

Catawba County, NC Uses LEAN Management Techniques to Maximize Tax Collections

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Catawba County Government, located in the Central Piedmont region of North Carolina about an hour outside of Charlotte, has long promoted a culture of progress, innovation, and continuous improvement in local government. The importance of that culture – which wasn't built overnight - became more evident as the County faced challenges brought on by the national economic recession.

The Problem

Historically, Catawba County's local economy has been heavily reliant upon the manufacturing sector, which made up almost 20% of the local workforce prior to the beginning of the most recent national recession. Trends in off-shoring and the overall effects of a struggling manufacturing industry led to a sharp increase in job loss in Catawba County, with the unemployment rate peaking at 15.6% - its highest level since 1975 – in 2009. (Since that time, the County's economic base has stabilized and diversified, and the unemployment rate has fallen steadily, but the County has not yet reached its pre-recession unemployment levels.)

High unemployment during this period translated into citizens' decreased ability to pay property taxes, which resulted in lower current year collection rates and lessened effectiveness of the most common delinquent collection mechanisms relied upon in the past (wage garnishments, bank attachments, debt set-off programs, etc.). County policies provide protections designed to mitigate collection efforts impacting residents who simply cannot promptly pay taxes. However, those practices were also being used by individuals who could pay but were not paying. In many cases those individuals were well known by the tax collection staff. The fact that a significant segment of the County's population had fallen on hard times and had diminished ability to pay made it all the more incumbent upon the Tax Office to maximize collections from those who had the means - but not the willingness - to pay. These

trends affected employee morale as the collection staff was working harder than ever, but these efforts did not manifest in positive collection results.

Both current and accumulating delinquent collections were threatening the continuity of County services. The pressures on Tax Collection staff for improved collections escalated, and staff morale was negatively impacted while the rates of collection continued to decline.

County management recognized that, to some degree, declining collection in a declining economy is not an indication of declining staff productivity. It was reasoned that current county policies and practices may be exacerbating the rate of collections regardless of the economy or the efforts of the Tax Collections staff. Regardless of the reasons for the collections decline, collections needed to improve if County service levels were to be maintained

The Solution

The County decided to examine its current practices using a LEAN process improvement approach, which emphasizes respect for front line workers and involvement of employees from all organizational levels and across departmental boundaries. LEAN concepts incorporate a series of analytical techniques, a focus on teamwork, common sense, and broad-based engagement into an approach that streamlines work and eliminates non-value added activities in pursuit of greater efficiency and effectiveness.

In June 2013, Catawba County engaged the services of TechSolve in training staff in LEAN techniques, laying the foundation for this improvement effort, and leading the team through the process in a way that yielded the desired results. Today, just over a year later, the positive results speak for themselves:

- The improving economy and the efficiencies found through the process improvement effort not only stopped the rate of collections decline, but they also reversed it -- 17% of the total decline in collections rate experienced during previous 10 years was restored.
- This improvement in current year collection rate translates into approximately \$338,500 in additional revenue.
- Prior year collections increased by 13.88% from 2013 to 2014, which represents a \$240,684 increase in revenue.

The Process

In exploring options available to address this negative trend in collections, the County's management team worked with TechSolve to identify a focus area within Tax with potential for significant near-term return-on-investment. In addition to the negative trend in overall collection results, the County's recently implementation of new collection software with some as-yet unexplored features, coupled with recent management changes (due to retirement) in the Tax Collection department, created a target-rich environment for examining business processes related to the delinquent collections activity.

