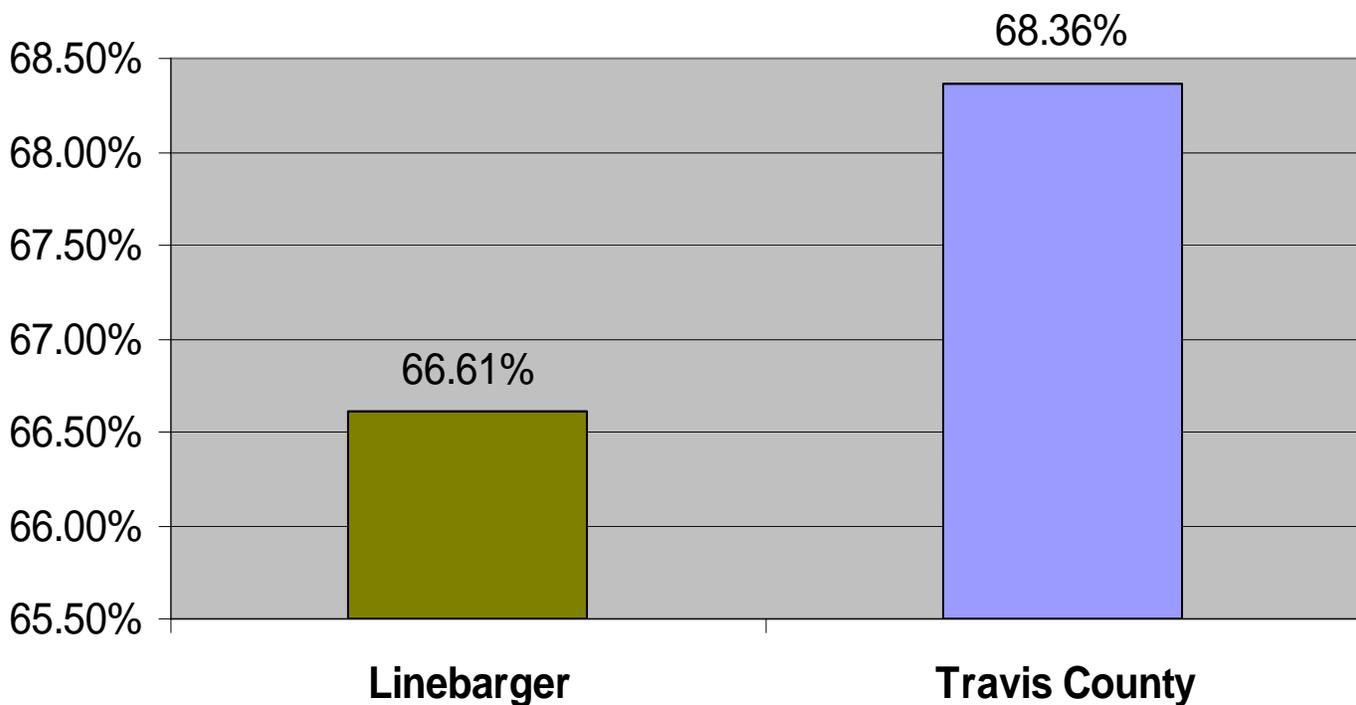
This chart uses the following calculation:  $\frac{\text{Amount Collected in Period}}{\text{Amount Possible to Collect}}$

**Exhibit E – Collection Rate Comparison for Feb 1-June 30 for Tax Years 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
(cont'd)

- This exhibit shows that **Travis County is significantly better** than the average of the six Linebarger clients at collecting current year delinquent taxes during the period from February 1 through June 30 for the five most recent tax years. When calculating the collection rate as the current year delinquent taxes collected from February 1 through June 30 as a percentage of the amount of current year delinquent taxes that were *possible to collect* during the period, Travis County averaged a collection rate of 91.10% compared to a collection rate of 79.66% for the average of the six Linebarger clients for the five most recent tax years.
- The source of the data for this exhibit came from two places. The Travis County data came from the Tax Office and the data was verified by the Auditor's Office. The Linebarger data came from page 125 of the resubmitted Linebarger Proposal.

**Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**

**Average Delinquent Collection Rate  
for July 1, 2000-Sept 30, 2004  
for Tax Years 1999-2003  
for 6 Largest Entities**



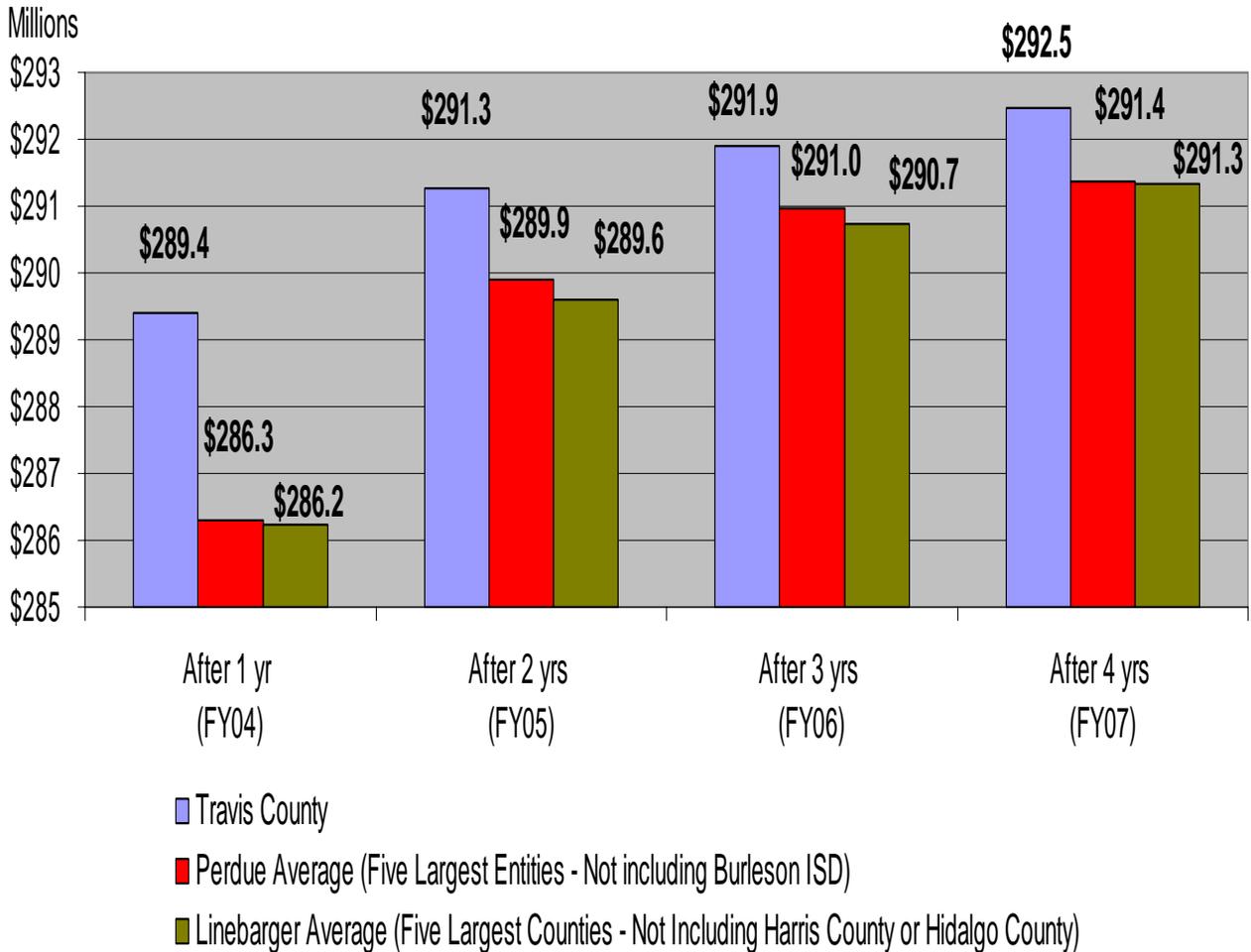
This chart uses the following calculation:  $\frac{\text{Amount Collected in Period}}{\text{Amount Possible to Collect}}$

## Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect (cont'd)

- This exhibit shows that Travis County is slightly better than the average of the six Linebarger clients at collecting current year delinquent taxes during the period from July 1 of the current Tax Year through September 30, 2004 for the five most recent tax years. When calculating the collection rate of the current year's delinquent taxes collected from July 1 through September 30, 2004 as a percentage of the amount *possible to collect* during that period, Travis County averaged a collection rate of 68.36% compared to a collection rate of 66.61% for the average of the six Linebarger clients for the five most recent tax years.
- The source of the data for this exhibit came from two places. The Travis County data came from the Tax Office and the data was verified by the Auditor's Office. The Linebarger data came from page 125 of the resubmitted Linebarger Proposal. One number was changed from the Linebarger data on this page. For Tax Year 2002 and the column titled "LAW FIRM July – Sept 04" the LG AVG RATES is shown as 3.35%. When the data in the column for the six counties is averaged the actual average is 3.15%. We used the actual calculated average of 3.15% and assumed the average of 3.35% in the Linebarger Proposal was a typo.

# Exhibit G – Comparison of Cumulative Collection Rates After One, Two, Three, and Four Years

Estimated Tax Year 2003 Tax Collections for Four Years Using Each Law Firm's Average Collection Rate for Tax Year 2000 for Four Years



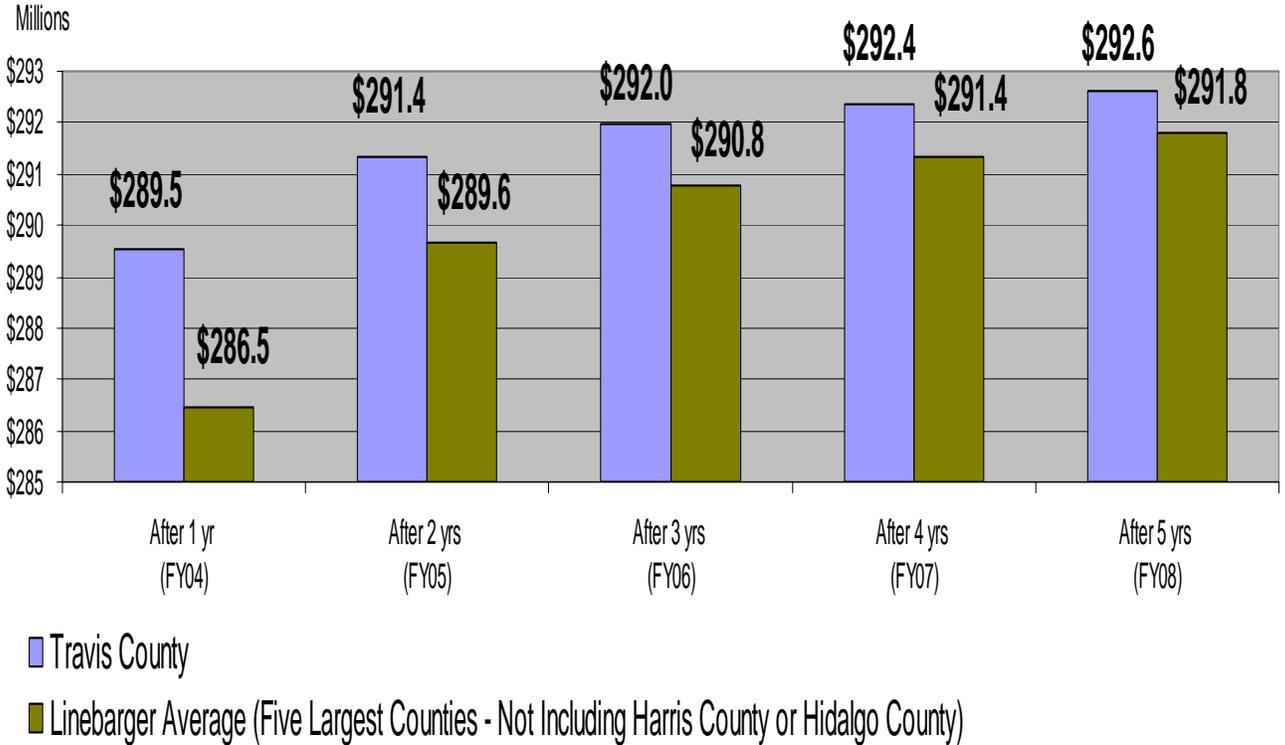
Note: Amounts in chart are based on Travis County's September 30, 2004 Adjusted Levy of \$293.3 million.

## Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

- The chart in this exhibit shows how using the average cumulative collection rates would impact estimated Tax Year 2003 tax collections for a four-year period based upon the September 30, 2004 adjusted Tax Year 2003 tax levy. The chart shows that if the average cumulative collection rates were used to estimate collections, Perdue and Linebarger would be approximately \$3.1 million and \$3.2 million, respectively, behind Travis County's collection efforts after one year. After four years, Perdue and Linebarger would have caught up to the point where they are only approximately \$1.1 million and \$1.2 million, respectively, behind Travis County in the collection of Tax Year 2003 property tax collections.
- This exhibit compares the average cumulative collection rates after one, two, three, and four years for Tax Years 2000 through 2003. The exhibit shows that Travis County has the highest average cumulative collection rate after one, two, three, and four years.

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years

Estimated Tax Year 2003 Tax Collections for Five Years Using Each Law Firm's Average Collection Rate for Tax Year 1999 for Five Years



Note: Amounts in chart are based on Travis County's September 30, 2004 Adjusted Levy of \$293.3 million. Perdue is not included since they only provided data for four years.

## Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years

(cont'd)

- The chart in this exhibit shows how using the average cumulative collection rates would impact estimated Tax Year 2003 tax collections for a five-year period based upon the September 30, 2004 adjusted Tax Year 2003 tax levy. The chart shows that if the average cumulative collection rates were used to estimate collections, Linebarger would be approximately \$3.0 million behind Travis County's collection efforts after one year. After four years, Linebarger would have caught up to the point where they are only approximately \$800,000 behind Travis County in the collection of Tax Year 2003 property taxes.
- This exhibit compares the average cumulative collection rates after one, two, three, four, and five years for Tax Years 1999 through 2003. The exhibit shows that Travis County has the highest average cumulative collection rate at the end of each of the five years.

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### ➤ Question:

If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings for delinquent taxpayers?

### ➤ Answer:

Delinquent taxpayers for all jurisdictions as a group would have been charged an additional **\$5.1 million** over the last five years if delinquent collections had been privatized. The 15% that Travis County charges on lawsuits plus the court costs is significantly less than the 15% that law firms charge to the **entire** pool of delinquent taxpayers on July 1. In addition, the 15% charged by Travis County, when collected, goes back into the County Treasury to benefit taxpayers instead of to the law firm.

## ➤ Analysis of Question No. 2

Total costs assessed to delinquent taxpayers over the last five years (FY00-FY04) were estimated using Tax Office queries and financial reports. Estimates for both Travis County and an individual law firm, if they had been our collector, were calculated.

Tax Office queries were used to obtain all lawsuits filed in FY00-FY04. Court costs and attorney fees linked to these lawsuits were then determined. Then the allocation by tax year was estimated.

Attorney Fees are calculated on the base tax balance and penalty and interest combined. The amount of base tax and penalty and interest that might have been subject to a partial pay agreement was also estimated and removed before calculating attorney fees.

# Explanation and Summary of Exhibit I (cont'd)

## ➤ IMPACT ON DELINQUENT TAXPAYERS

Data was collected and analyzed for the past five years.

When Travis County collects delinquent taxes, the delinquent taxpayer pays the statutory penalty and interest, attorney fees if Travis County files a lawsuit, and court costs if judgment is rendered for the taxing entity. In analyzing the cost differential we gave the law firms the benefit of the doubt and assumed statutory penalty and interest were the same even though our previous analysis shows that Travis County collects faster. We calculated the total costs paid by delinquent taxpayers in addition to penalty and interest.

Linebarger asserted that they would only file 25% as many lawsuits as did Travis County. We did not find hard evidence to validate this assertion, but to give the law firms the benefit of the doubt, we made this assumption in our analysis. We estimated court costs at the 25% level plus 15% attorney fees. If the law firms do not file lawsuits prior to July 1, they can charge attorney fees to all delinquent taxpayers to whom they write a demand letter who do not have a payment plan with the Tax Assessor Collector. We estimated this amount.

**Over the five-year period that we analyzed, it is our estimate that Travis County's collection program saved delinquent taxpayers for all jurisdictions \$5,130,774 by not outsourcing to law firms. (Exhibit I)**

# Exhibit I – Costs to Taxpayers

## Additional Tax Collection Costs to Delinquent Taxpayers For All Jurisdictions if Privatized

| Tax Year | Entity                  | Court Costs Assessed <sup>(1)</sup> | Atty Fees (15%) Assessed | Total Collection Costs Assessed | Taxpayer Savings/ (Add'l Costs) |
|----------|-------------------------|-------------------------------------|--------------------------|---------------------------------|---------------------------------|
| 2003     | Travis County           | 1,011,980                           | 2,227,221                | 3,239,201                       |                                 |
|          | Law Firm                | 252,995                             | 4,157,473                | 4,410,468                       | (1,171,267)                     |
| 2002     | Travis County           | 1,405,167                           | 2,840,257                | 4,245,424                       |                                 |
|          | Law Firm                | 351,292                             | 4,717,682                | 5,068,974                       | (823,550)                       |
| 2001     | Travis County           | 1,268,871                           | 2,326,323                | 3,595,194                       |                                 |
|          | Law Firm <sup>(2)</sup> | 317,218                             | 4,398,256                | 4,715,474                       | (1,120,280)                     |
| 2000     | Travis County           | 1,282,643                           | 1,294,145                | 2,576,788                       |                                 |
|          | Law Firm <sup>(2)</sup> | 320,661                             | 3,089,449                | 3,410,110                       | (833,322)                       |
| 1999     | Travis County           | 750,300                             | 564,114                  | 1,314,414                       |                                 |
|          | Law Firm <sup>(2)</sup> | 187,575                             | 2,309,194                | 2,496,769                       | (1,182,355)                     |

**Total 5-Yr Add'l Cost to Delinquent Taxpayers for all jurisdictions (5,130,774)**

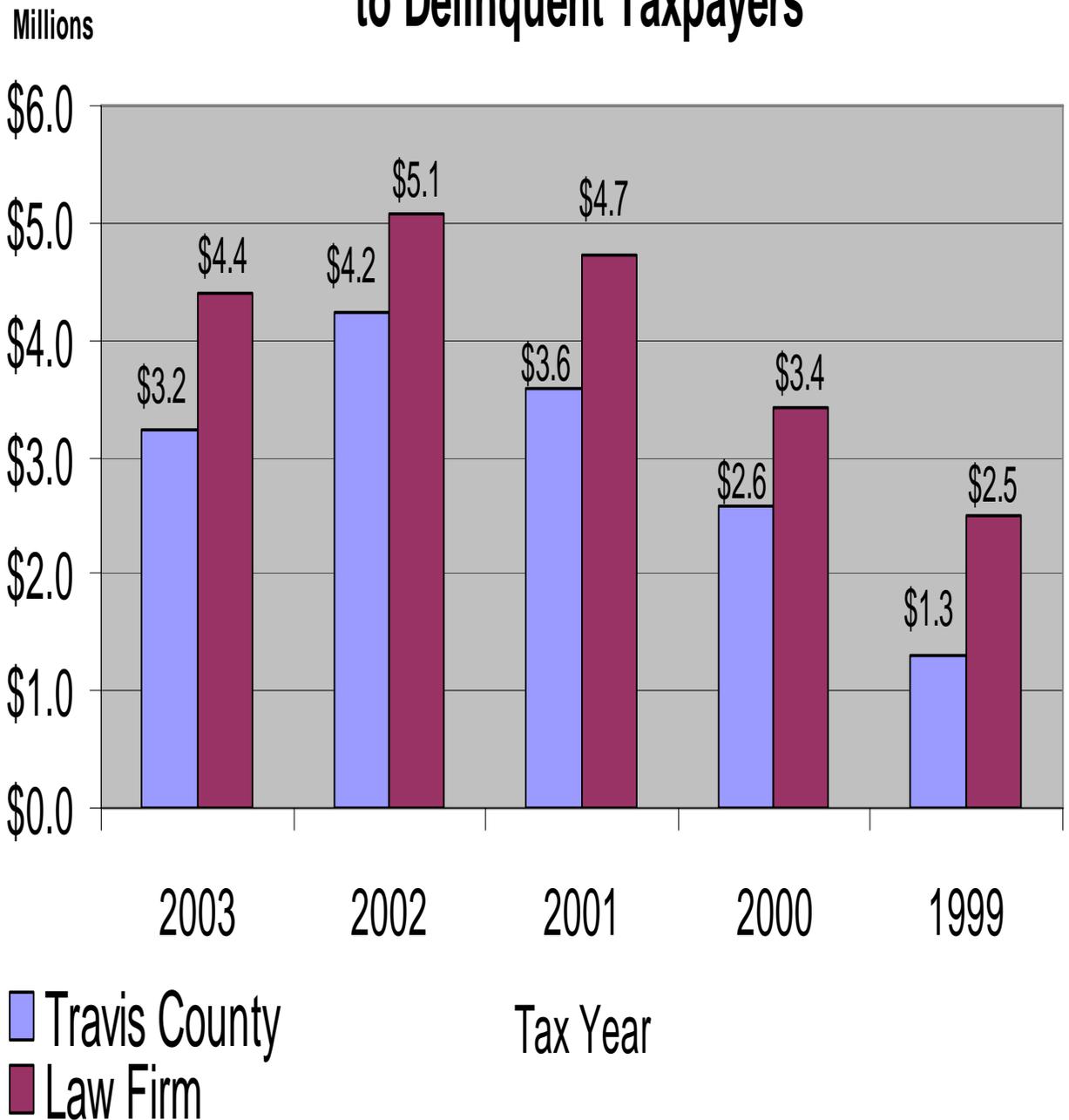
(1) Lawsuits filed from Feb 1 through Jan 31 following the current tax levy are used to calculate court costs for that current fiscal year.

(2) P&I was estimated for Tax Years 1999-2001. Attorney Fees are calculated on the delinquent tax balance plus penalties and interest. In Tax Years 2002 & 2003, actual P&I was 14.23% of the delinquent tax balance at 7/1. In Tax Years 1999, 2000 & 2001, P&I was estimated using this same percentage of 14.23%.

Source: Tax Office queries and monthly financial reports

**Exhibit I – Costs to Taxpayers**  
(cont'd)

**Additional Costs Charged by Law Firms  
to Delinquent Taxpayers**



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## Question No. 3

### ➤ Question:

If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings to all Travis County Taxpayers (i.e. would it increase Travis County's net revenues)?

### ➤ Answer:

When looking at the big picture (i.e. all revenues and all expenditures associated with delinquent tax collections) our analysis shows that Travis County would lose a significant amount of net revenue if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year. Whether using the average collection rates of the Perdue firm or Linebarger firm, or the best individual County collection rates submitted by either firm, Travis County would have lost over **\$5.3 million** (the loss ranges from **\$5.3 million** to **\$7.1 million** in the analysis) in FY2004 estimated net revenues (i.e. revenues less expenditures). The estimated losses would be greater in future years if the tax levy increases.

## ➤ Explanation of Net Revenue Analysis

The County Auditor's Office prepared a pro-forma revenue estimate assuming outsourcing to a law firm.

We assumed that the 18.75 FTEs (full-time equivalent employees) budgeted for delinquent tax collections in the County Attorney's Office would be eliminated (RIF'ed) if the work that they do is transferred to an outside law firm. The cost data used for Travis County includes this assumption. Travis County has a Reduction-In-Force policy, which states that Travis County will give employees a 90-day notice of a reduction in force. The cost of the 90 days is not included in our analysis. That would need to be factored in as an additional cost to the County should the Commissioners' Court decide to outsource.

One law firm suggested that the County not eliminate the FTEs from the County Attorney's Office but reassign them to other tasks. This means the County would retain the costs of the employees and forfeit the revenue that they currently bring in. We disregarded this recommendation in the analysis and assumed that this would be a separate budgetary decision on the part of Commissioners' Court.

Our analysis indicated that the 9.65 FTEs in the Tax Assessor-Collector's Office would still be needed should the delinquent collections be outsourced. Therefore, these costs are included under the status quo as well as in the analysis for the cost of outsourcing.

## ➤ **Explanation of Net Revenue Analysis** (cont'd)

When analyzing the County's revenues due to delinquent tax collections, we assumed the \$364,787 collections from the parcel rate for FY04, which represented an allocation of the costs of the County Attorney's Office, would be eliminated if delinquent collections were outsourced.

We used the most recent fiscal year for which we had actual data (FY2004) since the Commissioners would be making a decision for future collections.

We included revenues from delinquent tax collections, attorney fees, parcel fees for delinquent collections, and court costs. We included expenditures for salaries and operating costs for the County Attorney's Tax Division, salaries and operating expenditures for the Tax Assessor-Collector Office's work on delinquent collections, and litigation costs incurred by the County in the justice system.

## ➤ Summary of Net Revenue Analysis

In FY 2004 Travis County taxpayers would have lost an estimated **\$6.0 million** of net revenue if Travis County replaced its in-house collection system with a system comparable to the average collection rates of Perdue's five largest clients. When we factored in delinquent tax revenue attributed to Tax Year 2003 (FY2004) over a four-year period, the loss would be estimated at **\$4.4 million**.

In FY2004 Travis County taxpayers would have lost an estimated **\$7.1 million** of net revenue if Travis County replaced its in-house collection system with a system comparable to the average collection rates of Linebarger's five submitted clients (Hidalgo County was removed as a low performing outlier). When we factored in delinquent tax revenue attributed to Tax Year 2003 (FY2004) over a five-year period, the loss would be estimated at **\$4.8 million**.

In FY 2004 Travis County taxpayers would have lost an estimated **\$5.3 million** of net revenue if Travis County replaced its in-house collection system with a system comparable to the FY2004 collection rates of the best performing County client of either of the two law firms (Tarrant County-Linebarger client). When we factored in delinquent tax revenue attributed to Tax Year 2003 (FY04) over a five-year period, the loss would be estimated at **\$3.0 million**.

