



CITY OF LUXEMBOURG

SAP® TAX AND REVENUE MANAGEMENT FOR PUBLIC SECTOR PROVIDES CLARITY AND BOOSTS COMPLIANCE

QUICK FACTS

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Corinne Pommerell, IT Project Manager,
City of Luxembourg

Organization

- Name: City of Luxembourg
- Location: Luxembourg
- Industry: Public sector
- Products and services: Tax and revenue collection and disbursement
- Revenue: Collections for services provided by 45 different departments
- Employees: 3,500
- Web site: www.vdl.lu (French only)
- Partners: SAP® Consulting and Deloitte Consulting LLP

Challenges and Opportunities

- Fragmented revenue management process and constituent data, which limited transparency
- Complex and costly IT maintenance
- Manual, outdated processes and disconnected systems, which limited the efficiency of employees and slowed down billing and dunning processes

Objectives

- Consolidate collections and disbursement activities
- Create a unified view of constituents' liabilities and payments
- Increase efficiency of public administration and ensure compliance with laws
- Reduce IT complexity and support costs

SAP Solutions and Services

- SAP Public Sector Collection and Disbursement application, part of the SAP Tax and Revenue Management for Public Sector package
- SAP Consulting

Implementation Highlights

- 14-month deployment
- 200 users
- Phased implementation

Why SAP

- Software designed specifically to meet needs of public sector
- Easy integration with existing system to preserve prior investments

Benefits

- Increased transparency thanks to unified view of all constituents' liabilities and payments
- Greater efficiency of back-office processes, resulting in elimination of wasted administrative time
- Increased compliance by citizens due to improved accuracy and faster billing
- Stricter adherence to laws governing tax and revenue management via streamlined, automated processes
- Decreased billing errors, resulting in fewer service calls
- Faster, easier report generation for department heads to support proactive management

Existing Environment

- SAP R/3® software (functionality now found in the SAP ERP application)
- Disconnected billing systems for various service departments

Third-Party Integration

- Database: Oracle
- Hardware: Sun
- Operating system: Sun Solaris



One of the wealthiest cities in the world, Luxembourg is the seat of several institutions of the European Union, including the European Court of Justice, the European Court of Auditors, and the European Investment Bank. Given that the country of Luxembourg has the highest GDP per capita in the world – as well as the twelfth-highest human development index and the fourth-highest quality of life index worldwide – the 90,000 residents of the city of Luxembourg enjoy a high standard of living. This high standard of living is made possible in part due to a wide variety of services provided by the city government.

Despite its wealth, however, the City of Luxembourg found that collecting the taxes owed by its constituents – as well as invoicing and collecting monies due for services rendered – is no easy task. That's why the City recently sought the help of SAP – and found what they were looking for in the SAP® Public Sector Collection and Disbursement (SAP PSCD) application.

Outdated Systems and Processes for Revenue Management

"SAP [software] helped us consolidate collections and revenue management activities across different departments and achieve a single view of our city's constituents in terms of their liabilities and payments," states Corinne Pommerell, IT project manager for the City of Luxembourg. "In addition to providing basic services such as garbage collection, ambulances, primary schools, and electricity services, the City provides everything from child care, music classes, and public swimming pools to special elder care services,"

she explains. "We were using an old mainframe system to manage revenue for all of this." It had two parts – one used by the different departments to enter bills and one used by the treasury department to pay bills and collect money. While there was an interface between the parts of the application, sharing data was still very difficult. And ongoing maintenance was becoming costly.

By 2002 the City began its search for a new collection and disbursement solution. "First and foremost, we wanted to reduce IT complexity and lower our maintenance time and costs," explains Pommerell. They also wanted to address some long-standing issues impacting efficiency and effectiveness. "For example, we needed a way to ensure continued compliance with laws governing revenue management within the country and city of Luxembourg," she explains. "Some laws, for instance, require that we get one or more physical signatures to complete a process. The solution had to be flexible enough to accommodate these types."

The Need for Greater Transparency and Efficiency

The outdated systems had also prevented City management from making changes that would increase visibility and efficiency, boost compliance, and improve service quality. For example, the various departments providing services to residents use their own billing and invoice systems – which had fragmented constituent data across different locations and databases. This resulted in poor transparency and made it more difficult to generate bills quickly and efficiently. "We needed a way to retain our different billing systems – but consolidate the collections activities and create a single view of each constituent," adds Pommerell.

