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City rewards higher-performing tax firm

Smaller contractor gets 2 percent increase in reallocation of delinquent collections

By Rebecca Elliott

City Council on Wednesday reassigned a small portion of Houston's delinquent tax roll collections from the politically connected tax giant Linebarger to its higher-performing competitor, even as some members questioned why the smaller firm was not getting a larger slice of the lucrative pie.

Perdue, Brandon, Fielder, Collins & Mott and Greenberg Traurig significantly outperformed Linebarger, Goggan, Blair & Sampson's tax collection rate this year, a city analysis shows, leading several council members to question during a Monday committee meeting why the Turner administration was planning to reallocate just 2 percent of Houston's accounts. Much of that concern faded by Wednesday, however, as Mayor Sylvester Turner — whose former law firm was kept on retainer by Linebarger for more than a decade — urged council to approve the new agreement.

"Both law firms signed a letter in support of the breakout,"

Turner said, adding he wished to avoid further negotiations. "It is not in the best interest of the city to engage in that highly divisive process."

One of the city's lawyers earlier this week stressed the city's desire to adjust its dual-vendor model incrementally.

"We think it's been really successful and don't want to jeopardize that success by making a wholesale switch of, say, eight or 10 or 12 different accounts and arguably overwhelm the system," First Assistant City Attorney Tom Allen told council's Budget and Fiscal Affairs Committee on Monday. "We have to be sure our own internal infrastructure is capable of managing the change when the change comes."

'Granny Smith to McIntosh'

Houston adopted the dual-vendor model for delinquent tax collections three years ago, under former Mayor Annise Parker, and gradually has assigned additional accounts to Perdue.

Perdue now collects on 13 percent of the city's delinquent tax

roll and maintained an 81 percent collection rate during the first half of this fiscal year, according to the city. Linebarger's collection rate was 43 percent for the remaining accounts.

The reallocation approved Wednesday increases Perdue's share of city accounts to 15 percent, starting next month.

"We're glad to have gotten additional accounts. Of course, we wish were assigned more," Perdue partner Michael Darlow said. "We'll continue to work hard for the city and, hopefully, put ourselves in the position to be awarded more accounts next year."

A Linebarger spokesman declined comment, but firm partner Norman Nelson wrote a letter to the mayor and City Council last week supporting the reassignment.

Pre-empting questions Monday about the gap in reported firm performance, Allen said it could be misleading to compare collection rates.

"Collecting ... in different parts of the city is very different in terms of difficulty and, I would submit, economies of scale may also have skewed the results in some way," he said. "I'm not sure if you would say this is going to be

apples and oranges, but you may want to say this is Granny Smith to McIntosh."

District B Councilman Jerry Davis on Wednesday called on the city to improve its performance evaluation criteria.

"I would like for us to bear down and get a way that we can make ... the comparison more of apples to apples," he said.

At-large Councilman Mike Knox agreed, saying, "I think it does a disservice to both law firms and the city that we don't have a method that really makes sense."

Turner said the city was working to develop a more effective evaluation process.

Split allocation questioned

District H Councilwoman Karla Cisneros, meanwhile, voiced frustration at what she said was a lack of complete information about firm performance, and District E Councilman Dave Martin questioned why additional accounts were not assigned to Perdue.

"It was clear in my mind that Perdue did a pretty good job," Martin said after the council meeting Wednesday. "Why not see if we could make a split more along the lines of 50/50 rather

than 85/15?"

Martin, persuaded by the firms' agreement, nevertheless joined council in unanimously approving the new assignments.

He had suggested Monday that the city delay any reallocations for six months to allow more time to work on the contracts.

Allen indicated the legal department may not have been able to dedicate the time it ordinarily would to these contracts because staff was tied up working on the city's pension reform plan, which awaits state legislative approval.

"There are not enough hours in the day," Allen said.

The mayor dismissed that notion Wednesday.

"We did not run out of time. The city attorney talked with me. I made the decision, and this is where we are," Turner said. "It has nothing to do with pensions."

Linebarger, which regularly hires state lawmakers, kept Turner's former law firm on retainer for more than \$25,000 a year through 2015.

Darlow said Perdue currently does business with two Texas lawmakers.

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