# FY2004 Analysis Using Perdue Average Collection Rates

## Revenue From Delinquent Tax Collections in FY04 (10/1/03 - 9/30/04)

### Perdue Analysis

| <u>Delinquent Taxes</u>                                       | <u>Travis County</u> | <u>If Perdue</u> | <u>Difference</u>    |
|---|----------------------|------------------|----------------------|
| Collections for Current Year                                  | 9,722,141            | 6,981,718        |                      |
| Collections for Prior Years                                   | 2,947,412            | 2,116,612        |                      |
| Total Delinquent Tax Collections<br>in FY04 (10/1/03-9/30/04) | <u>12,669,553</u>    | <u>9,098,330</u> | = <b>\$3,571,223</b> |

## Revenue From Delinquent Collection Activities in FY04 (10/1/03 - 9/30/04)

|                        | <u>Current</u>       | <u>If Perdue</u> |
|------------------------|----------------------|------------------|
| <b><u>Revenues</u></b> |                      |                  |
| Attorney Fees          | 2,937,808            | -                |
| Parcel Fee             | 935,268              | 570,481          |
| Court Costs            | 1,187,375            | 1,187,375        |
| Total Revenues         | (a) <u>5,060,451</u> | <u>1,757,856</u> |

## Costs Incurred on Delinquent Tax Collection Activities by Travis County in FY04 (10/1/03-9/30/04)

|                                 | <u>Current</u>       | <u>If Perdue</u> |
|---------------------------------|----------------------|------------------|
| <b><u>Expenditures</u></b>      |                      |                  |
| County Atty-Salaries/Benefits   | 810,945              | -                |
| County Atty-Operating Costs     | 33,621               | -                |
| Tax Office Operating Costs      | 70,630               | 70,630           |
| Litigation Costs                | 506,757              | 506,757          |
| Tax Office-Salaries & Operating | 377,038              | 377,038          |
| Total Expenditures              | (b) <u>1,798,991</u> | <u>954,425</u>   |

|  |                  |   |                |   |                           |
|--|------------------|---|----------------|---|---------------------------|
| Net Revenue on Delinquent<br>Collection Activities (a-b) | <u>3,261,460</u> | - | <u>803,431</u> | = | <b><u>\$2,458,029</u></b> |
|--|------------------|---|----------------|---|---------------------------|

|   |  |  |  |  |                           |
|---|--|--|--|--|---------------------------|
| <b>Total Net Revenue That Travis County<br/>Collected Over Purdue</b> |  |  |  |  | <b><u>\$6,029,252</u></b> |
|---|--|--|--|--|---------------------------|

|                                 |           |           |             |
|---------------------------------|-----------|-----------|-------------|
| Revenue Collected in Next 3 Yrs | 2,719,667 | 4,368,072 | (1,648,405) |
|---------------------------------|-----------|-----------|-------------|

|   |  |  |                           |
|---|--|--|---------------------------|
| <b>Total Net Revenue That Travis County<br/>Collected Over Purdue Over Four Years</b> |  |  | <b><u>\$4,380,847</u></b> |
|---|--|--|---------------------------|

# FY2004 Analysis Using Linebarger Average Collection Rates

## Revenue From Delinquent Tax Collections in FY04 (10/1/03 - 9/30/04) Linebarger Analysis

| <u>Delinquent Taxes</u>                                       | <u>Travis County</u> | <u>If Linebarger</u> | <u>Difference</u>    |
|---|----------------------|----------------------|----------------------|
| Collections for Current Year                                  | 9,722,141            | 6,539,008            |                      |
| Collections for Prior Years                                   | 2,947,412            | 1,982,398            |                      |
| Total Delinquent Tax Collections<br>in FY04 (10/1/03-9/30/04) | <u>12,669,553</u>    | <u>8,521,406</u>     | = <b>\$4,148,147</b> |

## Revenue From Delinquent Collection Activities in FY04 (10/1/03 - 9/30/04)

|                        | <u>Current</u>       | <u>If Linebarger</u> |
|------------------------|----------------------|----------------------|
| <b><u>Revenues</u></b> |                      |                      |
| Attorney Fees          | 2,937,808            | -                    |
| Parcel Fee             | 935,268              | 570,481              |
| Court Costs            | 1,187,375            | 296,844              |
| Total Revenues         | (a) <u>5,060,451</u> | <u>867,325</u>       |

## Costs Incurred on Delinquent Tax Collection Activities by Travis County in FY04 (10/1/03-9/30/04)

|                                 | <u>Current</u>       | <u>If Linebarger</u> |
|---------------------------------|----------------------|----------------------|
| <b><u>Expenditures</u></b>      |                      |                      |
| County Atty-Salaries/Benefits   | 810,945              | -                    |
| County Atty-Operating Costs     | 33,621               | -                    |
| Tax Office Operating Costs      | 70,630               | 70,630               |
| Litigation Costs                | 506,757              | 126,689              |
| Tax Office-Salaries & Operating | 377,038              | 377,038              |
| Total Expenditures              | (b) <u>1,798,991</u> | <u>574,357</u>       |

|  |                  |   |                |                      |
|--|------------------|---|----------------|----------------------|
| Net Revenue on Delinquent<br>Collection Activities (a-b) | <u>3,261,460</u> | - | <u>292,968</u> | = <b>\$2,968,492</b> |
|--|------------------|---|----------------|----------------------|

**Total Net Revenue That Travis County  
Collected Over Linebarger in FY04** **\$7,116,639**

|                                 |           |           |             |
|---------------------------------|-----------|-----------|-------------|
| Revenue Collected in Next 4 Yrs | 2,867,237 | 5,223,978 | (2,356,741) |
|---------------------------------|-----------|-----------|-------------|

**Total Net Revenue That Travis County  
Collected Over Linebarger Over Five Years** **\$4,759,898**

# FY2004 Analysis Using Best County Collection Rates (Tarrant County)

## Revenue From Delinquent Tax Collections in FY04 (10/1/03 - 9/30/04) Best County - Tarrant County (Linebarger) Analysis

| <u>Delinquent Taxes</u>                                       | <u>Travis County</u> | <u>If Tarrant</u> | <u>Difference</u>    |
|---|----------------------|-------------------|----------------------|
| Collections for Current Year                                  | 9,722,141            | 7,896,652         |                      |
| Collections for Prior Years                                   | <u>2,947,412</u>     | <u>2,393,988</u>  |                      |
| Total Delinquent Tax Collections<br>in FY04 (10/1/03-9/30/04) | <u>12,669,553</u>    | <u>10,290,640</u> | = <b>\$2,378,913</b> |

## Revenue From Delinquent Collection Activities in FY04 (10/1/03 - 9/30/04)

| <u>Revenues</u> | <u>Current</u>       | <u>If Tarrant</u> |
|-----------------|----------------------|-------------------|
| Attorney Fees   | 2,937,808            | -                 |
| Parcel Fee      | 935,268              | 570,481           |
| Court Costs     | <u>1,187,375</u>     | <u>296,844</u>    |
| Total Revenues  | (a) <u>5,060,451</u> | <u>867,325</u>    |

## Costs Incurred on Delinquent Tax Collection Activities by Travis County in FY04 (10/1/03-9/30/04)

| <u>Expenditures</u>             | <u>Current</u>       | <u>If Tarrant</u> |
|---------------------------------|----------------------|-------------------|
| County Atty-Salaries/Benefits   | 810,945              | -                 |
| County Atty-Operating Costs     | 33,621               | -                 |
| Tax Office Operating Costs      | 70,630               | 70,630            |
| Litigation Costs                | 506,757              | 126,689           |
| Tax Office-Salaries & Operating | <u>377,038</u>       | <u>377,038</u>    |
| Total Expenditures              | (b) <u>1,798,991</u> | <u>574,357</u>    |

|  |                  |   |                |                             |
|--|------------------|---|----------------|-----------------------------|
| Net Revenue on Delinquent<br>Collection Activities (a-b) | <u>3,261,460</u> | - | <u>292,968</u> | = <b><u>\$2,968,492</u></b> |
|--|------------------|---|----------------|-----------------------------|

**Total Net Revenue That Travis County  
Collected Over Linebarger in FY04** **\$5,347,405**

|                                 |           |           |             |
|---------------------------------|-----------|-----------|-------------|
| Revenue Collected in Next 4 Yrs | 2,867,237 | 5,223,978 | (2,356,741) |
|---------------------------------|-----------|-----------|-------------|

**Total Net Revenue That Travis County  
Collected Over Linebarger Over Five Years** **\$2,990,664**

## ➤ **Purpose of FY2004 Net Revenue Analysis**

The purpose of this analysis is to determine whether Travis County would receive more Net Revenues (i.e. Revenues Minus Expenditures) from delinquent tax collection efforts if the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm. Fiscal Year 2004 was used for this analysis because it was the most current year for which we had complete revenue and expenditure data.

The analysis takes into account revenues and expenditures that result from delinquent tax collection efforts.

The analysis seeks to document Travis County revenues and expenditures from FY2004 and compare the resulting FY2004 Travis County Net Revenues (i.e. Revenues Minus Expenditures) with estimated FY2004 Net Revenues if the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm.

# Explanation of FY2004 Net Revenue Analysis (cont'd)

## ➤ **Purpose of FY2004 Net Revenue Analysis** (cont'd)

Once the Travis County FY2004 Net Revenues are compared against the estimated FY2004 Outsourced Net Revenues, additional years of estimated delinquent tax collections for the current 2003 tax year are added to the analysis. This is done to account for the fact that the majority of the delinquent tax collection process for each tax year typically goes on for about five years and then tapers off.

We used estimated five-year collection rates (based on actuals) when comparing Travis County Net Revenues to estimated FY2004 Linebarger Net Revenues because the Linebarger firm provided five years of data as requested in the RFI. We used estimated four-year collection rates (based on actuals) when comparing Travis County Net Revenues to estimated FY2004 Perdue Net Revenues because the Perdue firm provided only four years of data instead of the five years of data requested in the RFI.

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## ➤ **Lawsuits**

Travis County files more property tax lawsuits than any of the law firms did on behalf of their clients according to the data that was submitted. However, Travis County also has a higher property tax collection rate (current and delinquent) than any other county submitted in the law firm proposals. We found no evidence that indicated lawsuits filed were unnecessary. Delinquent taxpayers can avoid a lawsuit by responding favorably to any one of three letters or telephone calls from the Tax Office by either paying their delinquent taxes or simply working out a payment plan. If the delinquent taxpayers ignore the Tax Office's collection efforts, lawsuits are initiated based on any one of the following criteria:

- 1) The taxpayer owes a large amount of tax (the larger the balance the higher the priority).
- 2) The taxpayer already has a balance from a previous tax year.
- 3) The taxpayer has a poor payment history, has written a check on insufficient funds or has broken a payment plan.
- 4) The taxpayer owes tax to a jurisdiction that has a low collection rate.

# Delinquent Property Tax Lawsuits

(cont'd)

## ➤ Why and When Does Travis County File a Lawsuit?

The Tax Collector-Assessor performs many collection efforts starting on February 1 when property taxes become delinquent. First, the Tax Office sends out a Section 33.04 delinquent notice that demands payment by February 28. There are approximately thirty to forty thousand letters sent out each year. Also during this time the Tax Office determines which delinquent accounts are high priority and may contact them by phone, especially the accounts with large amounts due. High priority accounts are the accounts with large accumulated balances (many accounts are for multiple years) and accounts in jurisdictions with low collection rates. Personal property accounts are also high priority because immediate legal action may need to be taken to seize the property, given the fact that some personal property can easily be moved out of the County.

Second, if there is no response to the Section 33.04 letter, a demand letter is sent giving the taxpayer ten days to respond. If the taxpayer responds but is unable to pay, alternative payment options are offered such as an installment or other arrangement. If the taxpayer sets up an alternative method of payment, Travis County will not pursue litigation. The actions of the Tax Office are a direct result of the history of the taxpayer. If the taxpayer has a history of delinquency then steps to litigation will be expeditious if there is no response from the taxpayer. It is a general rule that lawsuits are not filed on amounts due of less than \$500.

# Delinquent Property Tax Lawsuits

(cont'd)

## ➤ Why and When Does Travis County File a Lawsuit?

(cont'd)

Third, if there is no response to the demand letter, a litigation letter is sent demanding payment immediately and stating that Travis County is in the process of filing a lawsuit against them. At this point, a lawsuit can still be avoided if the taxpayer responds immediately and either pays in full or chooses an alternate method of payment. Even after a lawsuit has been filed, the Tax Office will continue to assist taxpayers by offering payment arrangements. However, a judgment must be filed before a formal agreement will be made.

In short, taxpayers can avoid legal action by responding to the Tax Office's collection letters and setting up alternative methods of payment if necessary. The Tax Office will only pursue litigation on taxpayers that are unresponsive to their collection efforts.

## ➤ Who Decides When a Lawsuit is Filed?

The Tax Collector-Assessor makes all the decisions regarding when to file a lawsuit.

# Delinquent Property Tax Lawsuits

(cont'd)

## ➤ **Does Travis County File a Larger Number of Lawsuits?**

Yes. By any objective measure Travis County files more property tax lawsuits than any of the law firms did on behalf of their clients in the data that was submitted. However, by the same token, Travis County has a higher property tax collection rate (current and delinquent) than any county client data submitted in the law firm proposals. Travis County's litigation efforts seem to be working well.

One of the law firm proposals stated that in Fiscal Years 2003 and 2004, Travis County filed a combined total of 8,400 lawsuits (this was an estimated amount provided by the Tax Office to vendors), of which 86.8% were filed on properties appraised at or below the average homestead amount owed of \$4,913. The 86.8% is misleading because almost half of these lawsuits were on personal property. It is not appropriate to compare personal property values to average homestead amounts, since personal property values are not used to calculate the average homestead amount. Please see the chart below for an accurate breakdown of lawsuits in FY 2003 and FY 2004. Travis County analyzes all lawsuit information by parcel.

## Delinquent Property Tax Lawsuits (cont'd)

- As shown in the following chart, when excluding all property without homestead exemptions, only **17.7%** of all parcels with lawsuits filed were below the average homestead amount of \$4,913 in taxes owed.

### Breakdown of Parcels with Lawsuits in FY03 & FY04

|  | FY03  | FY04  | Total        |
|--|-------|-------|--------------|
| Total Number of Parcels With Lawsuits:     | 4,880 | 2,698 | 7,578        |
| Real Property                              | 2,563 | 1,542 | 4,105        |
| % of Total Parcels With Lawsuits           | 52.5% | 57.2% | 54.2%        |
| Personal Property                          | 2,317 | 1,156 | 3,473        |
| % of Total Parcels With Lawsuits           | 47.5% | 42.8% | 45.8%        |
| Number of Homestead Parcels With Lawsuits: | 1,024 | 723   | 1,747        |
| Under \$4,913 in Taxes Owed                | 790   | 551   | 1,341        |
| % of Homestead Parcels With Lawsuits       | 77.1% | 76.2% | 76.8%        |
| % of Total Parcels With Lawsuits           | 16.2% | 20.4% | <b>17.7%</b> |

# Delinquent Property Tax Lawsuits

## (cont'd)

- The next chart shows total parcels sued in FY 2004 for Tax Year 2003. Travis County sued 2,698 (0.81%) of the total number of parcels billed in FY 2004 for Tax Year 2003. Of the 2,698 parcels sued, 723 (26.80%) of them were on homesteads. There were 36,335 parcels that were delinquent on February 1, 2004 and 2,829 (7.79%) were sued in FY 2004.

### Total Parcels in FY 2004 vs. Parcels With Lawsuits Filed in FY 2004 for Tax Year 2003

|  | FY 2004/TY 2003                    |
|--|------------------------------------|
|  | Number of Parcels<br>% Percentages |
| Total Parcels (Travis County)  | 334,706                            |
| Total Parcels with Lawsuits  | 2,698                              |
| Percentage of Total Parcels  | 0.81%                              |
| Non-Homestead Parcels w/Lawsuits   | 1,975                              |
| <b>Lawsuits on Non-Homestead Parcels as a<br/>Percentage of Total Parcels w/Lawsuits</b> | <b>73.20%</b>                      |
| Parcels w/Lawsuits (Homestead)   | 723                                |
| Lawsuits on Homestead Parcels as a<br>Percentage of Total Parcels w/Lawsuits             | 26.80%                             |
| Delinquent Parcels (All Jurisdictions)<br>at 2/1/04 for Tax Year 2003                    | 36,335                             |
| Lawsuits filed in FY04 for all Tax Years<br>(All Jurisdictions)                          | 2,829                              |
| Percentage of Delinquent Parcels Sued  | 7.79%                              |

## Delinquent Property Tax Lawsuits (cont'd)

- We found no evidence in the data to support one law firm's assertion that Travis County files lawsuits to fund its collection system. It is important to note that the Tax Assessor-Collector, not the County Attorney, makes decisions concerning the filing of delinquent property tax lawsuits. Travis County files lawsuits to force delinquent taxpayers to pay their taxes and to provide all jurisdictions with the best current and delinquent tax collection rate possible. Travis County will only file lawsuits on delinquent taxpayers who are unresponsive to their collection efforts. The number of lawsuits filed fluctuates from year to year based on the collection efforts required as shown in the following chart:

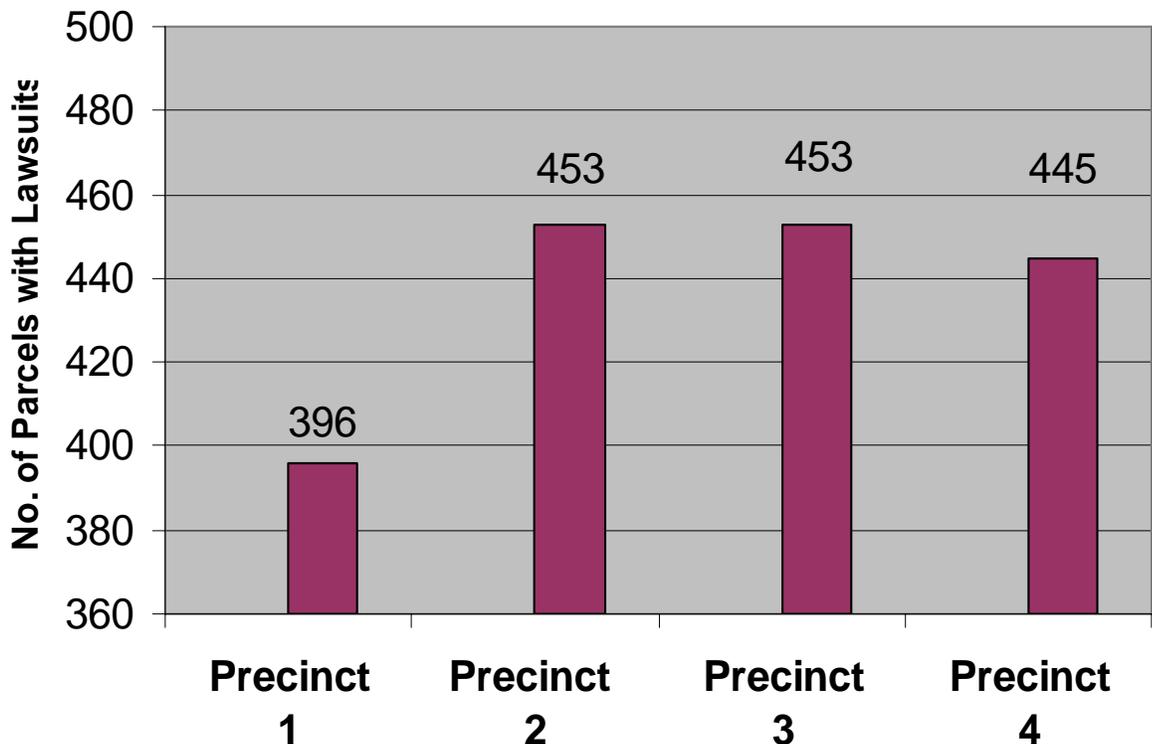
| <u>Fiscal Year</u> | <u>Lawsuits<br/>Filed</u> |
|--------------------|---------------------------|
| 2002               | 3,723                     |
| 2003               | 5,183                     |
| 2004               | 2,829                     |

# Delinquent Property Tax Lawsuits (cont'd)

## ➤ Is There Any Unfairness in the Filing of Delinquent Lawsuits?

Travis County, of course, has no control over which taxpayers do not pay their taxes and where those properties are geographically located in the County.

Travis County files about the same number of homestead lawsuits in each Travis County Precinct. This data was compiled using zip codes from a Tax Office query and matching them to a detailed map by precinct. The chart below shows parcels with homestead lawsuits filed by precinct in FY03 and FY04 combined.



# Delinquent Property Tax Lawsuits (cont'd)

- The following chart shows parcels with homestead exemptions by homestead value that have lawsuits filed on them. It also shows the number of these lawsuits that fit into each criterion for initiation of a lawsuit.

| Homestead Value | # of Homestead Parcels Sued in FY03 & FY04 | %       | Largest Balances Due for 1 Tax Yr | %      | Owed on Multiple Years * | %      | Poor Pymt History/NSF Ck | %      | Jurisdiction w/Poor Coll Rate | %     |
|-----------------|--|---------|-----------------------------------|--------|--------------------------|--------|--------------------------|--------|-------------------------------|-------|
| < \$100,000     | 649  | 37.15%  | 199                               | 30.66% | 257                      | 39.60% | 147                      | 22.65% | 46                            | 7.09% |
| > \$100,000     | 1098                                       | 62.85%  | 786                               | 71.58% | 256                      | 23.32% | 50                       | 4.55%  | 6                             | 0.55% |
| Totals          | 1,747                                      | 100.00% | 985                               | 56.38% | 513                      | 29.36% | 197                      | 11.28% | 52                            | 2.98% |

\* Averages 3.5 years

- In FY 2003 and FY 2004 combined, Travis County filed lawsuits on 7,578 parcels, of which 23.05% were on homestead parcels.

$$\frac{\text{Lawsuits Filed on Homestead Parcels}}{\text{Lawsuits Filed on Parcels}} = \frac{1,747}{7,578} = 23.05\%$$

# Delinquent Property Tax Lawsuits (cont'd)

- Also in FY 2003 and FY 2004, Travis County filed lawsuits on 649 homestead parcels valued under \$100,000.

$$\frac{\text{Lawsuits Filed on Homestead Parcels Valued } < \$100,000}{\text{Lawsuits Filed on Parcels}} = \frac{649}{7,578} = 8.56\%$$

- There are more of these parcels in Precincts 1 and 4. But evidence suggests that the only reason these parcels have had lawsuits filed on them is because they met the previously outlined criteria used to determine whether or not a lawsuit should be filed.
- There were 649 homestead parcels valued under \$100,000 that were sued in FY 2003 and FY 2004. Of these 649 homestead parcels:
  - 1) 199 (30.66%) were sued because they had a large balance due for one tax year. This simply means that the Tax Office had worked the amounts owed from highest to lowest to the point where the balances owed on these homesteads were at the top of the list.
  - 2) 257 (39.6%) were sued because they owed delinquent taxes on a parcel for multiple years. The average number of years for delinquency for these parcels is 3½ years.
  - 3) 147 (22.65%) were sued because they had a poor payment history and/or had written a check on insufficient funds. When a delinquent taxpayer breaks a payment agreement, the Tax Office still attempts to contact the taxpayer to negotiate a revised payment agreement. If the delinquent taxpayer does not respond, a lawsuit is initiated.
  - 4) 46 (7.09%) were sued because the parcel was in a jurisdiction with a low collection rate. Most of these parcels (approximately 76%) were sued because they were in the Del Valle ISD in Precinct Four in an effort to collect more property taxes for that school district.

## ➤ **Do Lawsuits Cost Delinquent Taxpayers More Overall?**

There were 1,425 homeowners that were not assessed a 15% attorney fee by Travis County that would have been if a law firm had been collecting their delinquent taxes in FY04.

Even with the number of lawsuits that Travis County files, it is still less expensive for delinquent taxpayers in general to have Travis County collect their taxes. The following chart analyzes homestead parcels only and shows how many parcels were still delinquent on July 1, 2004 for tax year 2003. There were 1,767 homestead parcels billed in Tax Year 2003 that were still delinquent on July 1, 2004 and did not have a payment plan. By March 31, 2005 (9 months later) Travis County had collected 74.1% of the base tax due for these delinquent parcels with only 342 lawsuits, assessing a 15% attorney fee totaling \$130,047. If the County had utilized an outside firm to collect delinquent taxes, all 1,767 parcels would have been assessed a 15% attorney fee, totaling \$472,226. This would have cost homeowners an additional \$342,179 in attorney fees or \$193.63 per parcel. These parcels had an average value of \$114,830, which is 42.0% less than the average homestead amount.

# Delinquent Property Tax Lawsuits (cont'd)

Real Property with Exemptions without Probable Pmt Plan on 6/30/04 with no suit on 6/30/04

| All Jurisdictions With Delinquent Tax Balances on 07/01/04 for TY03 only | Number of Parcels | Base Due July 1, 2004 | Tax & P&I Due on July 1, 2004 | Net Base Collected July 04 to March 05 | Base Tax Collection % | Atty Fees Coll 7/1/04-3/31/05 | Atty Fees Due on 3/31/05 | Average Appraisal per Parcel |
|--|-------------------|-----------------------|-------------------------------|--|-----------------------|-------------------------------|--------------------------|------------------------------|
| No lawsuit from 7/1/04 to 3/31/05  | 1,425             | 1,935,884             | 2,276,488                     | 1,396,121                              | 72.12%                | 0                             | 0                        | 113,895                      |
| Lawsuit from 7/1/04 to 9/30/04   | 342               | 738,907               | 871,687                       | 587,042                                | 79.45%                | 101,363                       | 28,684                   | 118,726                      |
| <b>Totals</b>  | <b>1.767</b>      | <b>2,674,791</b>      | <b>3,148,175</b>              | <b>1,983,163</b>                       | <b>74.14%</b>         | <b>101,363</b>                | <b>28,684</b>            | <b>114,830</b>               |
|  |                   | (a)                   | (b)                           | (c)                                    | (c/a)                 | (d)                           | (e)                      |                              |

15% Attorney Fee Charged:

|                  |            |           |
|------------------|------------|-----------|
| by outside firm  | \$472,226  | (b x 15%) |
| by Travis County | -\$130,047 | (d + e)   |
| Difference       | \$342,179  |           |

## Explanation and Summary Of Court Costs

- If a successful judgment is rendered against a delinquent taxpayer, as with any other Civil Court lawsuit, the delinquent taxpayer must pay court costs. The average amount of court costs paid by a delinquent taxpayer in FY2004 was \$250. Court costs can be minimized in a number of ways. First, court costs can be avoided completely if the delinquent taxpayer responds favorably to any one of three letters or phone calls from the Tax Office by either paying their delinquent taxes or simply by working out a payment plan. Second, if the delinquent amount is for personal property less than \$5,000, the Tax Office generally files the lawsuit in a Justice of the Peace Court. This results in a flat rate court cost of \$77. Finally, court costs are greatly reduced if the lawsuit is settled without forcing the County to sell the delinquent property to pay for the delinquent taxes owed. The average amount of court costs paid in FY2004 for cases which required a tax sale was \$497. The vast majority of cases are settled without a tax sale. The average amount of court costs paid in FY2004 for cases settled without a tax sale was \$225.

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## Use Of Independent School District (ISD) Data – Explanation and Summary

- We do not believe that comparing Independent School District (ISD) collection rates to county collection rates is really an “apples to apples” comparison. One reason for this is that ISDs typically cover only portions of a county’s jurisdiction. There are generally several school districts in one county and the collection rates between the ISDs in a county can vary significantly. This is certainly true in Travis County. For example in FY2004 the Travis County collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 98.77%. Some school districts that are at least partially located in Travis County have collection rates for the same period that are higher than Travis County and some school districts have collection rates for the same period that are lower.

| Entity (Collected By)            | Tax Year 2003<br>Collection Rate<br>as of 9/30/2004 |
|----------------------------------|---|
| Austin ISD (Travis County)       | 98.95%  |
| Lake Travis ISD (Travis County)  | 98.84%  |
| <b>Travis County</b>             | <b>98.77%</b>                                       |
| Pflugerville ISD (Travis County) | 98.62%  |
| Round Rock ISD (Linebarger)      | 98.62%  |
| Manor ISD (Travis County)        | 98.29%  |
| Del Valle ISD (Travis County)    | 97.06%  |
| Lago Vista ISD (Travis County)   | 94.36%  |

## Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

- The Round Rock ISD rate of 98.62% is the actual collection rate for the period when using an adjusted levy as of October 1 of the Tax Year. This is the same way **all** of Travis County's collection rates have been calculated and it is the calculation method requested in question five of the RFI. The Linebarger Firm originally submitted the collection rate for this period as 101% even though a collection rate greater than 100% is not possible using the calculation method outlined in the RFI.
- Linebarger also asserted that Round Rock ISD and Pflugerville ISD have “similar socio-economic foundations” and are therefore comparable. While it is true that the two school districts have similar collection rates (they are both 98.62% in FY2004), it would probably be a stretch to claim that they have “similar socio-economic foundations”. The Round Rock ISD is more than twice as large as the Pflugerville ISD (enrollment of 35,493 vs. enrollment of 16,544). The Pflugerville ISD also has more than 70% more economically disadvantaged students than the Round Rock ISD (34.9% economically disadvantaged students vs. 20.5% economically disadvantaged students). Given that the two districts have similar collection rates and **different** socio-economic foundations, it might be fairer to conclude that “socio-economic foundations” do not have much to do with property tax collection rates. This conclusion can be further supported by the fact that the Austin ISD is much larger than both ISDs (enrollment of 78,172), has a considerably higher percentage of economically disadvantaged students (55.6%), and has a higher collection rate than either Round Rock ISD or Pflugerville ISD.

## Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

- Another example of an ISD that has a higher collection rate than the County that it is contained within is Carroll ISD in Tarrant County. For example in FY2004 the Tarrant County collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 98.16%. Tarrant County is a Linebarger client. The FY2004 Carroll ISD collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 99.24%. Carroll ISD is a Perdue client. Because we do not believe that collection rates for Counties and collection rates for ISDs contained within those Counties are necessarily comparable, we would not use these numbers to conclude that the Perdue Firm has a better collection rate in Tarrant County than the Linebarger Firm.
- Because we do not believe that ISD collection rates are necessarily comparable to County collection rates, our analysis does not include a judgment of which law firm does a better job of delinquent tax collections based on the data submitted by the two firms. In general, the Perdue Firm comes out ahead of the Linebarger Firm in the analytical comparisons that we performed. It is important to note however that of the five entities that make up the data used from the Perdue submission, four of the entities are ISDs and only one entity is a County. All five of the Linebarger entities used in our analysis were Counties.