The City identified room for improvements in other areas as well. Invoices often went out late and contained a disproportionate numbers of errors. Their manual dunning process was performed inconsistently and often started too late. Management reporting was manual, time consuming. Adds Pommerell, "We also wanted the new solution to help us reduce interest fees resulting from late payments to our vendors."

Seeking a Flexible, Comprehensive Solution

According to Pommerell, the City needed a solution that was flexible and could adapt to its budgetary accounting constraints. And because the City provides so many services, it also had to be complete in terms of functionality. Early on in the evaluation process, it became clear that SAP PSCD, which



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is part of the SAP Tax and Revenue Management for Public Sector package, was the best choice. SAP also offered additional public sector functionality designed specifically to support fund accounting, budgeting, and reporting.

PSCD, which was easily integrated with all of the existing calculation and billing systems used by service departments. To ease the transition for users, the City of Luxembourg divided the project up into two phases and ran concurrent

Realizing the Benefits

Today, nearly 200 employees use the new software to consolidate all of the City’s revenue management activities. In addition, the City of Luxembourg has realized the benefits of streamlined processes, greater employee efficiency, and higher service quality. Explains Pommerell, “For instance, if the City is processing health services payments for a citizen – in this case a single mother – and also billing her for child-care services and paying her for services as a music teacher, the finance and treasury departments gain a consolidated view of all associated payments and liabilities for that citizen. This visibility has also helped the City from a budgeting perspective, as department heads always have up-to-date information regarding what’s been spent and what’s been collected.”

The application has also increased efficiency across back-office functions. Not only are bills processed more quickly, but dunning is now a standardized, consistent, and automated process. “Now we regularly send reminders out four weeks after a missed payment – rather than six months – and then again at two-week intervals,” states Pommerell. “Our processes are more efficient, which helps our employees get more done in less time – and frees them up to perform higher-value activities.”

In addition, adds Pommerell, “Now that data is centralized, we can run reports on a regular basis for department heads. And vendors usually get paid on time – which reduces the City’s interest costs.” Similarly, the treasury department can

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Equally important, the SAP application could support the City of Luxembourg’s complex integration requirements – and ultimately support its goal of having a single view of each constituent. “The different departments providing services to constituents each have their own way of calculating bills and generating them. SAP PSCD could integrate easily with these systems and provide us with a single view of all constituents,” explains Pommerell.

A Smooth Implementation

The City of Luxembourg chose to implement the key functionality involved in revenue management, including budgeting, financial reporting, general ledger (for accounts payable and accounts receivable), and collections and disbursements. The implementation, which started in November 2002 and ended in January of 2004, went smoothly and was completed on time and within budget. SAP Consulting worked jointly with Deloitte Consulting, which was already familiar with Luxembourg’s unique budget accounting. Over 45 revenue categories were set up within SAP

systems through the first four months of 2004 in order to avoid having to convert data as part of the project and ease the transition for everyone.

Consolidating Collections Activities and Creating a Single View of Constituents

Leveraging the integration with the City’s existing invoice systems, SAP Consulting worked with the project team to consolidate collections activities and create a single view of constituents. “The team helped us determine a common database and format so that all of the data could be merged and centralized in one place,” explains Pommerell. “For example, we have separate systems for electricity billing and child-care billing. Both departments perform calculations and invoice the same people. SAP PSCD helped us consolidate the revenue-specific data in one place. At the same time, we rationalized data to create a single view of each constituent.” The project also entailed pulling in tax-specific data – for example, property tax data – from another system and merging this for a complete view of each person’s obligations and payments.

run reports to identify which invoices the software is unable to automatically reconcile with payments. "Now our employees can focus on the exceptions," she adds.

And finally, compliance is up both internally as well as externally, in terms of citizens meeting their financial obligations. Explains Pommerell, "From a process standpoint, the SAP software has simplified things. Now we can do more electronically and still meet all legal requirements." Equally important, because billing and dunning processes are more regular and consistent, a higher percentage of citizens are paying for services on time. "One indicator that compliance is up is the fact the total amount of unpaid bills at the end of each year is going down from €11.7 million in 2004 to €10.2 million in 2005 and €6.5 million in 2006," she adds.

Next Steps

"This was a very good project overall," states Pommerell. "And we have plans to utilize even more functionality of the SAP software over time. For example, we're starting a new internal project that will allow us to perform all asset management and accounting – for everything from cars and buses to buildings and infrastructure for electricity and gas – all within the SAP software." The City is also considering using it to manage property taxes as well. With the SAP application, they can make a gradual transition to a more centralized system and do it safely and cost-effectively.

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