Once delinquent collections had been solidified as the scope of the project, the Tax Administrator – acting in the role of project sponsor - worked with County Management and TechSolve to assemble a cross-departmental team of 12 employees comprised of a mixture of subject-matter experts and generally analytical thinkers to participate in the training and provide input into development of an action / improvement plan. This team included several staff who work directly with the collections process on a daily basis as well as representatives from the departments of Legal, Human Resources, Technology, Budget / Management, and other divisions within the Tax Office. Concurrently, the project sponsor worked with the team to develop a charter with specific, measurable, and time-bound objectives by which success would be evaluated:

- *Optimize delinquent collections process as measured through achieving 100% ROI over the course of 1 year.*
- *Develop clearer performance metrics to gauge success of process*
- *Evaluate the effectiveness of different collection tools (garnishments, debt set-off, attachments, etc.)*
- *Establish a prioritized list of technology improvement requests (both internal and external)*

The team then gathered data to provide sufficient background about the organizational structure of Tax Collections, the volume of work activity that flows through the delinquent collections process, and historical performance results associated with the process. At this point, the hard work began in earnest, as the team holed up with TechSolve for five dedicated days to focus on the issue at hand and develop an improvement plan.

During the ensuing 5-day period, the team engaged in several activities that built upon one another to deepen their understanding of the delinquent process and any viable opportunities to enhance its effectiveness. At the highest level, the steps consisted of:

- Understanding the current state of the process and creating a visual map depicting what it looks like / how it is organized;
- Identifying non-value added activities and improvement opportunities;
- Developing a map depicting the improved future state; and
- Prioritizing improvements and formalizing them in an improvement plan with action step owners and associated timelines.

This work and the resulting implementation plan served as the compass that guided the team's activities for the next several months. Symbolically, it also ushered in a renewed sense of openness to self-examination that led to the team undertaking some additional benchmarking analysis and best practice research that further compounded the results achieved through the LEAN work itself. In other words, the LEAN process opened the floodgates for the Tax Collection team to begin thinking more creatively about ways that they could positively impact the collection rate.

The Results

The improvement plan yielded 33 specific recommendations that could potentially enhance delinquent collections, with the content of the recommendations ranging from organizing specific targeted training for delinquent collection staff in the use of the newly implemented collection software and the use of spreadsheets to revisiting informal perceived policy stances to validate or invalidate their accuracy. Several of the recommendations addressed the information needs of the delinquent collectors, revolving around creating lists or automating reports that would allow collectors to access information critical to them in pursuing collections against taxpayers with delinquent accounts. Still other recommendations involved enhancing communications efforts with the public, strengthening the language to clarify options for payment or consequences of non-payment. A few of the recommendations involved enhancing the information included on mailings that go to citizens, such as revising the format of delinquent bills to itemize the past due amounts by year rather than including lump sum amounts only or initiating the sending of real estate transfer letters to alert new owners of specific properties as to whether there are outstanding taxes on that property, etc.

Beyond the 33 recommendations in the LEAN improvement plan, Tax Collections initiated a survey of neighboring counties with strong collection rates to gain a deeper understanding of the strategies and tactics they employed to achieve strong collection results. Tax also enlisted the assistance of a management intern in conducting a peer county benchmarking analysis focusing on specific strategies used, collection rates, staffing levels, division of responsibilities, etc., to ensure a holistic understanding of the range of options available to Catawba County in strengthening efforts in this area.

Conclusion

Catawba County's foray into the realm of LEAN process improvement, with TechSolve as its guide, has proven beneficial from both the financial and the cultural perspective. Financially, the reversal of the declining collections trend represents added revenue that will contribute to funding critical services. This reversal has also become a point of pride among staff in the Tax Collector's Office, as it is reflective of their varied efforts at self-improvement and signals that those efforts are paying off. Culturally, the LEAN event embedded the notion that staff in the office should regularly examine the work processes and procedures for better ways of doing things, questioning the status quo and looking to others for lessons learned and best practices. This culture of self-examination has spread to other areas within Tax, as the Land Records / Mapping division staff have recently begun discussing areas for improvement within their operation that will lead to increased efficiency, reduced waste, and increased employee pride in their work. Further, the organization's capacity to innovate has expanded, which will undoubtedly yield service improvements that will positively impact the citizens of Catawba County for years to come.

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