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# Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

## Socio-economic Data from TEA

| School District                                     | Total<br>Number<br>of<br>Students | Percentage of<br>Economically<br>Disadvantaged<br>Students | Tax Year 2003<br>Cumulative<br>Collection<br>Rate as of<br>9/30/2004 |
|---|-----------------------------------|--|--|
| Austin Independent School District                  | 78,172                            | 55.6%  | 98.95%   |
| Pflugerville Independent School District            | 16,544                            | 34.9%  | 98.62%   |
| Round Rock Independent School District - Linebarger | 35,493                            | 20.5%  | 98.62%   |
| <b>Travis County</b>                                |                                   |  | <b>98.77%</b>  |
| Carroll ISD - Perdue (Tarrant County)               | 7,265                             | 1.5%   | 99.24%   |
| <b>Tarrant County</b>                               |                                   |  | <b>98.16%</b>  |

Source: Socio-economic data taken from Texas Education Agency 2003-2004  
Academic Excellence Indicator System

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# Delinquent Tax Collection Analysis Background

July 2005



# BACKGROUND – PROPERTY TAXES

## ➤ **CURRENT PROCESS FOR COLLECTING PROPERTY TAXES**

- The major source of revenue for Texas counties as determined by the State Legislature is the property tax. The Travis Central Appraisal District appraises properties and the Commissioners' Court, within the restrictions set by law, sets the tax rate. The Tax Assessor-Collector collects the taxes.
- Travis County collects current and delinquent property taxes for the County and by contract for other local jurisdictions. The consolidation of billing and collection of taxes by the county for 80 plus jurisdictions was designed to be a convenience for the taxpayer, as well as a cost effective means to collect taxes. Other jurisdictions reimburse Travis County for its collection activities via a "parcel rate". The parcel rate is calculated by the Tax Assessor-Collector and is approved by the Commissioners' Court. Travis County enters into contractual arrangements with the other jurisdictions (interlocal agreements) defining the scope of services and parcel rate. The other jurisdictions and Travis County sign the interlocal agreements.

# BACKGROUND – PROPERTY TAXES

(cont'd)

- The elected Tax Assessor-Collector directs the tax collection activities. The Tax Assessor-Collector directs her staff to send out as many delinquent notices as she sees fit, make phone calls, and negotiate payment plans in an effort to collect all delinquent taxes. If the Tax Assessor-Collector determines at some point in the process that legal action needs to be taken, the Tax Assessor-Collector files a lawsuit and then turns it over to the County Attorney to obtain a judgment and collect the taxes owed the taxing jurisdictions.
- State statute sets penalties and interest rates when taxes are not paid by the due date of January 31. The penalty is automatically 6% beginning in February and increases 1% a month until July when it increases 2% to a 12% cap. The interest accrues at 1% per month beginning in February and continues to accrue until taxes are fully paid. These penalties and interest accrue to the taxing jurisdictions to which the taxes are owed.

# BACKGROUND – PROPERTY TAXES

(cont'd)

- When the Tax Assessor-Collector files a lawsuit, state statute allows the County Attorney's Office to collect attorneys' fees (enforcement fees) on litigation calculated as 15% of the amount of the total taxes due including accrued penalties and interest. As with any other civil judgment, the delinquent taxpayer must also pay court costs. Since the County compensates the County Attorney's staff, all attorney fees (enforcement fees) are deposited in the County Treasury. The County assumes the risk of recovering the costs of litigation. Court costs are assessed, collected, and disbursed by the District Clerk or JP in the same manner that all other government filed civil court cases are handled.
- In terms of public policy, both the Tax Assessor-Collector's Office and the County Attorney's Office have followed the premise that all property owners must follow the law and pay their taxes. The Tax Assessor-Collector assists taxpayers in working out a payment plan if possible. If such a plan is unfeasible or if the taxpayer simply refuses to pay, the Tax Assessor-Collector and the County Attorney, at the direction of the Tax Assessor-Collector, aggressively pursue collection.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ **ALTERNATIVE PROCESS–OUTSOURCING DELINQUENT TAX COLLECTIONS**

- State law allows governments to bifurcate the tax collection process and outsource delinquent tax collections to private law firms. The law firms can send letters, make phone calls and/or file lawsuits to collect taxes. Law firms can attach attorneys' fees (enforcement fees) up to 20% of the amount of the delinquent taxes including penalties and interest on all taxes paid after July 1 without filing a lawsuit. Because these delinquent collectors are privately employed, the private firms retain these fees as compensation for their services. The law firm operates as an agent for the tax assessing entities. If the law firms file successful lawsuits, court costs are assessed, collected, and disbursed by the District Clerk or JP in the same manner as all other civil court cases are handled.

# BACKGROUND – PROPERTY TAXES

(cont'd)

➤ **In summary the major differences in these two processes are:**

- 1) The purpose and timeframe for which attorney's fees can be assessed, and
- 2) The amount of the attorneys' fees that can be assessed
- 3) The entity that retains the attorneys' fees as revenue.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ ACCOUNTING FOR TAXES

- Taxes are for the most part due on January 31 and are delinquent as of February 1, with some exceptions. To be considered current and not subject to penalty and interest, the taxes must be mailed and postmarked no later than January 31, delivered to the tax office no later than January 31 or the next working day if January 31 falls on the weekend or a holiday, or paid by credit card no later than January 31.
- Many taxpayers pay prior to December 31 of the previous year, but there is also a large number that pay on or near the January 31 deadline.
- The Tax Assessor-Collector's Office deposits the taxes in its bank account and makes the appropriate accounting entries in the EZ Tax computer system. Because of the high volume and the fact that taxes mailed on January 31 don't arrive at the Tax Assessor-Collector's Office on January 31, some current taxes will be deposited and accounted for after January 31.
- The Tax Assessor-Collector's Office then disburses the taxes to the appropriate jurisdictions. The Treasurer deposits tax collections for Travis County in the County treasury and the Auditor's Office posts the tax revenue to the County's financial accounting system HTE.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ DEFINITION OF TERMS AND POLICY CLARIFICATION, ASSUMPTIONS, ETC

- In an effort to avoid confusion, an attempt has been made to define terms and various concepts and to use them consistently throughout the analysis.

### **Tax year vs. Fiscal year**

- The tax year is one year behind the fiscal year. For example, the appraised values are initially determined in January 2003, entity budgets are adopted by September 30, 2003 for FY 04, and taxes are due the following January 31, 2004. So “Tax Year 03” corresponds to “Fiscal Year 04.”

# BACKGROUND – PROPERTY TAXES

(cont'd)

## Period Costs/Period Revenues

- Delinquent taxes are collected not only in the fiscal year in which they are incurred but also they are generally worked on for several subsequent years. The delinquent staff in the County Attorney's Office, for instance, in FY 04 will be working not only on the delinquent accounts generated in FY 04 but also on those accounts generated in previous fiscal years that are still outstanding. Therefore, the costs of that staff would be treated as a period cost—they are paid for all work occurring in the *PERIOD* of October 1, 2003 through September 30, 2004.
- Revenues that are derived from multiple tax years but are collected in a single tax year will be considered period revenues. This is the same concept as period costs.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## **Costs/revenues attributed to a tax year**

- As opposed to period costs and period revenues, these costs and revenue are the result of a single tax year. An example would be all the revenue received in FY04 and FY05 derived from the Tax Year 03 (FY04) property tax levy.

## **Law Firms**

- All of the responding vendors were law firms. So in lieu of the terms “vendors” or “outside firms”, etc. the term “law firms” will be used to refer to the responders.

## **Attorney fees (enforcements fees)**

- The fees that law firms are allowed to assess when filing a lawsuit or when sending a letter after July 1 and the fees that counties are allowed to assess with regard to successful lawsuits are referred to as “attorney fees” to achieve consistency throughout the evaluation.

## **Adjusted Levy**

- The tax levy is not static. The Central Appraisal District makes adjustments throughout the tax year to the total levy, as disputes in values are resolved. The “adjusted levy” includes these adjustments.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ **PUBLIC POLICY ASSUMPTIONS**

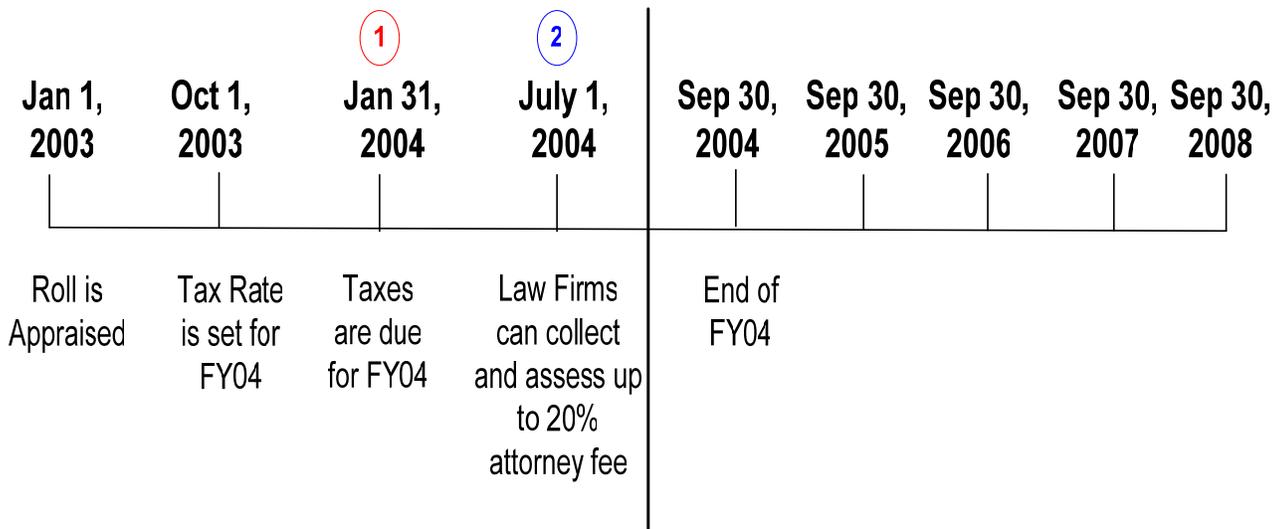
- Taxes are levied and assessed by law and it is the legal responsibility of all property owners to comply with those laws.
- The public policy goal is for all taxpayers to pay their taxes on time (by January 31).
- As a matter of public policy, compliance with the law is strictly enforced by aggressively pursuing all delinquent taxpayers.
- With regard to enforcing laws, public entities must be as cost effective as possible, but enforcement of laws is not driven by cost benefit analysis. Another way of describing this is that the profit motive is not a driver for enforcing laws.
- All of the jurisdictions for which Travis County collects taxes are treated in a fair and equitable manner.
- Reliable and timely cash flows are important especially for the smaller jurisdictions.
- The economy may impact delinquencies and collections.

# BACKGROUND – PROPERTY TAXES

(cont'd)

## TIMELINE

*Tax Year 2003 – Fiscal Year 2004*



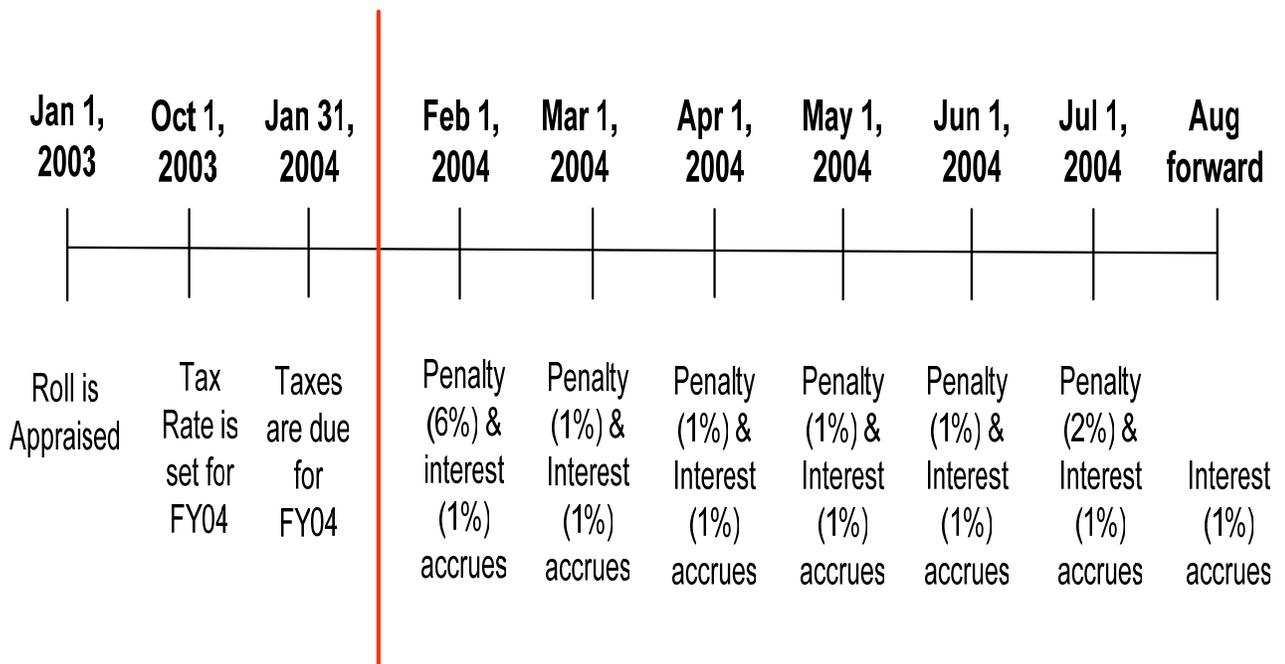
1. On Feb 1 penalty and interest accrues in amounts set by State law
2. Law Firms can begin collecting and charging an attorney fee of up to 20% of the amount of delinquent taxes plus penalty and interest or when they file a suit (*note: The RFI responders proposed 15%*)

# BACKGROUND – PROPERTY TAXES

(cont'd)

## PENALTY AND INTEREST

*Tax Year 2003 – Fiscal Year 2004*



# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ **PENALTY & INTEREST** *(as described on Travis County Tax Office's website)*

“You find yourself in a position where you owe delinquent taxes, be aware that penalties and interest increase **monthly**, up to 24% annually, and may exceed your base tax due. If the debt is not paid then you will have to pay for a lawsuit; this would cost a minimum of \$258 plus attorney's fees of 15% of the total amount due.

If you owe delinquent taxes, call the tax office today (512-854-9473). Calling today means you may save hundreds or even thousands of dollars in penalties, interest, and fees. The longer you wait, the more it will cost.

Payments on delinquent taxes may be made in monthly installments; however, **you must have a prior written agreement with the Tax Office to do so.** As required by law, interest accrues on the unpaid balance during the period of the agreement. If you know that you will not be able to pay all of your property taxes, it is advisable to pay all that you can before January 31st and contact the office to make payment arrangements.”

# BACKGROUND – PROPERTY TAXES

(cont'd)

## ➤ PARCEL RATE

The parcel rate is the amount that Travis County charges the other 80+ jurisdictions for collecting its current and delinquent taxes. The services provided to other jurisdictions are set forth in an interlocal agreement between each taxing entity and Travis County.

In FY04, Travis County collected \$1.16 billion for other jurisdictions in total, which includes current, delinquent, and penalty & interest, and charged \$935,268 for those services. Travis County included \$364,787 to pay for legal services rendered by Travis County in the collection of delinquent taxes. The total parcel rate for FY04 was 0.08%, in other words eight hundreds of one percent.

### Summary

Collected for other jurisdictions                      \$ 1.16 billion

Parcel Rate collected in FY04                      \$    935,268

$\$935,268 / \$1.16 \text{ billion} = .0008 \text{ or } .08\%$



# Delinquent Tax Collection Analysis

July 2005



# Background & Assumptions Regarding Our Analysis

## ➤ Data Used In Analysis

- This analysis is very dependent on data requested in Question No. 5 of the Request for Information (RFI), which reads as follows:

Question No. 5: Provide collection data for each of the six largest entities for which you have a delinquent tax collection agreement governed by Texas Tax Code Section 6.30. Show the average collection rate for all six of these same clients. Travis County will use this average to compare against its current collection efforts. This data from your firm should show a collection history for the tax years 1999, 2000, 2001, 2002, and 2003 in dollars. The collection periods should be October 1 to April 30, October 1 to June 30, October 1 to September 30 for each year for the last five years.

# Background & Assumptions Regarding Our Analysis

(cont'd)

The data shall be in an Excel Spreadsheet similar in format to the reports distributed with this RFI and include:

- a) Original base tax levy for each year
- b) Adjustments by the Appraisal District
- c) Base tax collections
- d) Reversals to base tax
- e) Ending base tax balance
- f) Uncollectibles if removed from the collection numbers
- g) Amount of attorney's fees collected
- h) Amount of attorney's fees remitted to the counties
- i) Total number of parcels
  - i. Total on the roll
  - ii. Total delinquent

# Background & Assumptions Regarding Our Analysis

(cont'd)

## ➤ Data from Law Firms

- The data submitted by the law firms was assumed to be accurate. The Committee had no way to verify the raw data from the law firms' files. Conclusions that appeared questionable were examined. All communication between the Committee and the law firms were submitted in writing and communicated to the law firms by the Travis County Purchasing Office.
- For the purpose of our analysis, only two of the four Law Firms that responded to the RFI submitted enough information in response to question five of the RFI to perform a meaningful analysis. Therefore, our analysis looks at comparing Travis County's delinquent tax collection efforts against data submitted by the law firms Perdue Brandon Fielder Collins & Mott ("Perdue"), LLP and Linebarger Goggan Blair & Sampson, LLP ("Linebarger").

# Background & Assumptions Regarding Our Analysis

(cont'd)

- The Perdue firm submitted data in response to question five of the RFI for five Independent School Districts and one County. Perdue did not provide five years of data for any of the six submitted entities as requested in the RFI (Tax Year 1999 was not available). In addition, the Perdue firm was unable to provide Tax Year 2000 data for the Burleson ISD. Because of this, we did not include the Burleson ISD in any of our analysis of Perdue and we did not include the Perdue firm in any of the five year analysis we performed.
- The Linebarger firm submitted data in response to question five of the RFI for six counties. Linebarger was unable to provide data for its largest county (Harris) and supplied a letter from the Harris County Tax Assessor to that effect. The Linebarger firm did provide five years of data for all of the six submitted entities as requested in the RFI.
- Our analysis does not include comparisons to the law firms of McCreary Veselka Bragg & Allen, PC (“McCreary”) or Lam, Lyn, Robinson & Philip, PC (“Lam”).

# Background & Assumptions Regarding Our Analysis

(cont'd)

- The McCreary firm submitted data for six counties. However, the data was not complete for any of the six counties submitted. In addition, the annual collection rates submitted for the six counties ranged from 100.55% to 104.27%. This indicates that collection rates were not calculated using the data required in question five of the RFI, as it is not possible to have an annual collection rate that exceeds 100% using that method. After checking with the McCreary firm to make sure that the requested data was not available, we eliminated the McCreary firm from our analysis.
- The Lam firm really did not submit any data that was requested in question five of the RFI. After checking with the Lam firm to make sure that the requested data was not available, we eliminated the Lam firm from our analysis.

# Background & Assumptions Regarding Our Analysis

(cont'd)

## ➤ Data from Travis County

- The Tax Assessor-Collector's Office and the Office of the County Attorney provided the in-house data for Travis County's tax collections. The revenue data was examined by the County Auditor's Office and the expenditure data was examined by the County Planning and Budget Office to provide assurance that the in-house data was reliable and independent. Both the Tax Assessor-Collector's Office and the Office of the County Attorney cooperated fully with the Committee and allowed full access to records and personnel. Data was gathered from the EZ Tax system and tied to the information in the County's (i.e. H.T.E.) financial system.

# Background & Assumptions Regarding Our Analysis

(cont'd)

## ➤ Basic Foundation of Our Analysis

- We used the data provided by the two law firms and the data from Travis County to answer the following three basic economic questions:
  1. If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, is it likely that additional property taxes would be collected?
  2. If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings for delinquent taxpayers?
  3. If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings to all Travis County taxpayers (i.e. would it increase Travis County's net revenues)?

# Background & Assumptions Regarding Our Analysis

(cont'd)

## ➤ Call Center

- One law firm submitted a proposal for relocating their call center to Austin. Also, one law firm currently has their call center located in Austin. We did not factor call center locations into our analysis, as there was no evidence that it impacted the collection rates and net revenues due to tax collections. We felt that if the issue of call center location was to be analyzed, it would be a separate issue for the Commissioners' Court.

## ➤ Other Analysis

- One proposal presented numerous assertions, some of which we felt were significant enough to warrant separate analysis. These include:
  - Lawsuits
  - Court Costs
  - Use of Independent School District Data

## QUESTION NO. 1

**Question:** If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, is it likely that additional property taxes would be collected?

**Answer:** No. Using average cumulative collection rates, Perdue and Linebarger would be approximately \$3.1 million and \$3.2 million, respectively, behind Travis County's collection efforts after one year. After four years, Perdue and Linebarger would have caught up to the point where they are approximately \$1.1 million and \$1.2 million, respectively, behind Travis County in the collection of Tax Year 2003 property taxes. This is because Travis County has the highest cumulative collection rate after each year for all four years.

# Explanation and Summary of Exhibits A through H

## ➤ Purpose

- The purpose of Exhibits A through H is to examine various collection rates to determine whether it is likely that additional delinquent property taxes could be collected if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year.

# Explanation and Summary of Exhibits A – H

(cont'd)

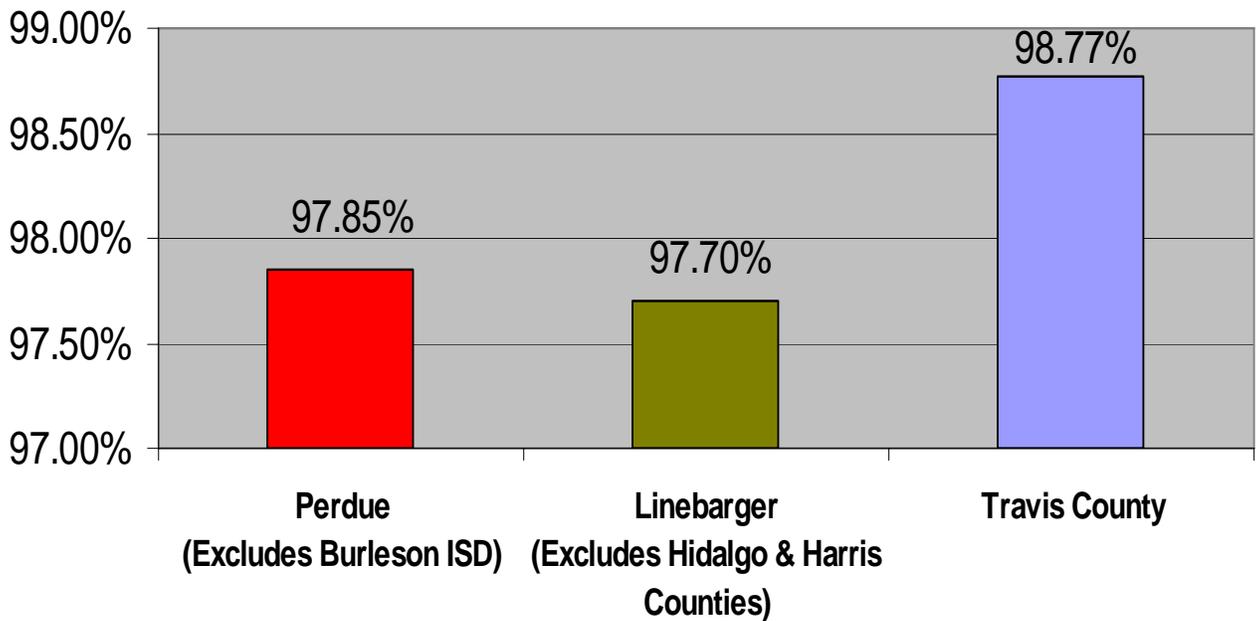
## ➤ Analysis of Question No. 1

- We analyzed collections for Tax Year 2003 (FY2004) because that was the most recent year with complete data. In addition FY2004 represented the efforts of the current County Attorney.
- We analyzed collections attributed to Tax Year 1999 (FY2000) because most collections for a tax year take place over a five-year period. For example, Travis County has collected 99.75% of the adjusted Tax Year 1999 levy after five years. We also analyzed a four-year period because that is the data period that the Perdue firm provided.
- We analyzed the collections for each law firm's top five entities and determined an average. If there was an outlier (an entity which would clearly skew the data negatively for the law firm), we did not include the outlier in our analysis.

# Exhibit A – Annual Collection Rates For Tax Year 2003

## Year 2003

**Average Annual Collection Rate  
of 5 Largest Entities for  
Tax Year 2003 (FY04) as of 9/30/04**



# Exhibit A – Annual Collection Rates For Tax Year 2003 (cont'd)

- This exhibit shows the collection rates for FY04 for Tax Year 2003 only.
- The numbers were calculated as follows:
  - Travis County's actual collection rate for FY04 was **98.77%** as of 9/30/04.
  - The Perdue average rate was calculated from the following actual data provided by Perdue for FY04:

|                |               |
|----------------|---------------|
| Arlington ISD  | 98.49%        |
| Carroll ISD    | 99.24%        |
| Mansfield ISD  | 97.66%        |
| Cleburne ISD   | 97.76%        |
| Johnson County | <u>96.08%</u> |
| <b>Average</b> | <b>97.85%</b> |

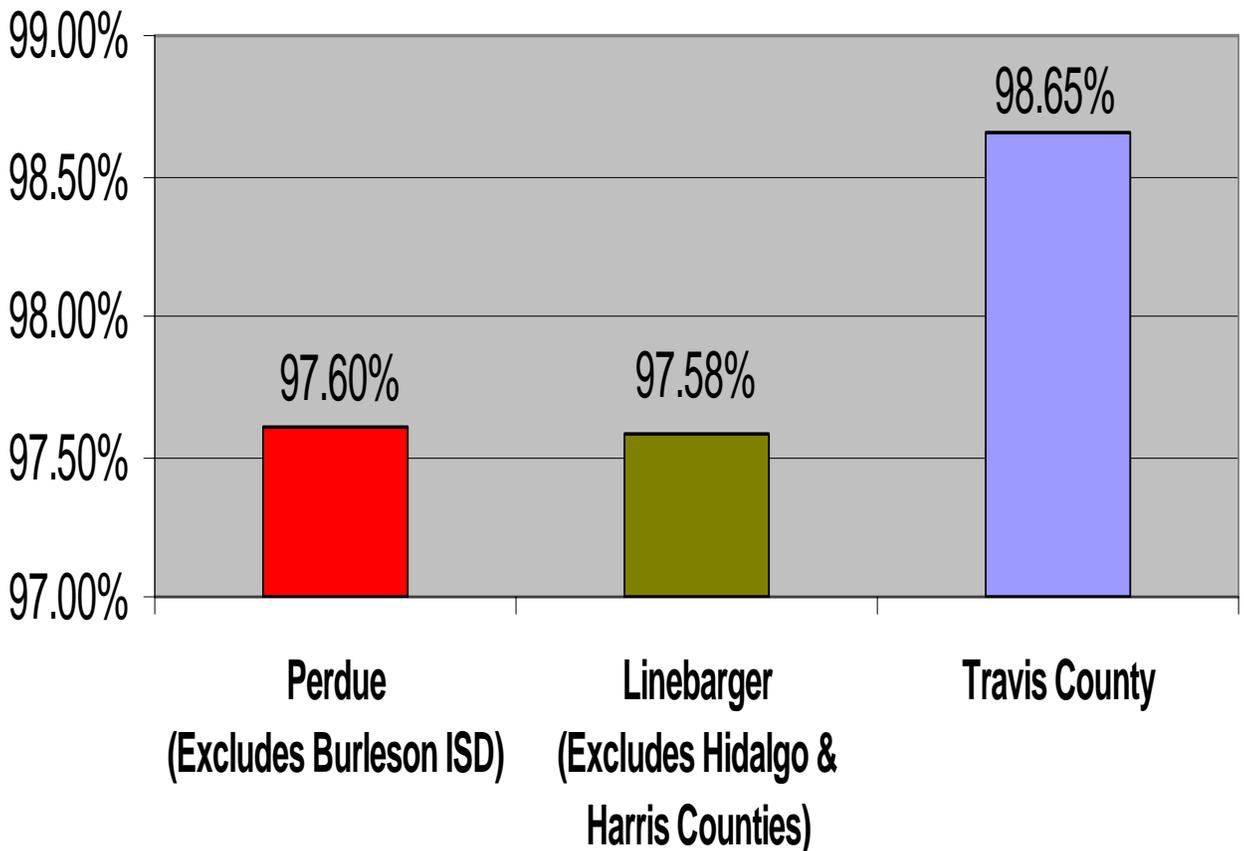
# Exhibit A – Annual Collection Rates For Tax Year 2003 (cont'd)

- The Linebarger average rate was calculated from the following actual data provided by Linebarger for FY04:

|                |               |
|----------------|---------------|
| Bexar County   | 97.83%        |
| Dallas County  | 98.01%        |
| El Paso County | 96.75%        |
| Nueces County  | 97.76%        |
| Tarrant County | <u>98.16%</u> |
| <b>Average</b> | <b>97.70%</b> |

# Exhibit B – Annual Collection Rate for Each Tax Year Averaged Over Four Years

## Average Annual Collection Rate for 5 Largest Entities for Tax Years 2000-2003 as of Sept. 30



# Exhibit B – Annual Collection Rate for Each Tax Year Averaged Over Four Years

(cont'd)

- This is the average that was collected over the following periods for the following tax years:

Tax Year 2000: 10/01/2000 through 9/30/2001  
(FY01)

Tax Year 2001: 10/01/2001 through 9/30/2002  
(FY02)

Tax Year 2002: 10/01/2002 through 9/30/2003  
(FY03)

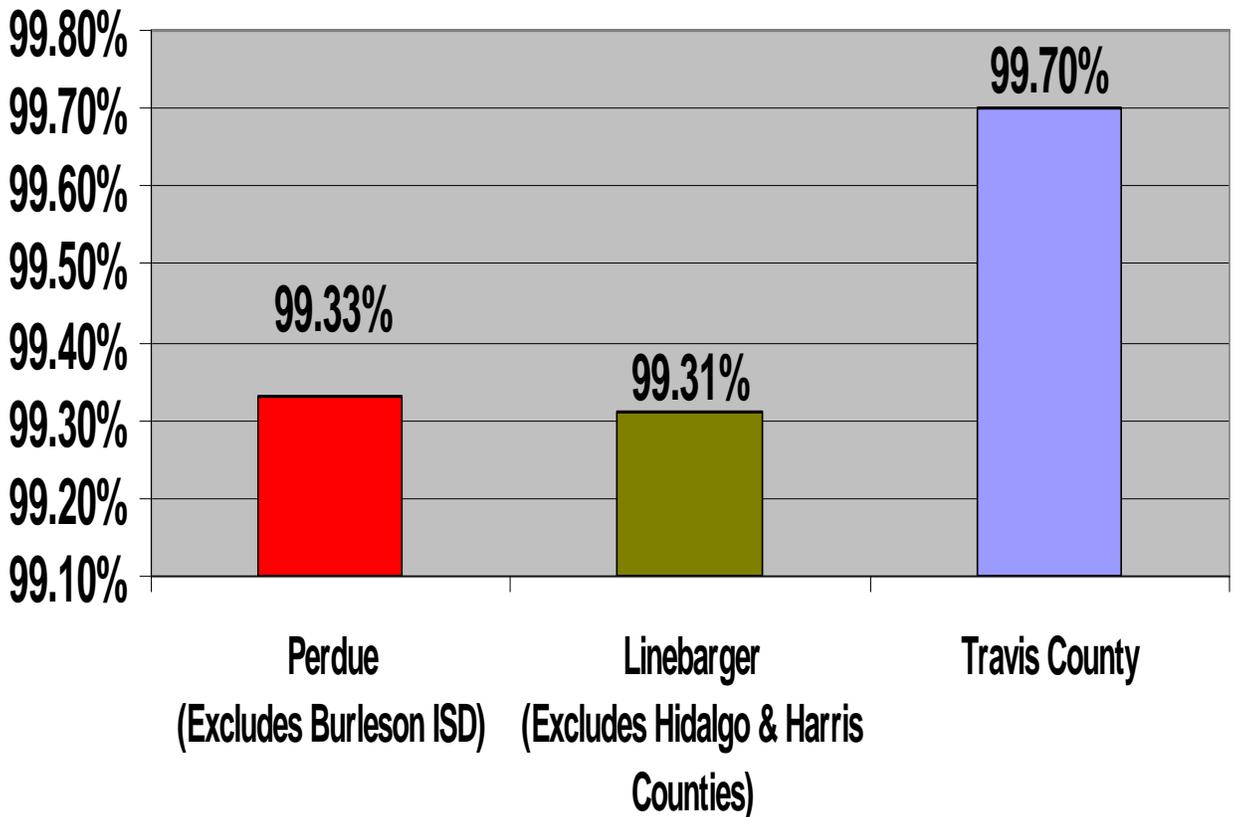
Tax Year 2003: 10/01/2003 through 9/30/2004  
(FY04)

- The numbers were calculated as follows:
  - The Travis County average was calculated from the following actual data for the periods:

| <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>Average</u> |
|-------------|-------------|-------------|-------------|----------------|
| 98.73%      | 98.53%      | 98.56%      | 98.77%      | <b>98.65%</b>  |

# Exhibit C – Collection Rate for Tax Year 2000 after 4 Years

**Average Cumulative Collection Rate  
of 5 Largest Entities  
for Tax Year 2000  
After 4 Years  
(Collections from 10/01/00 - 9/30/04)**



# Exhibit C – Collection Rate for Tax Year 2000 after 4 Years (cont'd)

- This is the amount that was collected for Tax Year 2000 for the period 10/01/2000 through 9/30/2004. Tax Year 2000 was chosen for this analysis because it is the most recent Tax Year for which four years of collection data are available. The comparison of this collection rate gives more weight to the collection efforts of the Law Firms because it shows what they were able to do over a longer period of collection efforts for a given Tax Year. At the end of this collection period the Law Firm's have had 3 years and 3 months to collect delinquent taxes and the collection rate shows what has been cumulatively collected for the entire 4-year period.

# Exhibit D – Delinquent Collection Rate Calculation

## Example:

|                              |                         |
|------------------------------|-------------------------|
| Original Outstanding Amount: | \$1,000                 |
| Previously Collected         | \$600                   |
| New Collections              | \$100                   |
| Amount Possible to Collect   | \$400 (\$1,000 - \$600) |

---

### 1. Collection rate calculation used by Linebarger when analyzing partial efforts:

$$\frac{\text{New Collections}}{\text{Original Outstanding Amt}} = \frac{100}{1,000} = 10\%$$

This calculation does not take into account what has already been collected (i.e. \$600 previously collected), and is more appropriate when comparing cumulative efforts.

For example the cumulative collection rate is:

$$\frac{\text{Total Collected}}{\text{Original Outstanding Amt}} = \frac{\$600 + \$100}{\$1,000} = 70\%$$

### 2. More realistic calculation of collection rate when comparing partial efforts:

$$\frac{\text{New Collections}}{\text{Amount Possible to Collect}} = \frac{\$100}{\$1,000 - \$600} = 25\%$$

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

### 3. Comparative example that shows why Linebarger delinquent calculation is misleading:

| Group A:                             | Group B:                             |
|--------------------------------------|--------------------------------------|
| Original Outstanding Amount: \$1,000 | Original Outstanding Amount: \$1,000 |
| Previously Collected: \$800          | Previously Collected: \$950          |
| New Collections: \$100               | New Collections: \$45                |
| Amount Possible to Collect: \$200 ** | Amount Possible to Collect: \$50 **  |
| ** (\$1,000 - \$800)                 | ** (\$1,000 - \$950)                 |

### Linebarger collection rate:

|  | Group A                      | Group B:                     |
|--|------------------------------|------------------------------|
| $\frac{\text{New Collections}}{\text{Original Outstanding Amt}}$ | $= \frac{100}{1,000} = 10\%$ | $= \frac{45}{1,000} = 4.5\%$ |

*Linebarger would say that Group A did 120% better than Group B.*

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

| <u>Group A:</u>                      | <u>Group B:</u>                      |
|--------------------------------------|--------------------------------------|
| Original Outstanding Amount: \$1,000 | Original Outstanding Amount: \$1,000 |
| Previously Collected: \$800          | Previously Collected: \$950          |
| New Collections: \$100               | New Collections: \$45                |
| Amount Possible to Collect: \$200 ** | Amount Possible to Collect: \$50 **  |
| ** (\$1,000 - \$800)                 | ** (\$1,000 - \$950)                 |

### Accurate collection rate:

|  | <u>Group A</u>           |  | <u>Group B:</u>        |
|--|--------------------------|--|------------------------|
| $\frac{\text{New Collections}}{\text{Amount Possible to Collect}}$ | $\frac{100}{200} = 50\%$ |  | $\frac{45}{50} = 90\%$ |

***The more accurate calculation rate shows that Group B did 80% better than Group A.***

Linebarger's calculation is appropriate when comparing cumulative efforts. For example:

|  | <u>Group A</u>                         |  | <u>Group B:</u>                         |
|--|--|--|---|
| $\frac{\text{Total Collected}}{\text{Original Outstanding Amt}}$ | $\frac{\$800 + \$100}{\$1,000} = 90\%$ |  | $\frac{\$950 + \$45}{\$1,000} = 99.5\%$ |

***On a cumulative basis Group B has collected 9.5% more than Group A***

# Exhibit D – Delinquent Collection Rate Calculation (cont'd)

| Fiscal Year<br>Tax Year | 1999           |                 |                  | 2000           |   |                  | 2001           |                 |                  | 2002           |                 |                  | 2003           |                 |                  |
|-------------------------|----------------|-----------------|------------------|----------------|---|------------------|----------------|-----------------|------------------|----------------|-----------------|------------------|----------------|-----------------|------------------|
|                         | Oct 1 - Jan 31 | Feb 1 - June 30 | July 1 - Sept 30 | Oct 1 - Jan 31 | Feb 1 - June 30   | July 1 - Sept 30 | Oct 1 - Jan 31 | Feb 1 - June 30 | July 1 - Sept 30 | Oct 1 - Jan 31 | Feb 1 - June 30 | July 1 - Sept 30 | Oct 1 - Jan 31 | Feb 1 - June 30 | July 1 - Sept 30 |
| 1999                    | Bexar          | 79.78%          | 15.21%           |                |   |                  |                |                 | 4.53%            |                |                 |                  |                |                 |                  |
|                         | Dallas         | 57.00%          | 40.56%           |                |   |                  |                |                 | 1.98%            |                |                 |                  |                |                 |                  |
|                         | El Paso        | 68.96%          | 27.33%           |                |   |                  |                |                 | 2.94%            |                |                 |                  |                |                 |                  |
|                         | Hidalgo        | 74.96%          | 11.12%           |                |   |                  |                |                 | 11.44%           |                |                 |                  |                |                 |                  |
|                         | Nueces         | 72.94%          | 23.42%           |                |   |                  |                |                 | 3.14%            |                |                 |                  |                |                 |                  |
|                         | Tarrant        | 76.72%          | 19.76%           |                |   |                  |                |                 | 3.10%            |                |                 |                  |                |                 |                  |
|                         | <b>AVG</b>     | <b>71.73%</b>   | <b>22.90%</b>    |                |   |                  |                |                 | <b>4.52%</b>     |                |                 |                  |                |                 |                  |
|                         | <b>Travis</b>  | <b>78.68%</b>   | <b>19.89%</b>    |                |   |                  |                |                 | <b>1.18%</b>     |                |                 |                  |                |                 |                  |
| 2000                    | Bexar          |                 |                  | 79.42%         | 15.01%  |                  |                |                 |                  |                | 5.00%           |                  |                |                 |                  |
|                         | Dallas         |                 |                  | 61.88%         | 35.42%  |                  |                |                 |                  |                | 2.02%           |                  |                |                 |                  |
|                         | El Paso        |                 |                  | 68.00%         | 27.74%  |                  |                |                 |                  |                | 3.24%           |                  |                |                 |                  |
|                         | Hidalgo        |                 |                  | 75.02%         | 11.89%  |                  |                |                 |                  |                | 9.63%           |                  |                |                 |                  |
|                         | Nueces         |                 |                  | 66.22%         | 30.18%  |                  |                |                 |                  |                | 2.99%           |                  |                |                 |                  |
|                         | Tarrant        |                 |                  | 74.13%         | 21.39%  |                  |                |                 |                  |                | 3.91%           |                  |                |                 |                  |
|                         | <b>AVG</b>     |                 |                  | <b>70.78%</b>  | <b>23.61%</b>   |                  |                |                 |                  |                | <b>4.47%</b>    |                  |                |                 |                  |
|                         | <b>Travis</b>  |                 |                  | <b>80.13%</b>  | <b>18.17%</b>   |                  |                |                 |                  |                | <b>1.40%</b>    |                  |                |                 |                  |
| 2001                    | Bexar          |                 |                  |                |   |                  | 79.82%         | 15.20%          |                  |                |                 |                  | 4.30%          |                 |                  |
|                         | Dallas         |                 |                  |                |   |                  | 70.37%         | 26.55%          |                  |                |                 |                  | 2.30%          |                 |                  |
|                         | El Paso        |                 |                  |                |   |                  | 70.00%         | 25.78%          |                  |                |                 |                  | 2.91%          |                 |                  |
|                         | Hidalgo        |                 |                  |                |   |                  | 75.02%         | 12.54%          |                  |                |                 |                  | 8.24%          |                 |                  |
|                         | Nueces         |                 |                  |                |   |                  | 73.78%         | 22.84%          |                  |                |                 |                  | 2.64%          |                 |                  |
|                         | Tarrant        |                 |                  |                |   |                  | 75.10%         | 20.47%          |                  |                |                 |                  | 3.59%          |                 |                  |
|                         | <b>AVG</b>     |                 |                  |                |   |                  | <b>74.02%</b>  | <b>20.56%</b>   |                  |                |                 |                  | <b>4.00%</b>   |                 |                  |
|                         | <b>Travis</b>  |                 |                  |                |   |                  | <b>77.66%</b>  | <b>20.27%</b>   |                  |                |                 |                  | <b>1.56%</b>   |                 |                  |
| 2002                    | Bexar          |                 |                  |                |   |                  |                |                 | 81.01%           | 13.10%         |                 |                  |                | 3.54%           |                  |
|                         | Dallas         |                 |                  |                |   |                  |                |                 | 77.20%           | 19.47%         |                 |                  |                | 2.10%           |                  |
|                         | El Paso        |                 |                  |                |   |                  |                |                 | 71.13%           | 24.40%         |                 |                  |                | 2.58%           |                  |
|                         | Hidalgo        |                 |                  |                |   |                  |                |                 | 77.24%           | 11.58%         |                 |                  |                | 5.62%           |                  |
|                         | Nueces         |                 |                  |                |   |                  |                |                 | 72.17%           | 24.43%         |                 |                  |                | 2.22%           |                  |
|                         | Tarrant        |                 |                  |                |   |                  |                |                 | 76.45%           | 19.73%         |                 |                  |                | 2.85%           |                  |
|                         | <b>AVG</b>     |                 |                  |                |   |                  |                |                 | <b>75.87%</b>    | <b>18.79%</b>  |                 |                  |                | <b>3.15%</b>    |                  |
|                         | <b>Travis</b>  |                 |                  |                |   |                  |                |                 | <b>79.92%</b>    | <b>18.03%</b>  |                 |                  |                | <b>1.41%</b>    |                  |
| 2003                    | Bexar          |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 74.85%         | 19.44%          | 3.54%            |
|                         | Dallas         |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 83.80%         | 13.32%          | 0.89%            |
|                         | El Paso        |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 69.87%         | 25.68%          | 1.20%            |
|                         | Hidalgo        |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 76.74%         | 12.24%          | 2.42%            |
|                         | Nueces         |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 64.61%         | 32.12%          | 1.30%            |
|                         | Tarrant        |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | 76.28%         | 19.47%          | 2.41%            |
|                         | <b>AVG</b>     |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | <b>74.36%</b>  | <b>20.38%</b>   | <b>1.96%</b>     |
|                         | <b>Travis</b>  |                 |                  |                |   |                  |                |                 |                  |                |                 |                  | <b>81.22%</b>  | <b>16.95%</b>   | <b>0.60%</b>     |
|                         |                | Oct - Jan       | LG Avg           | 73.35%         | <b>Linebarger Analysis Adjusted (i.e. corrected Travis County numbers that were used in their proposal):</b>                    |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Oct - Jan       | Travis Avg       | 79.52%         | Travis County collects 6.17% more current taxes than the average of the 6 Linebarger clients.                                   |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Feb - June      | LG Avg           | 21.25%         | The average of the 6 Linebarger clients collect 2.65% more current delinquent taxes than Travis County in this period.          |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Feb - June      | Travis Avg       | 18.66%         | Linebarger misleadingly represents this as their clients collect 14.25% more of the delinquent taxes in this period.            |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Jul - Sep 2004  | LG Avg           | 3.62%          | The average of the 6 Linebarger clients collect 2.39% more delinquent taxes than Travis County in this period.                  |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Jul - Sep 2004  | Travis Avg       | 1.23%          | Linebarger misleadingly represents that their delinquent collection rate is 194.31% higher than Travis County's in this period. |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Oct - Sep 2004  | LG Avg           | 98.22%         | Travis County Collects 1.13% more current and delinquent taxes than the average of the 6 Linebarger clients for this period.    |                  |                |                 |                  |                |                 |                  |                |                 |                  |
|                         |                | Oct - Sep 2004  | Travis Avg       | 99.41%         | 1.13% equals approximately \$3.3 million on Travis County's FY2004 Year End Adjusted Tax Levy.                                  |                  |                |                 |                  |                |                 |                  |                |                 |                  |

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

- The first three pages of Exhibit D demonstrate why it is misleading to use a cumulative collection rate calculation method when analyzing only a portion of a collection period. The distinction is important to understand because the Linebarger Law Firm uses this methodology to calculate their delinquent collection rates in their proposal.
- The chart on the previous page of this exhibit restates the analysis performed by the Linebarger Law Firm on Pages 125-128 and page 131 of the resubmitted Linebarger Proposal. The restatement follows the exact same analysis the Linebarger Firm used except that Travis County actual data was used to calculate Travis County's collection rates. The Travis County numbers that Linebarger used on page 125 of the resubmitted Linebarger Proposal were slightly inaccurate. We reviewed all Travis County data that was provided by the Tax Office and corrected any data errors that we found in the Linebarger Proposal.

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

- The analysis looks at three periods of time. The first is October 1 to January 31 of each Tax Year. This is the collection of current taxes by the respective Tax Offices for each Tax Year. The second period is February 1 through June 30 of each Tax Year. This is the collection of current Tax Year delinquent taxes by the respective Tax Offices for each Tax Year. The third period is July 1 of each Tax Year through September 30, 2004. This is the collection of current Tax Year delinquent taxes by the Linebarger Law Firm for each Tax Year from July 1 of that Tax Year through September 30, 2004. The restated Linebarger analysis shows that the average of the six Linebarger clients collect 2.65% more current delinquent taxes than Travis County during the period of February 1 through June 30 of each Tax Year. The analysis also shows that Linebarger collects 2.39% more delinquent taxes than Travis County during the period of July 1 through September 30, 2004.

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

- Linebarger uses this analysis to assert that on average their six clients collect 14.25% (21.25% is 14.25% more than 18.60%) more of the delinquent taxes during the February 1 through June 30 time period. More importantly, Linebarger also uses this analysis to assert that on average they have a 194.31% (3.62% is 194.31% more than 1.23%) higher collection rate for their six clients for the period of July 1 through September 30, 2004. While these statements are technically true, they are also very misleading because they do not take into account what was possible for the Linebarger firm to collect and what was possible for Travis County to collect. For example, it would not be possible for Travis County to collect the 3.62% that the six Linebarger clients averaged in the period from July 1 through September 30, 2004 because Travis County only has 1.88% of the adjusted tax levy left to collect at that point in time.

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

- Therefore, in order for Travis County to match the Linebarger Collection Rate of 3.62% in this period, Travis County would have to do significantly worse than it is currently doing in its collection efforts in the other two collection periods. In other words, Linebarger is able to collect more delinquent taxes for the average of its six clients because Linebarger's clients have a larger amount of taxes outstanding at the beginning of the period analyzed. The Linebarger analysis also ignores the fact that a comparison of the cumulative collection rates for the period they analyzed shows that Travis County collected 1.13% more (99.35% vs. 98.22%) current and delinquent taxes than the average of the six Linebarger clients.

# Exhibit D – Delinquent Collection Rate Calculation

(cont'd)

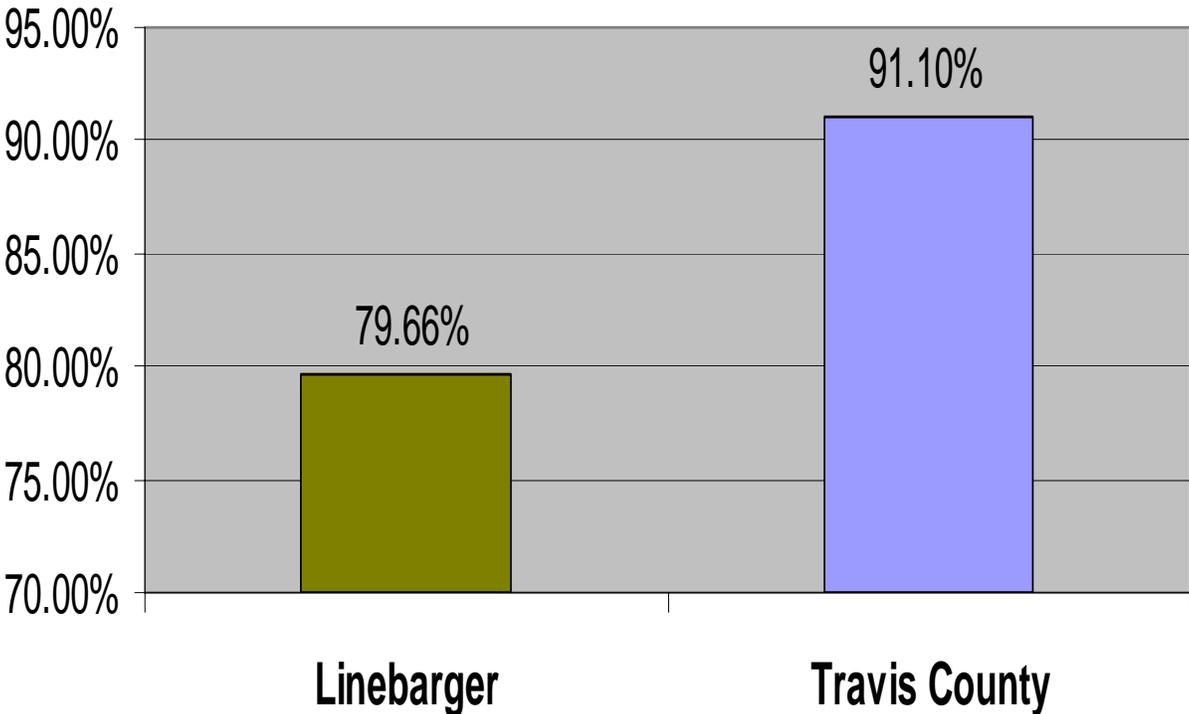
- In terms of Travis County's FY2004 year-end adjusted Tax Levy, 1.13% equals approximately \$3.3 million. In order to compare the collection rates of the Linebarger clients to the Travis County collection rates, the partial efforts collection rate described on the third page of Exhibit D should be used.
- That collection rate is calculated as:

$$\frac{\text{Amount Collected in Period}}{\text{Amount Possible to Collect}}$$

- Exhibits E & F show collection rates when using the above calculation for comparing partial periods.

# Exhibit E – Collection Rate Comparison for Feb 1-June 30 for Tax Years 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect

**Average Delinquent Collection Rate  
for Feb 1-Jun 30  
for Tax Years 1999-2003  
for 6 Largest Entities**



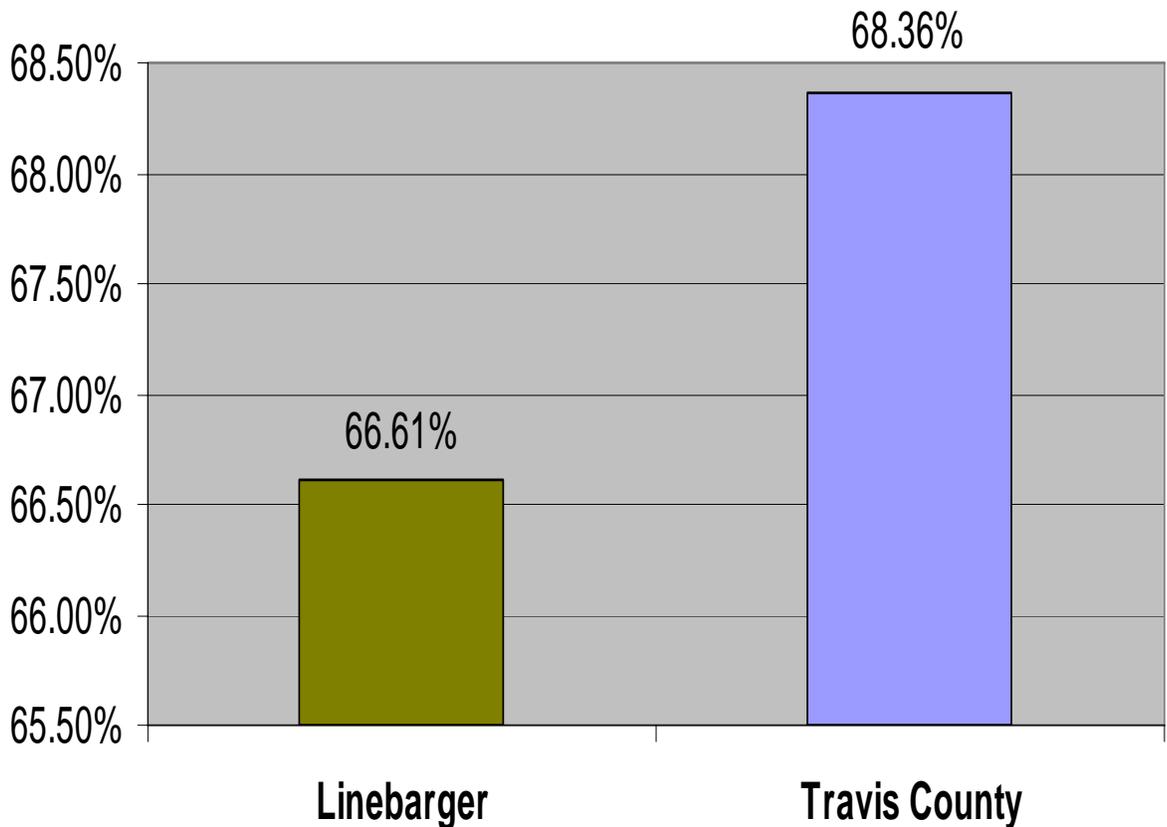
This chart uses the following calculation:  
$$\frac{\text{Amount Collected in Period}}{\text{Amount Possible to Collect}}$$

# Exhibit E – Collection Rate Comparison for Feb 1-June 30 for Tax Years 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect (cont'd)

- This exhibit shows that Travis County is significantly better than the average of the six Linebarger clients at collecting current year delinquent taxes during the period from February 1 through June 30 for the five most recent tax years. When calculating the collection rate as the current year delinquent taxes collected from February 1 through June 30 as a percentage of the amount of current year delinquent taxes that were possible to collect during the period, Travis County averaged a collection rate of 91.10% compared to a collection rate of 79.66% for the average of the six Linebarger client for the five most recent tax years.
- The source of the data for this exhibit came from two places. The Travis County data came from the Tax Office and the data was verified by the Auditor's Office. The Linebarger data came from page 125 of the resubmitted Linebarger Proposal.

# Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect

## Average Delinquent Collection Rate for Jul 1, 2000-Sept 30, 2004 for Tax Years 1999-2003 for 6 Largest Entities



This chart uses the following calculation:

$$\frac{\text{Amount Collected in Period}}{\text{Amount Possible to Collect}}$$

## Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect (cont'd)

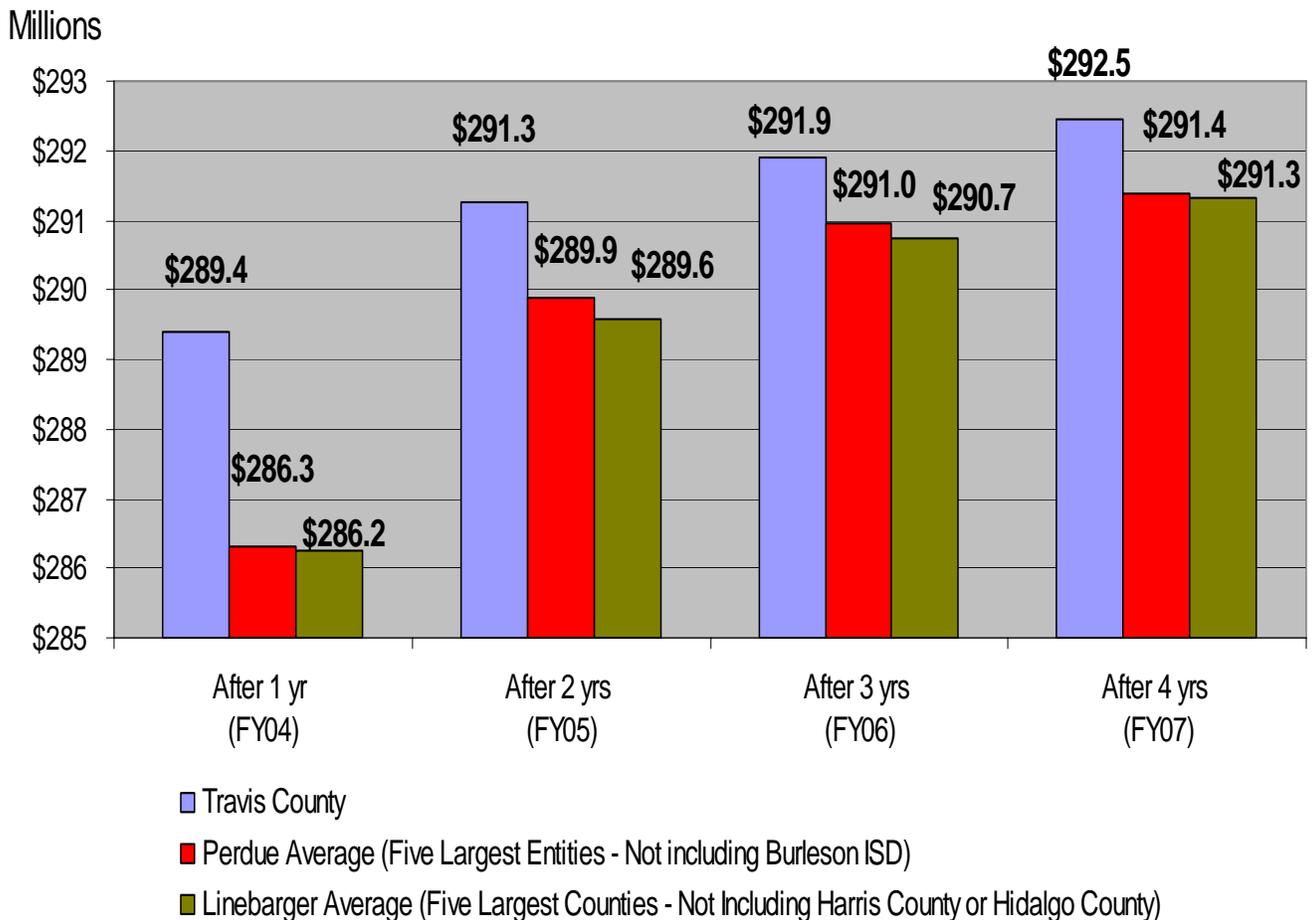
- This exhibit shows that Travis County is slightly better than the average of the six Linebarger clients at collecting current year delinquent taxes during the period from July 1 of the current Tax Year through September 30, 2004 for the five most recent tax years. When calculating the collection rate of the current year's delinquent taxes collected from July 1 through September 30, 2004 as a percentage of the amount possible to collect during that period, Travis County averaged a collection rate of 68.36% compared to a collection rate of 66.61% for the average of the six Linebarger clients for the five most recent tax years.

# Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect (cont'd)

- The source of the data for this exhibit came from two places. The Travis County data came from the Tax Office and the data was verified by the Auditor's Office. The Linebarger data came from page 125 of the resubmitted Linebarger Proposal. One number was changed from the Linebarger data on this page. For Tax Year 2002 and the column titled "LAW FIRM July – Sept 04" the LG AVG RATES is shown as 3.35%. When the data in the column for the six counties is averaged the actual average is 3.15%. We used the actual calculated average of 3.15% and assumed the average of 3.35% in the Linebarger Proposal was a typo.

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years

**Estimated Tax Year 2003 Tax Collections for Four Years Using Each Law Firm's Average Collection Rate for Tax Year 2000 for Four Years**



Note: Amounts in chart are based on Travis County's September 30, 2004 Adjusted Levy of \$293.3 million.

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years

(cont'd)

- The chart in this exhibit shows how using the average cumulative collection rates would impact estimated Tax Year 2003 tax collections for a four-year period based upon the September 30, 2004 adjusted Tax Year 2003 tax levy. The chart shows that if the average cumulative collection rates were used to estimate collections, Perdue and Linebarger would be approximately \$3.1 million and \$3.2 million respectively behind Travis County's collection efforts after one year. After four years, Perdue and Linebarger would have caught up to the point where they are approximately \$1.1 million and \$1.2 million, respectively, behind Travis County in the collection of Tax Year 2003 property tax collections.
- This exhibit compares the average cumulative collection rates after one, two, three, and four years for Tax Years 2000 through 2003. The exhibit shows that Travis County has the highest average cumulative collection rate after one, two, three, and four years.

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

| Entity  | Average Collection<br>Rate After 1 Year | Average Collection<br>Rate After 2 Years |
|---|---|--|
| Travis County   | 98.65%                                  | 99.29%                                   |
| Perdue Average (Five Largest Entities -<br>Not including Burleson ISD)                        | 97.60%                                  | 98.82%                                   |
| Linebarger Average (Five Largest Counties -<br>Not Including Harris County or Hidalgo County) | 97.58%                                  | 98.72%                                   |

| Entity  | Average Collection Rate<br>After Three Years | <u>Actual</u> Collection Rate<br>After Four Years |
|---|--|---|
| Travis County   | 99.51%                                       | 99.70%  |
| Perdue Average (Five Largest Entities -<br>Not including Burleson ISD)                        | 99.19%                                       | 99.33%  |
| Linebarger Average (Five Largest Counties -<br>Not Including Harris County or Hidalgo County) | 99.12%                                       | 99.31%  |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

|                       | <b>Avg<br/>Collection<br/>Rate After 1<br/>Year</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 1 Year</b> |
|-----------------------|---|--|
| Travis County Average | <b>98.65%</b>                                       | <b>\$289,385,056</b>   |
| Perdue Average        | 97.60%  | \$286,304,931  |
| Linebarger Average    | 97.58%  | \$286,246,262  |

|                       | <b>Avg<br/>Collection<br/>Rate After 2<br/>Years</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 2 Years</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.29%</b>  | <b>\$291,262,465</b>  |
| Perdue Average        | 98.82%   | \$289,883,742   |
| Linebarger Average    | 98.72%   | \$289,590,397   |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

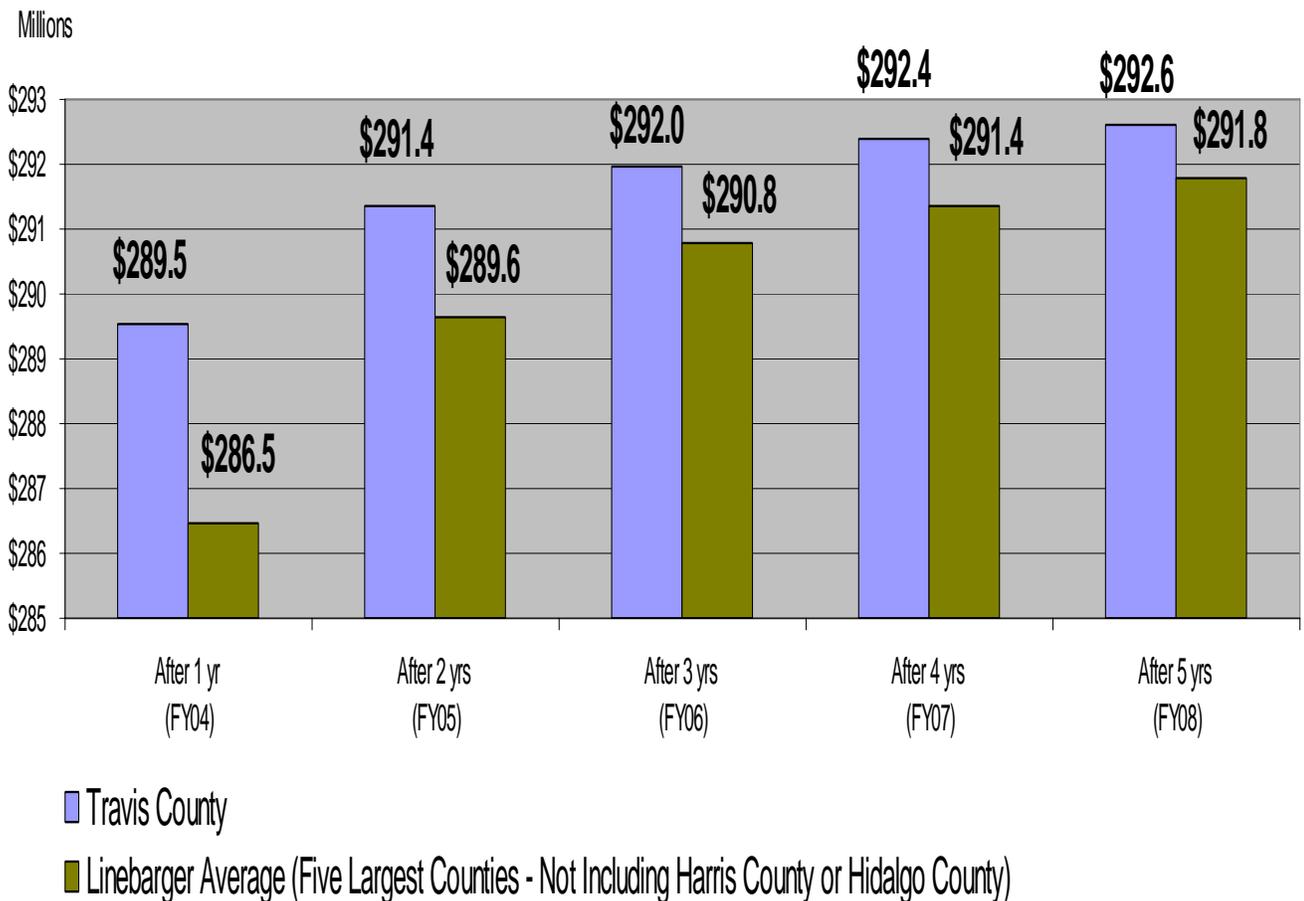
|                       | <b>Avg<br/>Collection<br/>Rate After 3<br/>Years</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 3 Years</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.51%</b>  | <b>\$291,907,824</b>  |
| Perdue Average        | 99.19%   | \$290,969,120   |
| Linebarger Average    | 99.12%   | \$290,734,444   |

|                       | <b>Actual<br/>Collection<br/>Rate After 4<br/>Years</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 4 Years</b> |
|-----------------------|---|---|
| Travis County Actuals | <b>99.70%</b>   | <b>\$292,465,180</b>  |
| Perdue Actuals        | 99.33%  | \$291,379,803   |
| Linebarger Actuals    | 99.31%  | \$291,321,134   |

Estimates are based on  
Travis County's Tax Year  
2003 Tax Levy adjusted  
as of 9/30/2004 of: **\$293,345,216**

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years

Estimated Tax Year 2003 Tax Collections for Five Years Using Each Law Firm's Average Collection Rate for Tax Year 1999 for Five Years



Notes: Amounts in chart are based on Travis County's September 30, 2004 Adjusted Levy of \$293.3 million. Purdue is not included since they only provided data for four years.

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years

(cont'd)

- The chart in this exhibit shows how using the average cumulative collection rates would impact estimated Tax Year 2003 tax collections for a five-year period based upon the September 30, 2004 adjusted Tax Year 2003 tax levy. The chart shows that if the average cumulative collection rates were used to estimate collections, Linebarger would be approximately \$3 million behind Travis County's collection efforts after one year. After four years, Linebarger would have caught up to the point where they are only approximately \$800,000 behind Travis County in the collection of Tax Year 2003 property tax collections.
- This exhibit compares the average cumulative collection rates after one, two, three, four, and five years for Tax Years 1999 through 2003. The exhibit shows that Travis County has the highest average cumulative collection rate after one, two, three, four, and five years.

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years (cont'd)

| Entity  | Average<br>Collection Rate<br>After 1 Year | Average<br>Collection Rate<br>After 2 Years | Average<br>Collection Rate<br>After 3 Years |
|---|--|---|---|
| Travis County   | 98.70%                                     | 99.32%                                      | 99.53%                                      |
| Linebarger Average (Five Largest Counties -<br>Not Including Harris County or Hidalgo County) | 97.65%                                     | 98.74%                                      | 99.13%                                      |

| Entity  | Average<br>Collection Rate<br>After 4 Years | <u>Actual</u> Collection<br>Rate After 5<br>Years |
|---|---|---|
| Travis County   | 99.67%                                      | 99.75%  |
| Linebarger Average (Five Largest Counties -<br>Not Including Harris County or Hidalgo County) | 99.32%                                      | 99.47%  |

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years (cont'd)

|                       | <b>Avg Collection<br/>Rate After 1 Yr</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 1 Yr</b> |
|-----------------------|---|--|
| Travis County Average | <b>98.70%</b>                             | <b>\$289,531,728</b>   |
| Linebarger Average    | 97.65%                                    | \$286,451,603  |

|                       | <b>Avg Collection<br/>Rate After 2 Yrs</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 2 Yrs</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.32%</b>                              | <b>\$291,350,469</b>  |
| Linebarger Average    | 98.74%                                     | \$289,649,066   |

|                       | <b>Avg Collection<br/>Rate After 3 Yrs</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 3 Yrs</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.53%</b>                              | <b>\$291,966,493</b>  |
| Linebarger Average    | 99.13%                                     | \$290,793,113   |

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years (cont'd)

|                       | <b>Avg Collection<br/>Rate After 4 Yrs</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 4 Yrs</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.67%</b>                              | <b>\$292,377,177</b>  |
| Linebarger Average    | 99.32%                                     | \$291,350,469   |

|                       | <b>Avg Collection<br/>Rate After 5 Yrs</b> | <b>Est. FY2004<br/>Curr. Yr Tax<br/>Collections<br/>After 5 Yrs</b> |
|-----------------------|--|---|
| Travis County Average | <b>99.75%</b>                              | <b>\$292,611,853</b>  |
| Linebarger Average    | 99.47%                                     | \$291,790,486   |

Estimate based on  
Travis County's Tax  
Year 2003 Tax Levy  
adjusted as of  
9/30/2004 of:

**\$293,345,216**

### QUESTION NO. 2

Question: If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings for delinquent taxpayers?

Answer: Delinquent taxpayers as a group would have been charged an additional **\$5.1 million** over the last five years if delinquent collections had been privatized. The 15% that Travis County charges on lawsuits plus the court costs is significantly less than the 15% that law firms charge to the entire pool of delinquent taxpayers on July 1. In addition, the 15% charged by Travis County, when collected, goes back into the County Treasury to benefit taxpayers instead of to the law firm.

# Explanation and Summary of Exhibit I

## ➤ Analysis of Question No. 2

- Total costs assessed to delinquent taxpayers over the last five years (FY00-FY04) were estimated using Tax Office queries and financial reports. Estimates for both Travis County and an individual law firm, if they had been our collector, were calculated.
- Tax Office queries were used to obtain all lawsuits filed in FY00-FY04. Court costs and attorney fees linked to these lawsuits were then determined. Then the allocation by tax year was estimated.
- Attorney Fees are calculated on the base tax balance and penalty and interest combined. The amount of base tax and penalty and interest that might have been subject to a partial pay agreement was also estimated and removed before calculating attorney fees.

# Exhibit I – Costs to Taxpayers

## Additional Tax Collection Costs to Delinquent Taxpayers if Privatized

| Tax Year | Entity                  | Court Costs Assessed <sup>(1)</sup> | Atty Fees (15%) Assessed | Total Collection Costs Assessed | Taxpayer Savings/ (Add'l Costs) |
|----------|-------------------------|-------------------------------------|--------------------------|---------------------------------|---------------------------------|
| 2003     | Travis County           | 1,011,980                           | 2,227,221                | 3,239,201                       |                                 |
|          | Law Firm                | 252,995                             | 4,157,473                | 4,410,468                       | (1,171,267)                     |
| 2002     | Travis County           | 1,405,167                           | 2,840,257                | 4,245,424                       |                                 |
|          | Law Firm                | 351,292                             | 4,717,682                | 5,068,974                       | (823,550)                       |
| 2001     | Travis County           | 1,268,871                           | 2,326,323                | 3,595,194                       |                                 |
|          | Law Firm <sup>(2)</sup> | 317,218                             | 4,398,256                | 4,715,474                       | (1,120,280)                     |
| 2000     | Travis County           | 1,282,643                           | 1,294,145                | 2,576,788                       |                                 |
|          | Law Firm <sup>(2)</sup> | 320,661                             | 3,089,449                | 3,410,110                       | (833,322)                       |
| 1999     | Travis County           | 750,300                             | 564,114                  | 1,314,414                       |                                 |
|          | Law Firm <sup>(2)</sup> | 187,575                             | 2,309,194                | 2,496,769                       | (1,182,355)                     |

**Total 5-Yr Add'l Cost to Delinquent Taxpayers (5,130,774)**

(1) Lawsuits filed from Feb 1 through Jan 31 following the current tax levy are used to calculate court costs for that current fiscal year.

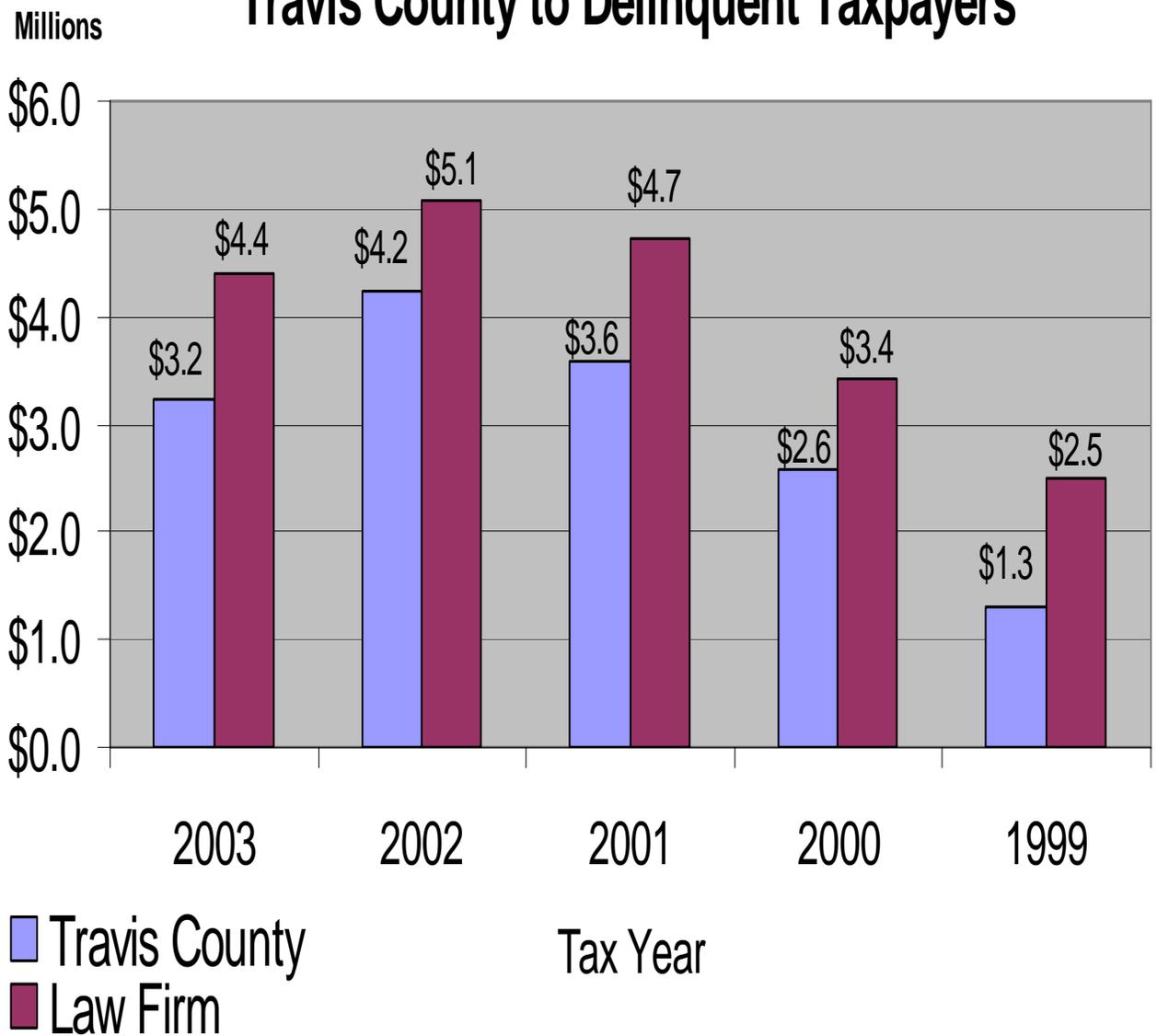
(2) P&I was estimated for Tax Years 1999-2001. Attorney Fees are calculated on the delinquent tax balance plus penalties and interest. In Tax Years 2002 & 2003, actual P&I was 14.23% of the delinquent tax balance at 7/1. In Tax Years 1999, 2000 & 2001, P&I was estimated using this same percentage of 14.23%.

Source: Tax Office queries and monthly financial reports

# Exhibit I – Costs to Taxpayers

(cont'd)

## Costs Charged by Law Firms and Travis County to Delinquent Taxpayers



# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis

## ➤ Purpose of Delinquent Taxpayer Cost Analysis

- This analysis was performed to determine the total cost to delinquent taxpayers with Travis County collecting delinquent taxes under Section 33.48 versus a law firm collecting delinquent taxes under Sections 33.48 *and* 33.07. Under Section 33.48, Travis County may charge a 15% attorney fee to delinquent taxpayers when Travis County files a lawsuit against the taxpayer. Under Section 33.07, law firms may charge up to 20% for attorney fees to *all* delinquent taxpayers without filing a lawsuit on July 1 after the current levy becomes delinquent. If a lawsuit is filed prior to July 1 the law firm charges the attorney fee on the date the lawsuit is filed. For this analysis, it is assumed that the law firm will only charge a 15% attorney fee.
- This analysis was performed for the last five tax years (1999-2003) for which a full year's worth of data was available.

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

## ➤ Calculation of Travis County Court Costs and Attorney Fees

- Court costs and attorney fees are the two types of costs that Travis County charges to delinquent taxpayers when a lawsuit is filed. The Tax Office can track both of these costs in their tax system by performing queries using specific codes and fields.
  - Travis County Court Costs Calculation – This calculation includes total court costs associated with all lawsuits filed from February 1, 2000 through January 31, 2005. The breakdown of these court costs by tax year was estimated as follows: all lawsuits filed between 2/1/X1 and 1/31/X2 represent Tax Year X0 (e.g., all suits filed between 2/1/04 and 1/31/05 are for Tax Year 2003). The Tax Office queried all lawsuits filed between these dates for each year, then summed all the court costs associated with them through April 2005. This approach shows the highest amount of court costs possible for these five tax years, since there were almost certainly lawsuits filed within this time frame that were for tax years prior to 1999.

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

- Travis County Attorney Fees Calculation – Attorney fees were calculated on both delinquent taxes and penalty and interest associated with the same accounts that were queried for court costs. The delinquent tax due for all jurisdictions on the date of filing was retrieved for each of these accounts from the tax system. A penalty and interest amount of 24% was estimated of the total taxes due for each account; although it is most likely that there were lawsuits filed on accounts that had not accumulated 24% of penalty and interest because the lawsuit was filed prior to July 1. The total amount due for each account (delinquent tax plus penalty and interest) was then multiplied by 15% to calculate enforcement fees. This estimate is the maximum amount of attorney fees that could have been charged.

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

## ➤ Calculation of Law Firm Court Costs and Attorney Fees

Law firms are allowed to charge a one-time fee of up to 20% of the aggregated tax and penalty and interest after July 1 or on the date a lawsuit is filed, whichever is earlier, for the current levy. This is the only fee a law firm is allowed by law to charge delinquent taxpayers. Court costs will be charged to the delinquent taxpayer upon filing of a lawsuit. Once collected, these court costs will be retained by Travis County, not the law firm.

- Court Costs Calculation

Law Firms will still need to file lawsuits to effectively collect the maximum amount of delinquent taxes. It was purported in one of the Law Firm's RFI submissions that the number of lawsuits would decline to about ¼ of the present number if delinquent tax collections were privatized. Therefore, Law Firm court costs were estimated at 25% of the total amount of court costs Travis County charged for that same tax year (e.g., TY03 - \$1,011,980 x 25% = \$252,995).

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

- This analysis assumes no lawsuits were filed prior to July 1 of each tax year. The delinquent tax balance for all tax years was taken from Tax Office reports generated from its financial system. Penalty and interest balances for Tax Years 2002 and 2003 were also taken from Tax Office reports generated by its financial system. Penalty and interest was estimated for Tax Years 1999-2001 based on the average actual penalty and interest balance to delinquent tax balance for Tax Years 2002 and 2003, which was 14.23%.

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

- Law firms may not charge attorney fees on July 1 if a partial payment agreement has been entered into by the Tax Office with the delinquent taxpayer prior to that date according to a 1993 Attorney General Opinion (DM235). Therefore, each year's tax balance was reduced by a portion of that balance that may be under a partial payment agreement. This estimate was based on actual partial payments made between July 1 and September 30, 2004 for Tax Year 2003. The same percentage of partial payments to delinquent tax balance calculated for Tax Year 2003 (6.50%) was then applied to Tax Years 1999-2002 to decrease the tax balance and the penalty and interest balance. The percentage of partial payments was estimated as follows:

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

## Partial Payments Collected 7/1/04 to 9/30/04 For All Jurisdictions

|   |                       |
|---|-----------------------|
| Phase I-No Lawsuit                          | \$ 1,289,631          |
| Phase II-Lawsuit Filed                      | 376,469               |
| Phase III-Post Judgment                     | 21,870                |
| Total Partial Payments                      | <u>\$ 1,687,970 *</u> |
| % of Partial Payments<br>to Tax Bal @7/1/04 | 6.50%                 |

\* Compare this amount to the tax balance on 7/1/04 (\$25,971,565) for TY03 and take out the same percentage (6.50%) of the P&I balance at 7/1/04. Then use this same percentage to decrease the tax balance and P&I balance in tax years 1999-2002.

- The delinquent tax balance plus penalty and interest less partial payments were totaled and multiplied by 15% to calculate Law Firm attorney fees.

# Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis (cont'd)

## ➤ SUMMARY

- Based on the calculations shown in the chart, Travis County delinquent taxpayers for all jurisdictions would have been charged an additional \$5.1 million over the last five years if delinquent collections had been privatized. This large increase is due to the fact that Travis County only charges the 15% attorney fee to those delinquent taxpayers that have a lawsuit filed against them; whereas law firms may charge the 15% attorney fee to *all* delinquent taxpayers on July 1 without a lawsuit being filed. The 15% that Travis County charges on lawsuits costs the taxpayers less than the 15% that law firms charge to the entire pool of delinquent taxpayers on July 1. Also, a much larger group of delinquent taxpayers must pay the 15% to law firms; whereas, only a few delinquent taxpayers must pay the 15% to the County.
- Another point to be made is that the 15% charged by Travis County, when collected, goes back into the County Treasury to benefit taxpayers. Whereas the 15% charged by law firms will be retained by the law firm.

## QUESTION NO. 3

**Question:** If Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year, would it provide a cost savings to all Travis County Taxpayers (i.e. would it increase Travis County's net revenues)?

**Answer:** When looking at the big picture (i.e. all revenues and all expenditures associated with delinquent tax collections) our analysis shows that Travis County would lose a significant amount of net revenue if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year. Whether using the average collection rates of the Perdue firm or Linebarger firm, or the best individual County collection rates submitted by either firm, Travis County would lose over **\$5.3 million** (the loss ranges from **\$5.3 million** to **\$7.1 million** in the analysis) in FY2004 estimated net revenues (i.e. revenues less expenditures). The estimated losses would be greater in future years if the tax levy increases.

# Explanation and Summary of Exhibit J

## ➤ Analysis of Question No. 3

- The County Auditor's Office prepared a pro-forma revenue estimate assuming outsourcing to a law firm.
- We assumed that the 18.75 FTE's (full-time equivalent employees) budgeted for delinquent tax collections in the County Attorney's Office would be eliminated (RIF'ed) if the work that they do is transferred to an outside law firm. The cost data used for Travis County includes this assumption. Travis County has a Reduction-In-Force policy, which states that Travis County will give employees a 90-day notice of a reduction in force. The cost of the 90 days is not included in our analysis. That would need to be factored in as an additional cost to the County should the Commissioners' Court decide to outsource.
- One law firm suggested that the County not eliminate the FTE's from the County Attorney's Office but reassign them to other tasks. This means the County would retain the costs of the employees and forfeit the revenue that they currently bring in. We disregarded this recommendation in the analysis and assumed that this would be a separate budgetary decision on the part of Commissioners' Court.

# Explanation and Summary of Exhibit J

(cont'd)

## ➤ Analysis of Question No. 3 (cont'd)

- Our analysis indicated that the 9.65 full-time-equivalent (FTE's) in the Tax Assessor-Collector's Office would still be needed should the delinquent collections be outsourced. Therefore, these costs are included under the status quo as well as in the analysis for the cost of outsourcing.
- When analyzing the County's revenues due to delinquent tax collections, we assumed the \$364,787 collections from the parcel rate for FY04, which represented an allocation of the costs of the County Attorney's Office, would be eliminated if delinquent collections were outsourced.

# Exhibit J – LINEBARGER Proposal

| LINEBARGER Proposal - AVERAGE COLLECTION RATE - Excludes Harris and Hidalgo Counties   | FY 2004             |                          |  |
|--|---------------------|--------------------------|--|
|  | If Linebarger       | Travis County Status Quo | Favorable/ (Unfavorable) for Travis County |
| <b>REVENUE ITEMS:</b>  |                     |                          |  |
| Revenue from <b>Delinquent Tax collections for Travis County Tax Year 2003</b> (Using Linebarger's average FY2004 collection rate of 97.70%). Includes all delinquent tax collections for Tax Year 2003 from 2/1/2004 through 9/30/2004. Travis County's collection rate for FY04 was 98.77%.  | \$6,539,008         | \$9,722,141              | (\$3,183,133)                              |
| Revenue from <b>Delinquent Tax collections for all Travis County tax years previous to Tax Year 2003</b> . Includes all Travis County delinquent tax collections for the tax years previous to tax year 2003 from 10/1/2003 through 9/30/2004. We are conservatively estimating Linebarger will do proportionately as well as on tax year 2003 delinquent tax collections.<br><b>(6,539,008/9,722,141)*\$2,947,412</b> | \$1,982,398         | \$2,947,412              | (\$965,014)                                |
| Revenue from <b>Attorney's Fees</b> (all jurisdictions) for all tax years collected in FY04  | \$0                 | \$2,937,808              | (\$2,937,808)                              |
| Revenue from <b>Parcel Fees</b> collected in FY04 (Difference is the amount that would be eliminated from parcel rate due to outsourcing)  | \$570,481           | \$935,268                | (\$364,787)                                |
| Revenue from <b>Court Costs</b> and related fees for lawsuits filed in Travis County (all jurisdictions) and collected in FY04 - Linebarger proposes they will file 75% fewer lawsuits.  | \$296,844           | \$1,187,375              | (\$890,531)                                |
| <b>Total Revenue Items - (LOST REVENUE FOR TRAVIS COUNTY)</b>  | <b>\$9,388,731</b>  | <b>\$17,730,004</b>      | <b>(\$8,341,273)</b> A                     |
| <b>EXPENDITURE ITEMS:</b>  |                     |                          |  |
| <b>County Attorney</b> Delinquent Tax Staff Budgeted Expenditure (Salaries & Benefits)   | \$0                 | \$810,945                | \$810,945                                  |
| <b>County Attorney</b> Delinquent Tax Estimated Operating Budgeted Expenditure   | \$0                 | \$33,621                 | \$33,621                                   |
| <b>Tax Office</b> Delinquent Tax Estimated Operating Budgeted Expenditure  | \$70,630            | \$70,630                 | \$0  |
| Other (estimated) <b>expenditures incurred by Travis County for lawsuits filed</b> - Linebarger proposes they will file 75% fewer lawsuits   | \$126,689           | \$506,757                | \$380,068                                  |
| <b>Tax Office</b> Delinquent Tax Collection Salaries & Benefits Budgeted Expenditures  | \$377,038           | \$377,038                | \$0  |
| <b>Total Expenditure Items - (DECREASE IN EXPENDITURES FOR TRAVIS COUNTY)</b>  | <b>\$574,357</b>    | <b>\$1,798,991</b>       | <b>\$1,224,634</b> B                       |
| Travis County FY04 Net Revenues (Revenues - Expenditures) <b>(LOST NET REVENUE FOR TRAVIS COUNTY) (A-B)</b>  | <b>\$8,814,374</b>  | <b>\$15,931,013</b>      | <b>(\$7,116,639)</b> C                     |
| <b>Plus</b> four more years of estimated delinquent tax collections for the current 2003 tax year (Using Linebarger's average Five Year Collection rate of 99.47%) Includes all estimated delinquent tax collections for the 2003 tax year from 10/1/2004 through 9/30/2008. The corresponding Travis County Five Year Collection Rate was 99.75%.   |                     |                          |  |
|  |                     | <b>5 - Year Forecast</b> |  |
|  | \$5,223,978         | \$2,867,237              | \$2,356,741 D                              |
| Travis County Net Revenues if future revenues from current year delinquent taxes were taken into account <b>(C+D)</b><br><b>(LOST NET REVENUE FOR TRAVIS COUNTY OVER 5-YR PERIOD)</b>  | <b>\$14,038,352</b> | <b>\$18,798,250</b>      | <b>(\$4,759,898)</b>                       |

# Exhibit J – PERDUE Proposal

| PERDUE Proposal - AVERAGE COLLECTION RATE - Excludes Burleson ISD  | FY 2004             |                          |  |
|--|---------------------|--------------------------|--|
|  | If Perdue           | Travis County Status Quo | Favorable/<br>(Unfavorable)<br>for Travis County |
| <b>REVENUE ITEMS::</b>   |                     |                          |  |
| Revenue From Travis County Tax Year 2003 Base Delinquent Tax Collections (Using Perdue's Average FY2004 Collection rate of 97.85%) Includes all delinquent tax collections for the 2003 tax year from 2/1/2004 through 9/30/2004. Travis County's collection rate for FY2004 was 98.77%  | \$6,981,718         | \$9,722,141              | (\$2,740,423)                                    |
| Revenue From All Travis County Tax Years Previous to 2003 Delinquent Tax Collections. Includes all Travis County delinquent tax collections for the tax years previous to tax year 2003 from 10/1/2003 through 9/30/2004. We are conservatively estimating Perdue will do proportionately as well as on tax year 2003 delinquent tax collections. <b>(6,981,718/9,722,141)*\$2,947,412</b> | \$2,116,612         | \$2,947,412              | (\$830,800)                                      |
| Revenue from <b>Attorney's Fees</b> (all jurisdictions) for all tax years collected in FY04  | \$0                 | \$2,937,808              | (\$2,937,808)                                    |
| Revenue from <b>Parcel Fees</b> collected in FY04 (Difference is the amount that would be eliminated from parcel rate due to outsourcing)  | \$570,481           | \$935,268                | (\$364,787)                                      |
| Revenue from <b>Court Costs</b> and related fees for lawsuits filed in Travis County (all jurisdictions) and collected in FY04.  | \$1,187,375         | \$1,187,375              | \$0  |
| <b>Total Revenue Items - (LOST REVENUE FOR TRAVIS COUNTY)</b>  | <b>\$10,856,186</b> | <b>\$17,730,004</b>      | <b>(\$6,873,818)</b> A                           |
| <b>EXPENDITURE ITEMS:</b>  |                     |                          |  |
| <b>County Attorney</b> Delinquent Tax Staff Budgeted Expenditure (Salaries & Benefits)   | \$0                 | \$810,945                | \$810,945  |
| <b>County Attorney</b> Delinquent Tax Estimated Operating Budgeted Expenditure   | \$0                 | \$33,621                 | \$33,621   |
| <b>Tax Office</b> Delinquent Tax Estimated Operating Budgeted Expenditure  | \$70,630            | \$70,630                 | \$0  |
| Other (estimated) <b>expenditures incurred by Travis County for lawsuits filed</b>   | \$506,757           | \$506,757                | \$0  |
| <b>Tax Office</b> Delinquent Tax Collection Salaries & Benefits Budgeted Expenditures  | \$377,038           | \$377,038                | \$0  |
| <b>Total Expenditure Items - (DECREASE IN EXPENDITURES FOR TRAVIS COUNTY)</b>  | <b>\$954,425</b>    | <b>\$1,798,991</b>       | <b>\$844,566</b> B                               |
| Travis County FY04 Net Revenues (Revenues - Expenditures) <b>(LOST NET REVENUE FOR TRAVIS COUNTY) (A-B)</b>  | <b>\$9,901,761</b>  | <b>\$15,931,013</b>      | <b>(\$6,029,252)</b> C                           |
| <b>Plus</b> three more years of estimated delinquent tax collections for the current 2003 tax year (Using Perdue's Average Four Year Collection rate of 99.33%) Includes all estimated delinquent tax collections for the 2003 tax year from 10/1/2004 through 9/30/2007. The corresponding Travis County Four Year Collection Rate was 99.70%.  |                     |                          |  |
|  | \$4,368,072         | \$2,719,867              | \$1,648,405 D                                    |
| Travis County Net Revenues if future revenues from current year delinquent taxes were taken into account <b>(C+D)</b><br><b>(LOST NET REVENUE FOR TRAVIS COUNTY OVER 4-YR PERIOD)</b>  | <b>\$14,269,833</b> | <b>\$18,650,680</b>      | <b>(\$4,380,847)</b>                             |

# Exhibit J – LINEBARGER Best County

| LINEBARGER Proposal - BEST COUNTY COLLECTION RATE Using Tarrant County Results  | FY 2004                  |                          |  |
|---|--------------------------|--------------------------|--|
|   | Linebarger Proposal      | Travis County Status Quo | Favorable/<br>Unfavorable<br>for Travis County |
| <b>REVENUE ITEMS:</b>   |                          |                          |  |
| Revenue from <b>Delinquent Tax collections for Travis County Tax Year 2003</b> (Using Linebarger's Tarrant County FY2004 collection rate of 98.16%). Includes all delinquent tax collections for Tax Year 2003 from 2/1/2004 through 9/30/2004. Travis County's collection rate for FY04 was 98.77%.  | \$7,896,652              | \$9,722,141              | (\$1,825,489)                                  |
| Revenue from <b>Delinquent Tax collections for all Travis County tax years previous to Tax Year 2003</b> . Includes delinquent tax collections for all tax years prior to Tax Year 2003 collected from 10/1/2003 through 9/30/2004. We are conservatively estimating Linebarger will do proportionately as well as on Tax Year 2003 delinquent tax collections.<br><b>(\$7,896,652/\$9,722,141)*\$2,947,412</b> | \$2,393,988              | \$2,947,412              | (\$553,424)                                    |
| Revenue from <b>Attorney's Fees</b> (all jurisdictions) for all tax years collected in FY04   | \$0                      | \$2,937,808              | (\$2,937,808)                                  |
| Revenue from <b>Parcel Fees</b> collected in FY04 (Difference is the amount that would be eliminated from parcel rate due to outsourcing)   | \$570,481                | \$935,268                | (\$364,787)                                    |
| Revenue from <b>Court Costs</b> and related fees for lawsuits filed in Travis County (all jurisdictions) and collected in FY04 - Linebarger proposes they will file 75% fewer lawsuits.   | \$296,844                | \$1,187,375              | (\$890,531)                                    |
| <b>Total Revenue Items - (LOST REVENUE FOR TRAVIS COUNTY)</b>   | <b>\$11,157,965</b>      | <b>\$17,730,004</b>      | <b>(\$6,572,039)</b>                           |
| <b>EXPENDITURE ITEMS:</b>   |                          |                          |  |
| <b>County Attorney</b> Delinquent Tax Staff Budgeted Expenditure (Salaries & Benefits)  | \$0                      | \$810,945                | \$810,945                                      |
| <b>County Attorney</b> Delinquent Tax Estimated Operating Budgeted Expenditure  | \$0                      | \$33,621                 | \$33,621                                       |
| <b>Tax Office</b> Delinquent Tax Estimated Operating Budgeted Expenditures  | \$70,630                 | \$70,630                 | \$0  |
| Other (estimated) <b>expenditures incurred by Travis County for lawsuits filed</b> - Linebarger proposes they will file 75% fewer lawsuits  | \$126,689                | \$506,757                | \$380,068                                      |
| <b>Tax Office</b> Delinquent Tax Collection Salaries & Benefits Budgeted Expenditures   | \$377,038                | \$377,038                | \$0  |
| <b>Total Expenditure Items - (DECREASE IN EXPENDITURES FOR TRAVIS COUNTY)</b>   | <b>\$574,357</b>         | <b>\$1,798,991</b>       | <b>\$1,224,634</b>                             |
| Travis County FY04 Net Revenues (Revenues - Expenditures) <b>(LOST NET REVENUE FOR TRAVIS COUNTY) (A-B)</b>   | <b>\$10,583,608</b>      | <b>\$15,931,013</b>      | <b>(\$5,347,405)</b>                           |
| <b>Plus</b> four more years of estimated delinquent tax collections for Tax Year 2003 (Using Linebarger's Tarrant County 5-year collection rate of 99.58%) Includes all estimated delinquent tax collections for Tax Year 2003 from 10/1/2004 through 9/30/2008. The corresponding Travis County 5-year collection rate was 99.75%.   | <b>5 - Year Forecast</b> |                          |  |
|   | \$4,190,988              | \$2,867,237              | \$1,323,751                                    |
| Travis County Net Revenues if future revenues from current year delinquent taxes were taken into account <b>(C+D)</b><br><b>(LOST NET REVENUE FOR TRAVIS COUNTY OVER 5-YR PERIOD)</b>   | <b>\$14,774,596</b>      | <b>\$18,798,250</b>      | <b>(\$4,023,654)</b>                           |

# Exhibit K – Summary of Exhibit J

## SUMMARY - AVERAGE COLLECTION RATES

Comparison of FY 2004 Travis County Actual Net Revenues  
vs.  
Estimated FY 2004 Net Revenues From Vendor Proposals

### A. LINEBARGER PROPOSAL - AVERAGE COLLECTION RATE

Linebarger - Assumes 1-yr collection rate of 97.70% and 5-yr collection rate of 99.47% based on actual average collection results in their top five counties. Hidalgo County collection data was excluded due to exceptionally below-average collection results.

Travis County - Assumes 1-yr collection rate of 98.77% and 5-yr collection rate of 99.75% based on actual collection results for Travis County.

| Decrease in Revenue | less | Decrease in Expenditures | equals | Decrease in Net Revenue | plus | Increase in Revenue After 5 Years | equals | Decrease in Net Revenue After 5 Years |
|---------------------|------|--------------------------|--------|-------------------------|------|-----------------------------------|--------|---------------------------------------|
| 8,341,273           | -    | 1,224,634                | =      | 7,116,639               | +    | \$2,356,741                       | =      | 4,759,898                             |

### B. PERDUE PROPOSAL - AVERAGE COLLECTION RATE

Perdue - Assumes 1-yr collection rate of 97.85% and 4-yr collection rate of 99.33% based on actual collection results in their top five counties. Burleson ISD is excluded because data was not provided for all four years.

Travis County - Assumes 1-yr collection rate of 98.77% and 4-yr collection rate of 99.70% based on actual collection results in Travis County.

| Decrease in Revenue | less | Decrease in Expenditures | equals | Decrease in Net Revenue | plus | Increase in Revenue After 4 Years | equals | Decrease in Net Revenue After 4 Years |
|---------------------|------|--------------------------|--------|-------------------------|------|-----------------------------------|--------|---------------------------------------|
| 6,873,818           | -    | 844,566                  | =      | 6,029,252               | +    | 1,648,405                         | =      | 4,380,847                             |

Note: Perdue did not submit data for five years, only four years.

# Exhibit K – Summary of Exhibit J

(cont'd)

## C. LINEBARGER PROPOSAL - BEST COUNTY COLLECTION RATE

Linebarger - Assumes 1-yr collection rate of 98.16% and 5-yr collection rate of 99.58% based on actual collection results in Tarrant County.

Travis County - Assumes 1-yr collection rate of 98.77% and 5-yr collection rate of 99.75% based on actual collection results for Travis County.

|                        |      |                             |        |                            |      |   |        |   |
|------------------------|------|-----------------------------|--------|----------------------------|------|---|--------|---|
| Decrease in<br>Revenue | less | Decrease in<br>Expenditures | equals | Decrease in<br>Net Revenue | plus | Increase in<br>Revenue After<br>5 Years | equals | Decrease in<br>Net Revenue<br>After 5 Years |
| 6,572,039              | -    | 1,224,634                   | =      | 5,347,405                  | +    | \$1,323,751                             | =      | 4,023,654                                   |

# Explanation of FY2004 Net Revenue Analysis

## ➤ Purpose of FY2004 Net Revenue Analysis

- The purpose of this analysis is to determine whether Travis County would receive more Net Revenues (i.e. Revenues Minus Expenditures) from delinquent tax collection efforts if the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm. Fiscal Year 2004 was used for this analysis because it was the most current year for which we had complete revenue and expenditure data.
- The analysis takes into account revenues and expenditures that result from delinquent tax collection efforts.
- The analysis seeks to document Travis County revenues and expenditures from FY2004 and compare the resulting FY2004 Travis County Net Revenues (i.e. Revenues Minus Expenditures) with estimated FY2004 Net Revenues if the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm.

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## ➤ Purpose of FY2004 Net Revenue Analysis (cont'd)

- Once the Travis County FY2004 Net Revenues are compared against the estimated FY2004 Outsourced Net Revenues, additional years of estimated delinquent tax collections for the current 2003 tax year are added to the analysis. This is done to account for the fact that the majority of the delinquent tax collection process for each tax year typically goes on for about five years and then tapers off.
- We used estimated five-year collection rates (based on actuals) when comparing Travis County Net Revenues to estimated FY2004 Linebarger Net Revenues because the Linebarger firm provided five years of data as requested in the RFI. We used estimated four-year collection rates (based on actuals) when comparing Travis County Net Revenues to estimated FY2004 Perdue Net Revenues because the Perdue firm provided only four years of data instead of the five years of data requested in the RFI.

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## ➤ Revenue Items Used in FY2004 Net Revenue Analysis

### **Base Delinquent Tax Collections for Travis County Tax Year 2003**

- This represents the base delinquent tax amounts for the current 2003 Tax Year that were collected from 2/01/2004 through 9/30/2004.
- The actual amount of Tax Year 2003 base delinquent taxes collected for Travis County in FY2004 was \$9,722,141. Travis County's total collection rate for Tax Year 2003 in FY2004 was 98.77%, delinquent collections made up 3.29% (rounded) of the collection rate and current collections made up 95.48% (rounded) of the collection rate.
- The next step is to estimate base delinquent tax collections for Travis County Tax Year 2003 using a law firm's average Tax Year 2003 collection rate. For example in FY2004, Linebarger had an actual average Tax Year 2003 collection rate of 97.70% for the 5 counties submitted (we threw out the 6th submitted county as a low performing outlier).
- The analysis assumes that Travis County would still have the same current collection rate of 95.48% if a law firm was collecting delinquent taxes. Even though none of the submitting law firms' clients have as strong a current collection rate as Travis County, we gave them the benefit of the doubt. Therefore, the FY2004 base delinquent tax collection rate for Tax Year 2003 using Linebarger's average collection rate is calculated as 2.22% (97.70% minus 95.48%) of Travis County's 1/31/04 adjusted levy of approximately \$295 million. This equates to \$6,539,008 in Tax Year 2003 base delinquent tax collections for FY2004.

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## Base Delinquent Tax Collections for All Travis County Tax Years Previous to Tax Year 2003.

- This represents all Travis County base delinquent tax collections in FY2004 for tax years before 2003. The actual amount of Travis County FY2004 base delinquent tax collections for tax years before 2003 was \$2,947,412.
- For the purpose of this analysis we gave the benefit of the doubt to the law firms by conservatively estimating that the law firms do proportionately as well on collecting all prior years' delinquent taxes as they do on collecting current year delinquent taxes. The calculation that expresses this assumption is: {(Law Firm estimated current year delinquent tax collections)/(Travis County actual current year delinquent tax collections)} x (Travis County actual base delinquent tax collections for tax years before 2003). For the Linebarger example the calculation would be:

$$\{(\$6,539,008 / \$9,722,141) \times \$2,947,412\} = \$1,982,398.$$

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## **Revenue from Attorney's Fees (all jurisdictions) for all tax years collected in FY2004.**

- This represents the amount that Travis County collected in FY2004 from attorney's fees charged in association with lawsuits filed on behalf of all jurisdictions for all tax years. This fee is charged if Travis County is forced to file a lawsuit in order to collect delinquent property taxes for any of the jurisdictions for which Travis County collects. Travis County keeps this fee because Travis County is performing all the work related to the lawsuit and the collection of delinquent taxes. In FY2004, the actual amount of Attorney's Fees collected by Travis County was \$2,937,808. If the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm, it is assumed that Travis County would no longer collect this fee.

## **Revenue from Parcel Fees collected in FY2004**

- The parcel rate is what Travis County charges other taxing jurisdictions for the collection of each jurisdiction's property taxes. The parcel rate is charged on each parcel in a jurisdiction and the County only receives the revenue if the property taxes on the specific parcel were collected. The parcel rate includes the costs for billing and collecting both current and delinquent property taxes. Travis County collected \$935,268 in parcel fee revenues in FY2004. If the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm, it is assumed that Travis County would reduce the parcel fee by the costs allocated for the County Attorney Collections Division and the costs allocated for Attorney Ad Litem and Tax Sale Costs. These reductions in the parcel rate would have led to reduced parcel rate collections of \$570,481 in FY2004 for Travis County.

# Explanation of FY2004 Net Revenue Analysis (cont'd)

**Revenue from Court Costs and related fees for lawsuits filed by Travis County for all jurisdictions and collected in FY2004.**

- As with any type of civil court case filed in Travis County courts, Travis County receives revenues from Court Costs for civil lawsuits against delinquent taxpayers filed in both District Civil Courts and Justice of the Peace Courts. In FY2004, Travis County collected a total of \$1,187,375 in revenue from court costs for delinquent tax cases. Those collections are broken down as follows:

| <b>Court Cost Revenue Types</b>                        | <b>FY2004 Revenue</b>     |
|--|---------------------------|
| Original Petition Fees (Court Costs) - District Court  | \$607,497                 |
| Original Petition Fees (Court Costs) - JP Court        | \$14,651                  |
| Citation Fees – Constables                             | \$353,320                 |
| Tax Sale Commission Fee                                | \$76,695                  |
| Auction Fees   | \$66,782                  |
| Executing a Deed/Bill of Sale Fee                      | \$3,536                   |
| Order of Sale Fees                                     | \$3,073                   |
| JP Court Costs: Abstract,, Intervention                | \$330                     |
| District Court Costs: Abstract, Intervention, Issuance | \$61,491                  |
|  | <b><u>\$1,187,375</u></b> |

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

- Linebarger stated in their proposal (Exhibit A, attachment 3, 2nd page) that the “number of suits would decline dramatically to about  $\frac{1}{4}$  of present number.” Therefore, the analysis reduces both revenues and expenditures relating to court costs for delinquent tax cases by 75% when looking at Linebarger numbers. The Perdue firm did not propose to reduce the number of lawsuits filed and therefore the revenues and expenditures relating to court costs for delinquent tax cases were unchanged when looking at Perdue numbers.

# Explanation of FY2004 Net Revenue Analysis

## (cont'd)

### Expenditure Items Used in FY2004 Net Revenue Analysis

#### **County Attorney Delinquent Tax Staff Budgeted Expenditures**

- The amount budgeted for FY2004 in Salaries & Benefits for the County Attorney Delinquent Tax Staff was \$810,945. If the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm, it is assumed that Travis County would eliminate this entire expenditure through Reduction In Force (RIF) of the 19 FTE's (as of FY2005) in the County Attorney's Delinquent Tax Staff. The budgeted amount increased to \$979,075 in FY2005 due to the addition of 2.5 positions and compensation increases. Not all of the new positions have been filled. Also, we do not have complete FY2005 revenue numbers to match against the increased budget. However, the \$168,130 increase in FY2005 expenditures would not significantly change our analysis even if no new revenue were produced.

#### **County Attorney Delinquent Tax Budgeted Operating Expenditures**

- The amount budgeted for FY2004 in operating expenditures for the County Attorney Delinquent Tax Staff was \$33,621. This budgeted number consists of operating supplies only, which are minimal. If the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm, it is assumed that Travis County would eliminate this entire expenditure.

# Explanation of FY2004 Net Revenue Analysis (cont'd)

## Tax Office Delinquent Tax Operating Budgeted Expenditure

- The amount budgeted for FY2004 Tax Office delinquent tax operating expenditures was \$70,630. This consists of \$15,000 in attorney ad litem fees, \$39,500 in advertising, and \$16,130 for other operating costs.

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## Other Budgeted Expenditures Incurred by Travis County Related to the Filing and Hearing of Delinquent Tax Collection Lawsuits

- These are other estimated expenditures related to filing and hearing of delinquent tax collection lawsuits. These estimated numbers were provided by the Travis County Planning & Budget Office (PBO). For FY2004 the other expenditures related to filing and hearing of delinquent tax collection lawsuits were estimated to be \$506,757. The estimate is broken down as follows:

| <b>Other Expenditures relating to filing<br/>&amp; hearing lawsuits</b> | <b>FY2004<br/>Expenditures</b> |
|---|--------------------------------|
| District Clerk  | \$238,469                      |
| Constable #5  | \$173,654                      |
| Justice of the Peace #5   | \$78,231                       |
| Civil District Courts   | \$16,403                       |
|   | <hr/>                          |
|   | <b>\$506,757</b>               |

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## Tax Office Delinquent Tax Collection Staff Budgeted Expenditures

- The amount budgeted for FY2004 in Salaries & Benefits for the Tax Office Delinquent Tax Collection staff was \$377,038. If the collection of delinquent taxes after July 1 of each tax year were outsourced to a private law firm, it is assumed that Travis County would keep all of the Tax Office staff. One reason for this is that the Tax Office would still be responsible for collecting delinquent taxes for the current tax year from February 1 through June 30. In addition, the Tax Office would still be receiving in all of the delinquent tax payments. Finally, all of the Tax Office Delinquent Tax Collection staff spend approximately 50% of their time on duties other than the collection of delinquent property taxes. The most common of these duties would be the collection of current property taxes.

# Explanation of FY2004 Net Revenue Analysis

(cont'd)

## Additional Years of Estimated Delinquent Tax Collections for the Current 2003 Tax Year

- Once the Travis County FY2004 Net Revenues are compared against the estimated FY2004 Outsourced Net Revenues, additional years of estimated delinquent tax collections for the current 2003 tax year are added to the analysis. This is done to account for the fact that the majority of the delinquent tax collection process for each tax year typically goes on for about five years and then tapers off.
- Travis County's most recent 5-year total collection rate (Tax Year 1999) is 99.75%. Because of the fact that Travis County collected 98.77% of Tax Year 2003 property taxes in FY2004, it is estimated that Travis County will collect an additional 0.98% of Tax Year 2003 delinquent property taxes in the next four fiscal years (99.75% minus 98.77%). The 0.98% is equivalent to \$2,867,237.
- The next step is to estimate additional years' base delinquent tax collections for Travis County Tax Year 2003 using a law firm's average 5-year collection rate. Linebarger's most recent 5-year average total collection rate (Tax Year 1999) is 99.47% (average is for 5 Linebarger counties, we threw out the 6th submitted county as a low performing outlier). Because of the fact that it was estimated that Linebarger would have collected 97.70% of Tax Year 2003 property taxes in FY2004, it is estimated that Linebarger will collect an additional 1.77% of Tax Year 2003 delinquent property taxes in the next four fiscal years (99.47% minus 97.70%). The 1.77% is equivalent to \$5,223,978.

# Summary of FY2004 Net Revenue Analysis

## Summary of FY2004 Net Revenue Analysis

When looking at the big picture (i.e. all revenues and all expenditures associated with delinquent tax collections) our analysis shows that Travis County would lose a significant amount of net revenue if Travis County outsourced the collection of property taxes delinquent after June 30 of each corresponding tax year. Whether using the average collection rates of the Perdue firm or Linebarger firm, or the best individual County collection rates submitted by either firm, Travis County would lose over \$5.3 million (the loss ranges from \$5.3 million to \$7.1 million in the analysis) in FY2004 estimated net revenues (i.e. revenues less expenditures). The estimated losses would be greater in future years if the tax levy increases.

# Property Tax Lawsuits

## ➤ Why and When Does Travis County File a Lawsuit?

- The Tax Collector-Assessor performs many collection efforts starting on February 1 when property taxes become delinquent. First, the Tax Office sends out a Section 33.04 delinquent notice that demands payment by February 28. There are approximately thirty to forty thousand letters sent out each year. Also during this time the Tax Office determines which delinquent accounts are high priority and may contact them by phone, especially the accounts with large amounts due. High priority accounts are the accounts with large accumulated balances (many accounts are for multiple years) and accounts in jurisdictions with low collection rates. Personal property accounts are also high priority because immediate legal action may need to be taken to seize the property, given the fact that some personal property can easily be moved out of the County.
- Second, if there is no response to the Section 33.04 letter, a demand letter is sent giving the taxpayer ten days to respond. If the taxpayer responds but is unable to pay, alternative payment options are offered such as an installment plan or other arrangement. If the taxpayer sets up an alternative method of payment, Travis County will not pursue litigation. The actions of the Tax Office are a direct result of the history of the taxpayer. If the taxpayer has a history of delinquency then steps to litigation will be expeditious if there is no response from the taxpayer. It is a general rule that lawsuits are not filed on amounts due of less than \$500.

## ➤ Why and When Does Travis County File a Lawsuit? (cont'd)

- Third, if there is no response to the demand letter, a litigation letter is sent demanding payment immediately and stating that Travis County is in the process of filing a lawsuit against them. At this point, a lawsuit can still be avoided if the taxpayer responds immediately and either pays in full or chooses an alternate method of payment. Even after a lawsuit has been filed, the Tax Office will continue to assist taxpayers by offering payment arrangements. However, a judgment must be filed before a formal agreement will be made.
- In short, taxpayers can avoid legal action by responding to the Tax Office's collection letters and setting up alternative methods of payment if necessary. The Tax Office will only pursue litigation on taxpayers that are unresponsive to their collection efforts.

## ➤ Who Decides When a Lawsuit is Filed?

- The Tax Collector-Assessor makes all the decisions regarding when to file a lawsuit.

# Property Tax Lawsuits

(cont'd)

## ➤ Does Travis County file a larger number of lawsuits?

- Yes. By any objective measure Travis County files more property tax lawsuits than any of the law firms did on behalf of their clients in the data that was submitted. However, by the same token, Travis County has a higher property tax collection rate (current and delinquent) than any county client data submitted in the law firm proposals. Travis County's litigation efforts seem to be working well.
- One of the law firm proposals stated that in Fiscal Years 2003 and 2004, Travis County filed a combined total of 8,400 lawsuits (this was an estimated amount provided by the Tax Office to vendors), of which 86.8% were filed on properties appraised at or below the average homestead amount owed of \$4,913. The 86.8% is misleading because almost half of these lawsuits were on personal property. It is not appropriate to compare personal property values to average homestead amounts, since personal property values are not used to calculate the average homestead amount. Please see the chart below for an accurate breakdown of lawsuits in FY 2003 and FY 2004. Travis County analyzes all lawsuit information by parcel.

# Property Tax Lawsuits

(cont'd)

- As shown in the following chart, when excluding all property without homestead exemptions, only 17.7% of all parcels with lawsuits filed were below the average homestead amount of \$4,913 in taxes owed.

## Breakdown of Parcels with Lawsuits in FY03 & FY04

|  | FY03  | FY04  | Total        |
|--|-------|-------|--------------|
| Total Number of Parcels With Lawsuits:     | 4,880 | 2,698 | 7,578        |
| Real Property                              | 2,563 | 1,542 | 4,105        |
| % of Total Parcels With Lawsuits           | 52.5% | 57.2% | 54.2%        |
| Personal Property                          | 2,317 | 1,156 | 3,473        |
| % of Total Parcels With Lawsuits           | 47.5% | 42.8% | 45.8%        |
| Number of Homestead Parcels With Lawsuits: | 1,024 | 723   | 1,747        |
| Under \$4,913 in Taxes Owed                | 790   | 551   | 1,341        |
| % of Homestead Parcels With Lawsuits       | 77.1% | 76.2% | 76.8%        |
| % of Total Parcels With Lawsuits           | 16.2% | 20.4% | <b>17.7%</b> |

# Property Tax Lawsuits

(cont'd)

- The next chart shows total parcels sued in FY 2004 for Tax Year 2003. Travis County sued 2,698 (0.81%) of the total number of parcels billed in FY 2004 for Tax Year 2003. Of the 2,698 parcels sued, 723 (26.80%) of them were on homesteads. There were 36,335 parcels that were delinquent on February 1, 2004 and 2,829 (7.79%) were sued in FY 2004.

# Property Tax Lawsuits

(cont'd)

## Total Parcels in FY 2004 vs. Parcels With Lawsuits Filed in FY 2004 for Tax Year 2003

|  | FY 2004/TY 2003                    |
|--|------------------------------------|
|  | Number of Parcels<br>% Percentages |
| Total Parcels (Travis County)  | 334,706                            |
| Total Parcels with Lawsuits  | 2,698                              |
| Percentage of Total Parcels  | 0.81%                              |
| Non-Homestead Parcels w/Lawsuits   | 1,975                              |
| <b>Lawsuits on Non-Homestead Parcels as a<br/>Percentage of Total Parcels w/Lawsuits</b> | <b>73.20%</b>                      |
| Parcels w/Lawsuits (Homestead)   | 723                                |
| Lawsuits on Homestead Parcels as a<br>Percentage of Total Parcels w/Lawsuits             | 26.80%                             |
| Delinquent Parcels (All Jurisdictions)<br>at 2/1/04 for Tax Year 2003                    | 36,335                             |
| Lawsuits filed in FY04 for all Tax Years<br>(All Jurisdictions)                          | 2,829                              |
| Percentage of Delinquent Parcels Sued  | 7.79%                              |

# Property Tax Lawsuits

(cont'd)

- We found no evidence in the data to support one law firm's assertion that Travis County files lawsuits to fund its collection system. It is important to note that the Tax Assessor-Collector, not the County Attorney, makes decisions concerning the filing of delinquent property tax lawsuits. Travis County files lawsuits to force delinquent taxpayers to pay their taxes and to provide all jurisdictions with the best current and delinquent tax collection rate possible. Travis County will only file lawsuits on delinquent taxpayers who are unresponsive to their collection efforts. The number of lawsuits filed fluctuates from year to year based on the collection efforts required as shown in the following chart:

| Fiscal Year | Lawsuits<br>Filed |
|-------------|-------------------|
| 2002        | 3,723             |
| 2003        | 5,183             |
| 2004        | 2,829             |

# Property Tax Lawsuits

(cont'd)

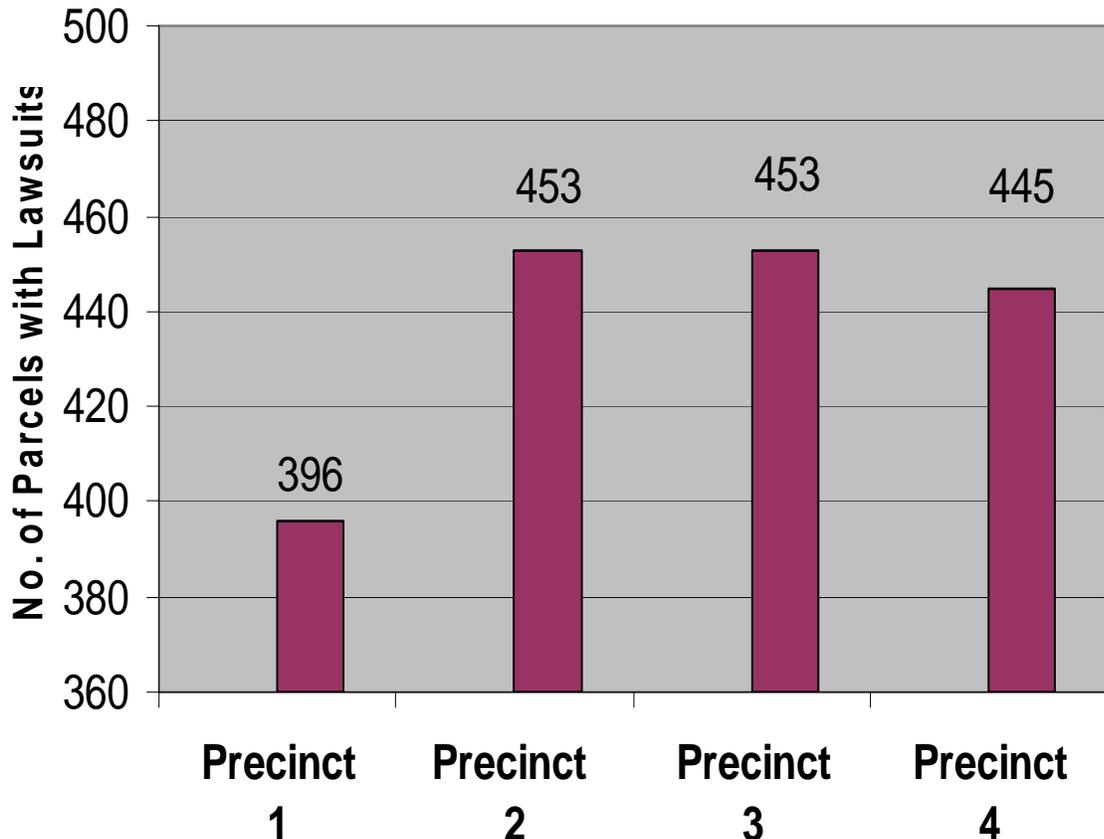
- Delinquent taxpayers can avoid a lawsuit by responding favorably to any one of three letters or telephone calls from the Tax Office by either paying their delinquent taxes or simply working out a payment plan. If the delinquent taxpayers ignore the Tax Office's collection efforts, lawsuits are initiated based on the following criteria:
  1. The taxpayer owes a large amount of tax (the larger the balance the higher the priority).
  2. The taxpayer already has a balance from a previous tax year.
  3. The taxpayer has a poor payment history, has written a check on insufficient funds, or has broken a payment plan.
  4. The taxpayer owes tax to a jurisdiction that has a low collection rate.

# Property Tax Lawsuits

(cont'd)

## ➤ Is There Any Unfairness in the Filing of Delinquent Lawsuits?

- Travis County, of course, has no control over which taxpayers do not pay their taxes and where those properties are geographically located in the County.
- Travis County files about the same number of homestead lawsuits in each Travis County Precinct. This data was compiled using zip codes from a Tax Office query and matching them to a detailed map by precinct. The chart below shows parcels with homestead lawsuits filed by precinct in FY03 and FY04 combined.



# Property Tax Lawsuits

(cont'd)

- The following chart shows parcels with homestead exemptions by homestead value that have lawsuits filed on them. It also shows the number of these lawsuits that fit into each criterion for initiation of a lawsuit.

| Homestead Value | # of Homestead Parcels Sued in FY03 & FY04 | %       | Largest Balances Due for 1 Tax Yr | %      | Owed on Multiple Years * | %      | Poor Pymt History/NSF Ck | %      | Jurisdiction w/Poor Coll Rate | %     |
|-----------------|--|---------|-----------------------------------|--------|--------------------------|--------|--------------------------|--------|-------------------------------|-------|
| < \$100,000     | 649  | 37.15%  | 199                               | 30.66% | 257                      | 39.60% | 147                      | 22.65% | 46                            | 7.09% |
| > \$100,000     | 1098                                       | 62.85%  | 786                               | 71.58% | 256                      | 23.32% | 50                       | 4.55%  | 6                             | 0.55% |
| Totals          | 1,747                                      | 100.00% | 985                               | 56.38% | 513                      | 29.36% | 197                      | 11.28% | 52                            | 2.98% |

\* Averages 3.5 years

- In FY 2003 and FY 2004 combined, Travis County filed lawsuits on 7,578 parcels, of which 23.05% were on homestead parcels.

$$\frac{\text{Lawsuits Filed on Homestead Parcels}}{\text{Lawsuits Filed on Parcels}} = \frac{1,747}{7,578} = 23.05\%$$

# Property Tax Lawsuits

(cont'd)

- Also in FY 2003 and FY 2004, Travis County filed lawsuits on 649 homestead parcels valued under \$100,000.

Lawsuits Filed on Homestead Parcels

$$\frac{\text{Valued} < \$100,000}{\text{Lawsuits Filed on Parcels}} = \frac{649}{7,578} = 8.56\%$$

- There are more of these parcels in Precincts 1 and 4. But evidence suggests that the only reason these parcels have had lawsuits filed on them is because they met the previously outlined criteria used to determine whether or not a lawsuit should be filed.

# Property Tax Lawsuits

(cont'd)

- There were 649 homestead parcels valued under \$100,000 that were sued in FY 2003 and FY 2004. Of these 649 homestead parcels:
  - 1) 199 (30.66%) were sued because they had a large balance due for one tax year. This simply means that the Tax Office had worked the amounts owed from highest to lowest to the point where the balances owed on these homesteads were at the top of the list.
  - 2) 257 (39.6%) were sued because they owed delinquent taxes on a parcel for multiple years. The average number of years for delinquency for these parcels is 3½ years.
  - 3) 147 (22.65%) were sued because they had a poor payment history and/or had written a check on insufficient funds. When a delinquent taxpayer breaks a payment agreement, the Tax Office still attempts to contact the taxpayer to negotiate a revised payment agreement. If the delinquent taxpayer does not respond, a lawsuit is initiated.
  - 4) 46 (7.09%) were sued because the parcel was in a jurisdiction with a low collection rate. Most of these parcels (approximately 76%) were sued because they were in the Del Valle ISD in Precinct Four in an effort to collect more property taxes for that school district.

## ➤ Do Lawsuits Cost Delinquent Taxpayers More Overall?

- There were 1,425 homeowners that were not assessed a 15% attorney fee by Travis County that would have been if a law firm had been collecting their delinquent taxes in FY04.
- Even with the number of lawsuits that Travis County files, it is still less expensive for delinquent taxpayers in general to have Travis County collect their taxes. The following chart analyzes homestead parcels only and shows how many parcels were still delinquent on July 1, 2004 for tax year 2003. There were 1,767 homestead parcels billed in Tax Year 2003 that were still delinquent on July 1, 2004 that did not have a payment plan. By March 31, 2005 (9 months later) Travis County had collected 74.1% of the base tax due for these delinquent parcels with only 342 lawsuits, assessing a 15% attorney fee totaling \$130,047. If the County had utilized an outside firm to collect delinquent taxes, all 1,767 parcels would have been assessed a 15% attorney fee, totaling \$472,226. This would have cost homeowners an additional \$342,179 in attorney fees or \$193.63 per parcel. These parcels had an average value of \$114,830, which is 42.0% less than the average homestead amount.

# Property Tax Lawsuits (cont'd)

| All Jurisdictions With Delinquent<br>Tax Balances<br>on 07/01/04 for TY03 only | Number of<br>Parcels | Base Due<br>July 1, 2004 | Tax & P&I Due<br>on July 1, 2004 | Net Base<br>Collected<br>July 04 to<br>March 05 | Base Tax<br>Collection<br>% | Atty Fees<br>Coll 7/1/04-<br>3/31/05 | Atty Fees<br>Due on<br>3/31/05 | Average<br>Appraisal<br>per Parcel |
|--|----------------------|--------------------------|----------------------------------|---|-----------------------------|--------------------------------------|--------------------------------|------------------------------------|
| No lawsuit from 7/1/04 to 3/31/05  | 1,425                | 1,935,884                | 2,276,488                        | 1,396,121                                       | 72.12%                      | 0                                    | 0                              | 113,895                            |
| Lawsuit from 7/1/04 to 9/30/04   | 342                  | 738,907                  | 871,687                          | 587,042   | 79.45%                      | 101,363                              | 28,684                         | 118,726                            |
| <b>Totals</b>  | <b>1,767</b>         | <b>2,674,791</b>         | <b>3,148,175</b>                 | <b>1,983,163</b>                                | <b>74.14%</b>               | <b>101,363</b>                       | <b>28,684</b>                  | <b>114,830</b>                     |
|  |                      | (a)                      | (b)                              | (c)   | (c/a)                       | (d)                                  | (e)                            |                                    |

15% Attorney Fee Charged:

|                  |            |           |
|------------------|------------|-----------|
| by outside firm  | \$472,226  | (b x 15%) |
| by Travis County | -\$130,047 | (d + e)   |
| Difference       | \$342,179  |           |

# Exhibit L - Explanation and Summary Of Court Costs

## FY2004 All Jurisdictions and All Tax Years

|   | Phase I - No<br>Lawsuits | Phase II -<br>Lawsuits -<br>Settled | Phase III -<br>Lawsuits -<br>Tax Sale | Total - All<br>Phases | Total<br>Lawsuits -<br>Phase II and<br>III |
|---|--------------------------|-------------------------------------|---------------------------------------|-----------------------|--|
| Number of Delinquent Parcels Collected - All Tax Years                            | 23,519                   | 5,689                               | 589                                   | 29,797                | 6,278                                      |
| Attorney (Enforcement) Fees - Net Of Reversals                                    | \$0                      | \$2,490,164                         | \$447,644                             | \$2,937,808           | \$2,937,808                                |
| <b>Average Attorney (Enforcement) Fee</b>   | \$0                      | <b>\$438</b>                        | <b>\$760</b>                          | \$99                  | <b>\$468</b>                               |
| <b>Total Court Cost Data:</b>   |                          |                                     |                                       |                       |  |
| Original Petition Fees (Court Costs) - District Court                             | \$0                      | \$607,498                           | \$0                                   | \$607,498             | \$607,498                                  |
| Original Petition Fees (Court Costs) - JP Court                                   | \$0                      | \$14,651                            | \$0                                   | \$14,651              | \$14,651                                   |
| Citation Fees - Constables  | \$0                      | \$353,320                           | \$0                                   | \$353,320             | \$353,320                                  |
| Tax Sale Commission Fee   | \$0                      | \$0                                 | \$76,695                              | \$76,695              | \$76,695                                   |
| Auction Fees  | \$0                      | \$0                                 | \$66,782                              | \$66,782              | \$66,782                                   |
| Executing a Deed/Bill of Sale Fee   | \$0                      | \$0                                 | \$3,536                               | \$3,536               | \$3,536                                    |
| Court Costs (JP Court) Abstract, Intervention                                     | \$0                      | \$330                               | \$0                                   | \$330                 | \$330                                      |
| Court Costs (District Court) Abstract, Intervention, Issuance, Order of Sale Fees | \$0                      | \$61,491                            | \$0                                   | \$61,491              | \$61,491                                   |
| Order of Sale Fees  | \$0                      | \$0                                 | \$3,073                               | \$3,073               | \$3,073                                    |
| <b>Subtotal - Court Costs that are County Revenue</b>                             | <b>\$0</b>               | <b>\$1,037,290</b>                  | <b>\$150,086</b>                      | <b>\$1,187,376</b>    | <b>\$1,187,376</b>                         |
| Advertising Cost Reimbursement  | \$0                      | \$0                                 | \$142,871                             | \$142,871             | \$142,871                                  |
| Title Fee - (Not County Revenue)  | \$0                      | \$172,100                           | \$0                                   | \$172,100             | \$172,100                                  |
| Attorney ad Litem Fee - (Not County Revenue)                                      | \$0                      | \$70,120                            | \$0                                   | \$70,120              | \$70,120                                   |
| <b>Subtotal - Court Costs that are not County Revenue</b>                         | <b>\$0</b>               | <b>\$242,220</b>                    | <b>\$142,871</b>                      | <b>\$385,091</b>      | <b>\$385,091</b>                           |
| <b>Total Court Costs</b>  | <b>\$0</b>               | <b>\$1,279,510</b>                  | <b>\$292,957</b>                      | <b>\$1,572,467</b>    | <b>\$1,572,467</b>                         |
| <b>Average Court Costs</b>  | <b>\$0</b>               | <b>\$225</b>                        | <b>\$497</b>                          | <b>\$53</b>           | <b>\$250</b>                               |
| Amount Base Delinquent Tax Collected - Net Of Reversals                           | \$44,552,636             | \$15,097,436                        | \$1,927,348                           | \$61,577,420          | \$17,024,784                               |
| <b>Average Amount Base Delinquent Tax Collected</b>                               | <b>\$1,894</b>           | <b>\$2,654</b>                      | <b>\$3,272</b>                        | <b>\$2,067</b>        | <b>\$2,712</b>                             |
| Delinquent Penalty & Interest (P&I) Collected - Net Of Reversals                  | \$5,776,019              | \$4,199,543                         | \$894,987                             | \$10,870,549          | \$5,094,530                                |
| <b>Average Delinquent Penalty &amp; Interest (P&amp;I) Collected</b>              | <b>\$246</b>             | <b>\$738</b>                        | <b>\$1,520</b>                        | <b>\$365</b>          | <b>\$811</b>                               |

# Exhibit L - Explanation and Summary Of Court Costs (cont'd)

- If a successful judgment is rendered against a delinquent taxpayer, as with any other Civil Court lawsuit, the delinquent taxpayer must pay court costs. The average amount of court costs paid by a delinquent taxpayer in FY2004 was \$250. Court costs can be minimized in a number of ways. First, court costs can be avoided completely if the delinquent taxpayer responds favorably to any one of three letters or phone calls from the Tax Office by either paying their delinquent taxes or simply by working out a payment plan. Second, if the delinquent amount is for personal property less than \$5,000, the Tax Office generally files the lawsuit in a Justice of the Peace Court. This results in a flat rate court cost of \$77. Finally, court costs are greatly reduced if the lawsuit is settled without forcing the County to sell the delinquent property to pay for the delinquent taxes owed. The average amount of court costs paid in FY2004 for cases which required a tax sale was \$497. The vast majority of cases are settled without a tax sale. The average amount of court costs paid in FY2004 for cases settled without a tax sale was \$225.

# Summary and Explanation of What the Average Delinquent Taxpayer Pays

- The following is a summary of what the average delinquent taxpayer paid in FY2004 for all jurisdictions and all Tax Years:

## FY2004 All Jurisdictions - All Tax Years

|  | No<br>Lawsuits                                       | Lawsuits  | Total                                     |
|--|--|---|---|
| Number of Delinquent<br>Parcels Collected - All Tax<br>Years | 23,519   | 6,278   | 29,797                                    |
|  | <b>Average<br/>Amt Paid<br/>Without<br/>Lawsuits</b> | <b>Average<br/>Amt Paid<br/>With<br/>Lawsuits</b> | <b>Average<br/>Total<br/>Amt<br/>Paid</b> |
| Average Amount Base<br>Delinquent Tax Collected              | \$1,894  | \$2,712   | \$2,067                                   |
| Average Delinquent<br>Penalty & Interest (P&I)<br>Collected  | \$246  | \$811   | \$365                                     |
| Average Court Costs  | \$0  | \$250   | \$53                                      |
| Average Attorney<br>(Enforcement) Fee                        | \$0  | \$468   | \$99                                      |
| <b>Average Total Amounts<br/>Collected</b>                   | <b>\$2,140</b>                                       | <b>\$4,242</b>                                    | <b>\$2,583</b>                            |

# Summary and Explanation of What the Average Delinquent Taxpayer Pays

(cont'd)

- Average court costs make up 5.89% of the average total amounts collected in FY04 for all jurisdictions and all tax years when there is a lawsuit.

$$\frac{\$250}{4,242} = 5.89\%$$

- In FY2004 for all jurisdictions and all tax years, 78.93% of all delinquent parcels were collected on without a lawsuit.

$$\frac{23,519}{29,797} = 78.93\%$$

# Use Of Independent School District (ISD) Data – Explanation and Summary

## Socio-economic Data from TEA

| School District                                     | Total<br>Number<br>of<br>Students | Percentage of<br>Economically<br>Disadvantaged<br>Students | Tax Year 2003                                       |
|---|-----------------------------------|--|---|
|   |                                   |  | Cumulative<br>Collection<br>Rate as of<br>9/30/2004 |
| Austin Independent School District                  | 78,172                            | 55.6%  | 98.95%  |
| Plugerville Independent School District             | 16,544                            | 34.9%  | 98.62%  |
| Round Rock Independent School District - Linebarger | 35,493                            | 20.5%  | 98.62%  |
| <b>Travis County</b>                                |                                   |  | <b>98.77%</b>                                       |
| Carroll ISD - Perdue (Tarrant County)               | 7,265                             | 1.5%   | 99.24%  |
| <b>Tarrant County</b>                               |                                   |  | <b>98.16%</b>                                       |

Source: Socio-economic data taken from Texas Education Agency 2003-2004 Academic Excellence Indicator System

# Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

- We do not believe that comparing Independent School District (ISD) collection rates to county collection rates is really an “apples to apples” comparison. One reason for this is that ISD’s typically cover only portions of a county’s jurisdiction. There are generally several school districts in one county and the collection rates between the ISD’s in a county can vary significantly. This is certainly true in Travis County. For example in FY2004 the Travis County collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 98.77%. Some school districts that are at least partially located in Travis County have collection rates for the same period that are higher than Travis County and some school districts have collection rates for the same period that are lower.

# Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

| <b>Entity (Collected By)</b>     | <b>Tax Year 2003<br/>Collection Rate<br/>as of 9/30/2004</b> |
|----------------------------------|--|
| Austin ISD (Travis County)       | 98.95%   |
| Lake Travis ISD (Travis County)  | 98.84%   |
| <b>Travis County</b>             | <b>98.77%</b>  |
| Pflugerville ISD (Travis County) | 98.62%   |
| Round Rock ISD (Linebarger)      | 98.62%   |
| Manor ISD (Travis County)        | 98.29%   |
| Del Valle ISD (Travis County)    | 97.06%   |
| Lago Vista ISD (Travis County)   | 94.36%   |

# Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

- The Round Rock ISD rate of 98.62% is the actual collection rate for the period when using an adjusted levy as of October 1 of the Tax Year. This is the same way **all** of Travis County's collection rates have been calculated and it is the calculation method requested in question five of the RFI. The Linebarger Firm originally submitted the collection rate for this period as 101% even though a collection rate greater than 100% is not possible using the calculation method outlined in the RFI.
- Linebarger also asserted that Round Rock ISD and Pflugerville ISD have “similar socio-economic foundations” and are therefore comparable. While it is true that the two school districts have similar collection rates (they are both 98.62% in FY2004), it would probably be a stretch to claim that they have “similar socio-economic foundations”. The Round Rock ISD is more than twice as large as the Pflugerville ISD (enrollment of 35,493 vs. enrollment of 16,544). The Pflugerville ISD also has more than 70% more economically disadvantaged students than the Round Rock ISD (34.9% economically disadvantaged students vs. 20.5% economically disadvantaged students). Given that the two districts have similar collection rates and **different** socio-economic foundations, it might be fairer to conclude that “socio-economic foundations” do not have much to do with property tax collection rates. This conclusion can be further supported by the fact the Austin ISD is much larger than both ISD's (enrollment of 78,172), has a considerably higher percentage of economically disadvantaged students (55.6%), and has a higher collection rate than either Round Rock ISD or Pflugerville ISD.

# Use Of Independent School District (ISD) Data – Explanation and Summary (cont'd)

- Another example of an ISD that has a higher collection rate than the County that it is contained within is Carroll ISD in Tarrant County. For example in FY2004 the Tarrant County collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 98.16%. Tarrant County is a Linebarger client. The FY2004 Carroll ISD collection rate for Tax Year 2003 property taxes as of September 30, 2004 was 99.24%. Carroll ISD is a Perdue client. Because we do not believe that collection rates for Counties and collection rates for ISD's contained within those Counties are necessarily comparable, we would not use these numbers to conclude that the Perdue Firm has a better collection rate in Tarrant County than the Linebarger Firm.
- Because we do not believe that ISD collection rates are necessarily comparable to County collection rates, our analysis does not include a judgment of which law firm does a better job of delinquent tax collections based on the data submitted by the two firms. In general, the Perdue Firm comes out ahead of the Linebarger Firm in the analytical comparisons that we performed. It is important to note however that of the five entities that make up the data used from the Perdue submission, four of the entities are ISD's and only one entity is a County. All five of the Linebarger entities used in our analysis were Counties.



# Delinquent Tax Collection Analysis Calculations

July 2005



## Exhibit B – Annual Collection Rate for Each Tax Year Averaged Over Four Years

- The Perdue average rate was calculated from the actual data provided by Perdue for the periods:

|                | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>Average</u> |
|----------------|-------------|-------------|-------------|-------------|----------------|
| Arlington      | 98.32%      | 98.28%      | 98.33%      | 98.49%      | 98.36%         |
| Carroll        | 97.03%      | 99.13%      | 99.23%      | 99.24%      | 98.66%         |
| Mansfield      | 97.94%      | 97.49%      | 97.73%      | 97.66%      | 97.71%         |
| Cleburne       | 97.80%      | 97.60%      | 97.68%      | 97.76%      | 97.71%         |
| Johnson        | 95.27%      | 95.26%      | 95.60%      | 96.08%      | <u>95.55%</u>  |
| <b>Average</b> |             |             |             |             | <b>97.60%</b>  |

# Exhibit B – Annual Collection Rate for Each Tax Year Averaged Over Four Years

(cont'd)

- The Linebarger average rate was calculated from the actual data provided by Linebarger for the periods:

|                | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Average</b> |
|----------------|-------------|-------------|-------------|-------------|----------------|
| Bexar          | 97.79%      | 97.58%      | 97.61%      | 97.83%      | 97.70%         |
| Dallas         | 98.20%      | 97.95%      | 97.63%      | 98.01%      | 97.95%         |
| El Paso        | 96.66%      | 96.65%      | 96.63%      | 96.75%      | 96.67%         |
| Nueces         | 97.46%      | 97.60%      | 97.55%      | 97.76%      | 97.59%         |
| Tarrant        | 98.05%      | 97.75%      | 98.00%      | 98.16%      | 97.99%         |
| <b>Average</b> |             |             |             |             | <b>97.58%</b>  |

# Exhibit C – Collection Rate for Tax Year 2000 after 4 Years

- The numbers were calculated as follows:
- The Travis County four-year collection rate for Tax Year 2003 was **99.70%**.
  - The Perdue average four-year collection rate for Tax Year 2003 was calculated from the actual data provided by Perdue for the four-year period:

|                |               |
|----------------|---------------|
| Arlington ISD  | 99.43%        |
| Carroll ISD    | 99.88%        |
| Mansfield ISD  | 98.92%        |
| Cleburne ISD   | 99.50%        |
| Johnson County | <u>98.90%</u> |
| <b>Average</b> | <b>99.33%</b> |

# Exhibit C – Collection Rate for Tax Year 2000 after 4 Years (cont'd)

- The Linebarger average four-year collection rate for Tax Year 2003 was calculated from the actual data provided by Linebarger for the four-year period:

|                |               |
|----------------|---------------|
| Bexar County   | 99.43%        |
| Dallas County  | 99.32%        |
| El Paso County | 98.99%        |
| Nueces County  | 99.39%        |
| Tarrant County | <u>99.43%</u> |
| <b>Average</b> | <b>99.31%</b> |

# Exhibit E – Collection Rate Comparison for Feb 1- June 30 for Tax Years 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect

➤ The numbers were calculated as follows for Linebarger:

**TAX YEAR 1999**  
**Feb 1 - Jun 30, 2000**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 1999            | Bexar         | 15.21%                 | 20.22%                            | 75.22%                 |
| 1999            | Dallas        | 40.56%                 | 43.00%                            | 94.33%                 |
| 1999            | El Paso       | 27.33%                 | 31.04%                            | 88.05%                 |
| 1999            | Hidalgo       | 11.12%                 | 25.04%                            | 44.41%                 |
| 1999            | Nueces        | 23.42%                 | 27.06%                            | 86.55%                 |
| 1999            | Tarrant       | 19.76%                 | 23.28%                            | 84.88%                 |
| <b>1999</b>     | <b>LG Avg</b> | <b>22.90%</b>          | <b>28.27%</b>                     | <b>81.00%</b>          |
| <b>1999</b>     | <b>Travis</b> | <b>19.89%</b>          | <b>21.32%</b>                     | <b>93.29%</b>          |

**Exhibit E – Collection Rate Comparison for Feb 1-  
June 30 for Tax Years 1999-2003 Comparing Amount  
Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2000**  
**Feb 1 - Jun 30, 2001**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2000            | Bexar         | 15.01%                 | 20.58%                            | 72.93%                 |
| 2000            | Dallas        | 35.42%                 | 38.12%                            | 92.92%                 |
| 2000            | El Paso       | 27.74%                 | 32.00%                            | 86.69%                 |
| 2000            | Hidalgo       | 11.89%                 | 24.98%                            | 47.60%                 |
| 2000            | Nueces        | 30.18%                 | 33.78%                            | 89.34%                 |
| 2000            | Tarrant       | 21.39%                 | 25.87%                            | 82.68%                 |
| <b>2000</b>     | <b>LG Avg</b> | <b>23.61%</b>          | <b>29.22%</b>                     | <b>80.80%</b>          |
| <b>2000</b>     | <b>Travis</b> | <b>18.17%</b>          | <b>19.87%</b>                     | <b>91.44%</b>          |

**Exhibit E – Collection Rate Comparison for Feb 1-  
June 30 for Tax Years 1999-2003 Comparing Amount  
Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2001**  
**Feb 1 - Jun 30, 2002**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2001            | Bexar         | 15.20%                 | 20.18%                            | 75.32%                 |
| 2001            | Dallas        | 26.55%                 | 29.63%                            | 89.61%                 |
| 2001            | El Paso       | 25.78%                 | 30.00%                            | 85.93%                 |
| 2001            | Hidalgo       | 12.54%                 | 24.98%                            | 50.20%                 |
| 2001            | Nueces        | 22.84%                 | 26.22%                            | 87.11%                 |
| 2001            | Tarrant       | 20.47%                 | 24.90%                            | 82.21%                 |
| <b>2001</b>     | <b>LG Avg</b> | <b>20.56%</b>          | <b>25.98%</b>                     | <b>79.14%</b>          |
| <b>2001</b>     | <b>Travis</b> | <b>20.27%</b>          | <b>22.34%</b>                     | <b>90.73%</b>          |

**Exhibit E – Collection Rate Comparison for Feb 1-  
June 30 for Tax Years 1999-2003 Comparing Amount  
Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2002**  
**Feb 1 - Jun 30, 2003**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2002            | Bexar         | 13.10%                 | 18.99%                            | 68.98%                 |
| 2002            | Dallas        | 19.47%                 | 22.80%                            | 85.39%                 |
| 2002            | El Paso       | 24.40%                 | 28.87%                            | 84.52%                 |
| 2002            | Hidalgo       | 11.58%                 | 22.76%                            | 50.88%                 |
| 2002            | Nueces        | 24.43%                 | 27.83%                            | 87.78%                 |
| 2002            | Tarrant       | 19.73%                 | 23.55%                            | 83.78%                 |
| <b>2002</b>     | <b>LG Avg</b> | <b>18.79%</b>          | <b>24.13%</b>                     | <b>77.87%</b>          |
| <b>2002</b>     | <b>Travis</b> | <b>18.03%</b>          | <b>20.08%</b>                     | <b>89.79%</b>          |

**Exhibit E – Collection Rate Comparison for Feb 1- June 30 for Tax Years 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
 (cont'd)

**TAX YEAR 2003**  
**Feb 1 - Jun 30, 2004**

| <b>Tax Year</b> | <b>Entity</b>     | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|-------------------|------------------------|-----------------------------------|------------------------|
| 2003            | Bexar             | 19.44%                 | 25.15%                            | 77.30%                 |
| 2003            | Dallas            | 13.32%                 | 16.20%                            | 82.22%                 |
| 2003            | El Paso           | 25.68%                 | 30.13%                            | 85.23%                 |
| 2003            | Hidalgo           | 12.24%                 | 23.26%                            | 52.62%                 |
| 2003            | Nueces            | 32.12%                 | 35.39%                            | 90.76%                 |
| 2003            | Tarrant           | 19.47%                 | 23.72%                            | 82.08%                 |
| <b>2003</b>     | <b>LG Avg</b>     | <b>20.38%</b>          | <b>25.64%</b>                     | <b>79.49%</b>          |
| <b>2003</b>     | <b>Travis</b>     | <b>16.95%</b>          | <b>18.78%</b>                     | <b>90.26%</b>          |
| <b>All</b>      | <b>LG Avg</b>     |                        |                                   | <b>79.66%</b>          |
| <b>All</b>      | <b>Travis Avg</b> |                        |                                   | <b>91.10%</b>          |

# Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect

➤ The numbers were calculated as follows:

## TAX YEAR 1999 July 1, 2000 - Sep 30, 2004

| Tax Year    | Entity        | New Collections | Amount Possible to Collect | Collection Rate |
|-------------|---------------|-----------------|----------------------------|-----------------|
| 1999        | Bexar         | 4.53%           | 5.01%                      | 90.42%          |
| 1999        | Dallas        | 1.98%           | 2.44%                      | 81.15%          |
| 1999        | El Paso       | 2.94%           | 3.71%                      | 79.25%          |
| 1999        | Hidalgo       | 11.44%          | 13.92%                     | 82.18%          |
| 1999        | Nueces        | 3.14%           | 3.64%                      | 86.26%          |
| 1999        | Tarrant       | 3.10%           | 3.52%                      | 88.07%          |
| <b>1999</b> | <b>LG Avg</b> | <b>4.52%</b>    | <b>5.37%</b>               | <b>84.17%</b>   |
| <b>1999</b> | <b>Travis</b> | <b>1.18%</b>    | <b>1.43%</b>               | <b>82.52%</b>   |

**Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2000**  
**July 1, 2001 - Sep 30, 2004**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2000            | Bexar         | 5.00%                  | 5.57%                             | 89.77%                 |
| 2000            | Dallas        | 2.02%                  | 2.70%                             | 74.81%                 |
| 2000            | El Paso       | 3.24%                  | 4.26%                             | 76.06%                 |
| 2000            | Hidalgo       | 9.63%                  | 13.09%                            | 73.57%                 |
| 2000            | Nueces        | 2.99%                  | 3.60%                             | 83.06%                 |
| 2000            | Tarrant       | 3.91%                  | 4.48%                             | 87.28%                 |
| <b>2000</b>     | <b>LG Avg</b> | <b>4.47%</b>           | <b>5.61%</b>                      | <b>79.68%</b>          |
| <b>2000</b>     | <b>Travis</b> | <b>1.40%</b>           | <b>1.70%</b>                      | <b>82.35%</b>          |

**Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2001**  
**July 1, 2002 - Sep 30, 2004**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2001            | Bexar         | 4.30%                  | 4.98%                             | 86.35%                 |
| 2001            | Dallas        | 2.30%                  | 3.08%                             | 74.68%                 |
| 2001            | El Paso       | 2.91%                  | 4.22%                             | 68.96%                 |
| 2001            | Hidalgo       | 8.24%                  | 12.44%                            | 66.24%                 |
| 2001            | Nueces        | 2.64%                  | 3.38%                             | 78.11%                 |
| 2001            | Tarrant       | 3.59%                  | 4.43%                             | 81.04%                 |
| <b>2001</b>     | <b>LG Avg</b> | <b>4.00%</b>           | <b>5.42%</b>                      | <b>73.80%</b>          |
| <b>2001</b>     | <b>Travis</b> | <b>1.56%</b>           | <b>2.07%</b>                      | <b>75.36%</b>          |

**Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2002**  
**July 1, 2003 - Sep 30, 2004**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2002            | Bexar         | 3.54%                  | 5.89%                             | 60.10%                 |
| 2002            | Dallas        | 2.10%                  | 3.33%                             | 63.06%                 |
| 2002            | El Paso       | 2.58%                  | 4.47%                             | 57.72%                 |
| 2002            | Hidalgo       | 5.62%                  | 11.18%                            | 50.27%                 |
| 2002            | Nueces        | 2.22%                  | 3.40%                             | 65.29%                 |
| 2002            | Tarrant       | 2.85%                  | 3.82%                             | 74.61%                 |
| <b>2002</b>     | <b>LG Avg</b> | <b>3.15%</b>           | <b>5.35%</b>                      | <b>58.88%</b>          |
| <b>2002</b>     | <b>Travis</b> | <b>1.41%</b>           | <b>2.05%</b>                      | <b>68.78%</b>          |

**Exhibit F – Collection Rate Comparison for July 1-Sept 30, 2004 for Tax Yrs 1999-2003 Comparing Amount Collected in Period to Amount Possible to Collect**  
(cont'd)

**TAX YEAR 2003**  
**July 1, 2004 - Sep 30, 2004**

| <b>Tax Year</b> | <b>Entity</b> | <b>New Collections</b> | <b>Amount Possible to Collect</b> | <b>Collection Rate</b> |
|-----------------|---------------|------------------------|-----------------------------------|------------------------|
| 2003            | Bexar         | 3.54%                  | 5.71%                             | 62.00%                 |
| 2003            | Dallas        | 0.89%                  | 2.88%                             | 30.90%                 |
| 2003            | El Paso       | 1.20%                  | 4.45%                             | 26.97%                 |
| 2003            | Hidalgo       | 2.42%                  | 11.02%                            | 21.96%                 |
| 2003            | Nueces        | 1.03%                  | 3.27%                             | 31.50%                 |
| 2003            | Tarrant       | 2.41%                  | 4.25%                             | 56.71%                 |
| <b>2003</b>     | <b>LG Avg</b> | <b>1.92%</b>           | <b>5.26%</b>                      | <b>36.50%</b>          |
| <b>2003</b>     | <b>Travis</b> | <b>0.60%</b>           | <b>1.83%</b>                      | <b>32.79%</b>          |
| <b>All</b>      | <b>LG Avg</b> |                        |                                   | <b>66.61%</b>          |
|                 | <b>Travis</b> |                        |                                   |                        |
| <b>All</b>      | <b>Avg</b>    |                        |                                   | <b>68.36%</b>          |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years

➤ The numbers were calculated as follows:

| Travis County | Year | 2000   | 2001   | 2002   | 2003   | Avg    |
|---------------|------|--------|--------|--------|--------|--------|
|               | 1    | 98.73% | 98.53% | 98.56% | 98.77% | 98.65% |
|               | 2    | 99.29% | 99.21% | 99.36% |        | 99.29% |
|               | 3    | 99.53% | 99.49% |        |        | 99.51% |
|               | 4    | 99.70% |        |        |        | 99.70% |

## Linebarger Data ( Not Including Hidalgo County)

| Bexar County | Year | 2000   | 2001   | 2002   | 2003   | Avg    |
|--------------|------|--------|--------|--------|--------|--------|
|              | 1    | 97.79% | 97.58% | 97.61% | 97.83% | 97.70% |
|              | 2    | 98.95% | 98.98% | 98.87% |        | 98.93% |
|              | 3    | 99.31% | 99.32% |        |        | 99.32% |
|              | 4    | 99.43% |        |        |        | 99.43% |

| Dallas County | Year | 2000   | 2001   | 2002   | 2003   | Avg    |
|---------------|------|--------|--------|--------|--------|--------|
|               | 1    | 98.20% | 97.95% | 97.63% | 98.01% | 97.95% |
|               | 2    | 99.10% | 98.92% | 98.77% |        | 98.93% |
|               | 3    | 99.20% | 99.22% |        |        | 99.21% |
|               | 4    | 99.32% |        |        |        | 99.32% |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

| <b>El Paso County</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                       | 1           | 96.66%      | 96.65%      | 96.63%      | 96.75%      | 96.67%     |
|                       | 2           | 98.10%      | 98.04%      | 98.10%      |             | 98.08%     |
|                       | 3           | 98.63%      | 98.69%      |             |             | 98.66%     |
|                       | 4           | 98.99%      |             |             |             | 98.99%     |

| <b>Nueces County</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                      | 1           | 97.46%      | 97.60%      | 97.55%      | 97.76%      | 97.59%     |
|                      | 2           | 98.64%      | 98.74%      | 98.82%      |             | 98.73%     |
|                      | 3           | 99.08%      | 99.26%      |             |             | 99.17%     |
|                      | 4           | 99.39%      |             |             |             | 99.39%     |

| <b>Tarrant County</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                       | 1           | 98.05%      | 97.75%      | 98.00%      | 98.16%      | 97.99%     |
|                       | 2           | 98.92%      | 98.75%      | 99.03%      |             | 98.90%     |
|                       | 3           | 99.26%      | 99.16%      |             |             | 99.21%     |
|                       | 4           | 99.43%      |             |             |             | 99.43%     |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

| <b>LG Avg (No Hidalgo)</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b>    |
|----------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
|                            | 1           | 97.63%      | 97.51%      | 97.48%      | 97.70%      | <b>97.58%</b> |
|                            | 2           | 98.74%      | 98.69%      | 98.72%      |             | <b>98.72%</b> |
|                            | 3           | 99.10%      | 99.13%      |             |             | <b>99.12%</b> |
|                            | 4           | 99.31%      |             |             |             | <b>99.31%</b> |

## **Perdue Data (No Burleson ISD)**

| <b>Arlington ISD</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                      | 1           | 98.32%      | 98.28%      | 98.33%      | 98.49%      | 98.36%     |
|                      | 2           | 99.17%      | 99.15%      | 99.22%      |             | 99.18%     |
|                      | 3           | 99.36%      | 99.40%      |             |             | 99.38%     |
|                      | 4           | 99.43%      |             |             |             | 99.43%     |

| <b>Carroll ISD</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|--------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                    | 1           | 97.03%      | 99.13%      | 99.23%      | 99.24%      | 98.66%     |
|                    | 2           | 99.60%      | 99.80%      | 99.79%      |             | 99.73%     |
|                    | 3           | 99.87%      | 99.86%      |             |             | 99.87%     |
|                    | 4           | 99.88%      |             |             |             | 99.88%     |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

| <b>Mansfield ISD</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                      | 1           | 97.94%      | 97.49%      | 97.73%      | 97.66%      | 97.71%     |
|                      | 2           | 98.51%      | 98.68%      | 98.87%      |             | 98.69%     |
|                      | 3           | 98.78%      | 99.15%      |             |             | 98.97%     |
|                      | 4           | 98.92%      |             |             |             | 98.92%     |

| <b>Cleburne ISD</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|---------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                     | 1           | 97.80%      | 97.60%      | 97.68%      | 97.76%      | 97.71%     |
|                     | 2           | 98.85%      | 98.89%      | 98.93%      |             | 98.89%     |
|                     | 3           | 99.29%      | 99.30%      |             |             | 99.30%     |
|                     | 4           | 99.50%      |             |             |             | 99.50%     |

| <b>Johnson County</b> | <b>Year</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|------------|
|                       | 1           | 95.27%      | 95.26%      | 95.60%      | 96.08%      | 95.55%     |
|                       | 2           | 97.43%      | 97.53%      | 97.83%      |             | 97.60%     |
|                       | 3           | 98.36%      | 98.55%      |             |             | 98.46%     |
|                       | 4           | 98.90%      |             |             |             | 98.90%     |

# Exhibit G – Comparison of Cumulative Collection Rates after One, Two, Three, and Four Years (cont'd)

**PB Avg (No  
Burleson)**

| Year | 2000   | 2001   | 2002   | 2003   | Avg           |
|------|--------|--------|--------|--------|---------------|
| 1    | 97.27% | 97.55% | 97.71% | 97.85% | <b>97.60%</b> |
| 2    | 98.71% | 98.81% | 98.93% |        | <b>98.82%</b> |
| 3    | 99.13% | 99.25% |        |        | <b>99.19%</b> |
| 4    | 99.33% |        |        |        | <b>99.33%</b> |

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years

➤ The numbers were calculated as follows:

| <b>Travis County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b>    |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
|                      | 1           | 98.92%      | 98.73%      | 98.53%      | 98.56%      | 98.77%      | <b>98.70%</b> |
|                      | 2           | 99.41%      | 99.29%      | 99.21%      | 99.36%      |             | <b>99.32%</b> |
|                      | 3           | 99.57%      | 99.53%      | 99.49%      |             |             | <b>99.53%</b> |
|                      | 4           | 99.64%      | 99.70%      |             |             |             | <b>99.67%</b> |
|                      | 5           | 99.75%      |             |             |             |             | <b>99.75%</b> |

## Linebarger Data (No Hidalgo County)

| <b>Bexar County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                     | 1           | 98.08%      | 97.79%      | 97.58%      | 97.61%      | 97.83%      | 97.78%     |
|                     | 2           | 99.03%      | 98.95%      | 98.98%      | 98.87%      |             | 98.96%     |
|                     | 3           | 99.35%      | 99.31%      | 99.32%      |             |             | 99.33%     |
|                     | 4           | 99.49%      | 99.43%      |             |             |             | 99.46%     |
|                     | 5           | 99.52%      |             |             |             |             | 99.52%     |

| <b>Dallas County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                      | 1           | 98.41%      | 98.20%      | 97.95%      | 97.63%      | 98.01%      | 98.04%     |
|                      | 2           | 99.21%      | 99.10%      | 98.92%      | 98.77%      |             | 99.00%     |
|                      | 3           | 99.41%      | 99.20%      | 99.22%      |             |             | 99.28%     |
|                      | 4           | 99.47%      | 99.32%      |             |             |             | 99.40%     |
|                      | 5           | 99.54%      |             |             |             |             | 99.54%     |

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years (cont'd)

| <b>El Paso County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                       | 1           | 97.23%      | 96.66%      | 96.65%      | 96.63%      | 96.75%      | 96.78%     |
|                       | 2           | 98.27%      | 98.10%      | 98.04%      | 98.10%      |             | 98.13%     |
|                       | 3           | 98.75%      | 98.63%      | 98.69%      |             |             | 98.69%     |
|                       | 4           | 99.04%      | 98.99%      |             |             |             | 99.02%     |
|                       | 5           | 99.23%      |             |             |             |             | 99.23%     |

| <b>Nueces County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                      | 1           | 97.54%      | 97.46%      | 97.60%      | 97.55%      | 97.76%      | 97.58%     |
|                      | 2           | 98.47%      | 98.64%      | 98.74%      | 98.82%      |             | 98.67%     |
|                      | 3           | 98.89%      | 99.08%      | 99.26%      |             |             | 99.08%     |
|                      | 4           | 99.13%      | 99.39%      |             |             |             | 99.26%     |
|                      | 5           | 99.50%      |             |             |             |             | 99.50%     |

| <b>Tarrant County</b> | <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
|                       | 1           | 98.37%      | 98.05%      | 97.75%      | 98.00%      | 98.16%      | 98.07%     |
|                       | 2           | 99.03%      | 98.92%      | 98.75%      | 99.03%      |             | 98.93%     |
|                       | 3           | 99.36%      | 99.26%      | 99.16%      |             |             | 99.26%     |
|                       | 4           | 99.50%      | 99.43%      |             |             |             | 99.47%     |
|                       | 5           | 99.58%      |             |             |             |             | 99.58%     |

# Exhibit H – Comparison of Cumulative Collection Rates after One, Two, Three, Four, and Five Years (cont'd)

**LG Avg (No  
Hidalgo)**

| <b>Year</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>Avg</b>    |
|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| 1           | 97.93%      | 97.63%      | 97.51%      | 97.48%      | 97.70%      | <b>97.65%</b> |
| 2           | 98.80%      | 98.74%      | 98.69%      | 98.72%      |             | <b>98.74%</b> |
| 3           | 99.15%      | 99.10%      | 99.13%      |             |             | <b>99.13%</b> |
| 4           | 99.33%      | 99.31%      |             |             |             | <b>99.32%</b> |
| 5           | 99.47%      |             |             |             |             | <b>99.47%</b> |

# Exhibit I - Explanation and Summary of Additional Tax Collection Costs to Delinquent Taxpayers if Privatized Analysis

## ➤ Law Firm Attorney Fees Calculation

Law Firm Attorney Fee calculations for each tax year are as follows:

### Tax Year 2003

|                  |                         |
|------------------|-------------------------|
| Tax Bal @ 7/1/04 | 25,971,565              |
| P&I Bal @ 7/1/04 | 3,671,517               |
| Partial Pay Est  | <u>(1,926,593)</u>      |
| Total            | 27,716,489              |
| 15% of Total     | <u><u>4,157,473</u></u> |

### Tax Year 2002

|                  |                         |
|------------------|-------------------------|
| Tax Bal @ 7/1/03 | 29,421,609              |
| P&I Bal @ 7/1/03 | 4,215,799               |
| Partial Pay Est  | <u>(2,186,196)</u>      |
| Total            | 31,451,212              |
| 15% of Total     | <u><u>4,717,682</u></u> |

### Tax Year 2001

|                    |                         |
|--------------------|-------------------------|
| Tax Bal @ 7/1/02   | 27,453,281              |
| Est P&I @ 7/1/02 - |                         |
| 14.23% of Tax Bal  | 3,906,602               |
| Partial Pay Est    | <u>(2,038,173)</u>      |
| Total              | 29,321,710              |
| 15% of Total       | <u><u>4,398,256</u></u> |

### Tax Year 2000

|                    |                         |
|--------------------|-------------------------|
| Tax Bal @ 7/1/01   | 19,283,892              |
| Est P&I @ 7/1/01 - |                         |
| 14.23% of Tax Bal  | 2,744,098               |
| Partial Pay Est    | <u>(1,431,665)</u>      |
| Total              | 20,596,325              |
| 15% of Total       | <u><u>3,089,449</u></u> |

### Tax Year 1999

|                    |                         |
|--------------------|-------------------------|
| Tax Bal @ 7/1/00   | 14,413,656              |
| Est P&I @ 7/1/00 - |                         |
| 14.23% of Tax Bal  | 2,051,063               |
| Partial Pay Est    | <u>(1,070,092)</u>      |
| Total              | 15,394,628              |
| 15% of Total       | <u><u>2,309,194</u></u> |

# Parcel Rate

## Amounts Collected For Jurisdictions Other Than Travis County In FY2004

|   |                               |
|---|-------------------------------|
| Current Tax Year 2003 Property Taxes Collected in FY2004  | \$1,108,903,771               |
| Delinquent Tax Year 2003 Property Taxes Collected in FY2004   | \$38,410,519                  |
| Delinquent Other Tax Years Property Taxes Collected in FY2004   | \$13,190,385                  |
| All Penalty & Interest from Delinquent Taxes Collected in FY2004  | \$8,679,165                   |
| <b>Total Revenue Collected For Jurisdictions Other than Travis County In FY2004</b>                                   | <b><u>\$1,169,183,840</u></b> |
| <b>Total Amount Collected in Parcel Fees From Jurisdictions Other Than Travis County In FY2004</b>                    | <b><u>\$935,268</u></b>       |
| <b>Net Revenue From Property Tax Collections For Jurisdictions Other Than Travis County For FY2004</b>                | <b><u>\$1,168,248,572</u></b> |
| Parcel Fee Collected From Other Jurisdictions As a Percentage Of Revenues Collected For Other Jurisdictions in FY2004 | 0.080%                        |