

City Council Presentation Credit & Collections Review

Tiffany Thomson- Customer Service

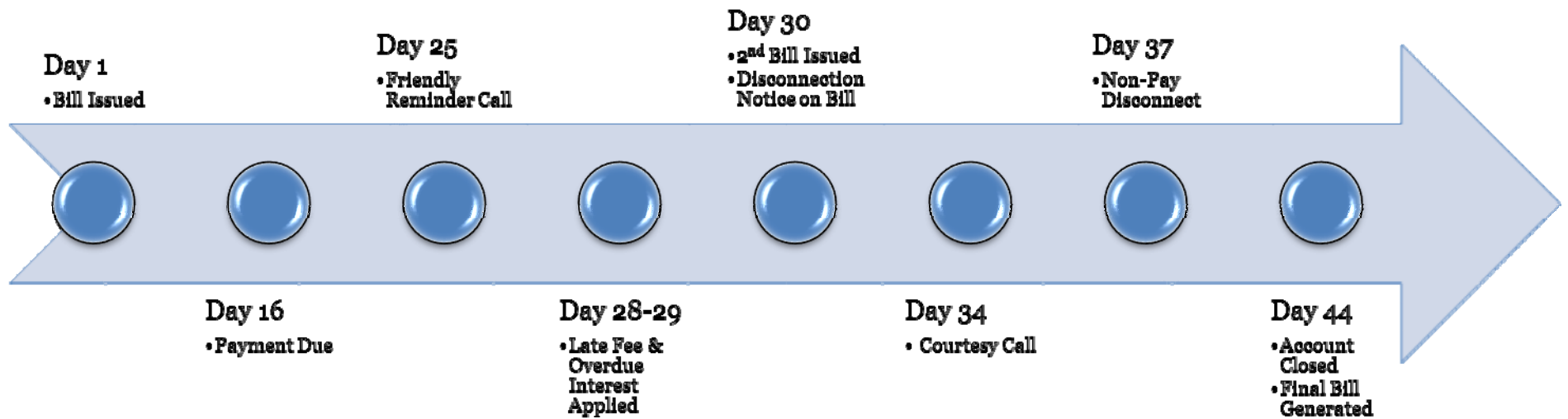
Oct. 17, 2017



Background:

- ▶ November 16, 2010 approval of Ordinance 2010-292.
- ▶ Response to review by Navigant Consulting reflecting uncollectible debt was high and was continually increasing, especially for a small utility.
- ▶ Prior to implementation, uncollectible debts exceeded \$1.4 million for fiscal year 08/09 and \$1.1 million for fiscal year 09/10. In both cases, these amounts represented more than 0.6% of the City's total utility receivables.
- ▶ Contributing factors to the bad debt included a lack of effective customer credit screening, inadequate deposit policies, and ineffective collection efforts.
- ▶ Purpose of ordinance to reduce uncollectable debt by implementing fair collection practices, verifying customers identity and accessing deposits based off account types.
- ▶ For fiscal year 2015-2016, uncollectible utility debts equaled \$536,481. This was equal to 0.22% of the total receivables billed during that period and represented a 13% reduction over the preceding fiscal year.
- ▶ The following results demonstrate what Ordinance 2010-292 accomplished.

Credit & Collection Timeline



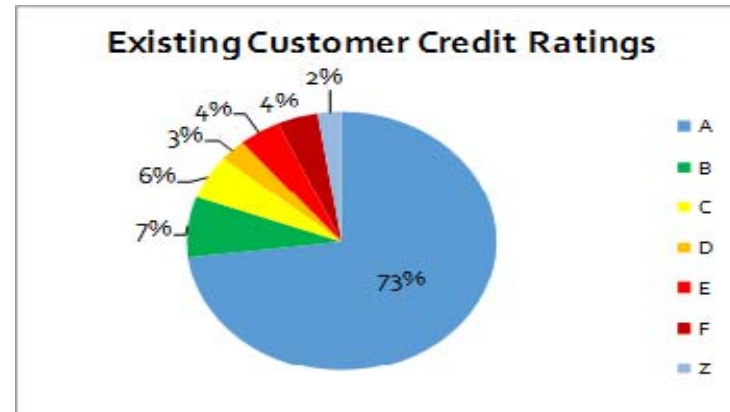
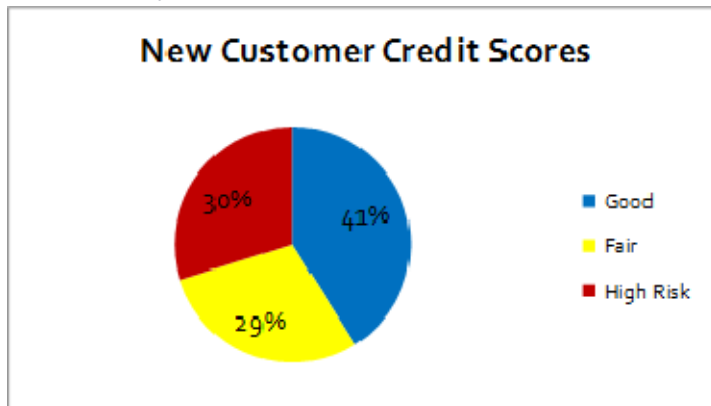
Credit Screenings

▶ New Customers

- ▶ 70% of customers who have applied for service within the last year have had a “Fair” or “Good” credit score. 41% of new utility applicants have had their utility deposit requirement waived as a result of their credit history.
- ▶ Customers with a “Fair” credit score are asked to pay a deposit equal to one month’s average utility bill. Applicants deemed “High Risk” are assessed a deposit equal to two months of the address’s average utility.

▶ Existing Customer

- ▶ Customers with an “A” rating have had one or fewer minor delinquencies over a twelve month period. 86% of the City’s utility customers pay on time on a regular basis (“A” to “C” ratings).
- ▶ Customers with a “D” rating or lower have been delinquent on multiple occasions or have been disconnected for non-payment. 11% of the City’s utility customers currently fall into this category. If an adequate service deposit is not on hand for this type of account, one may be assessed

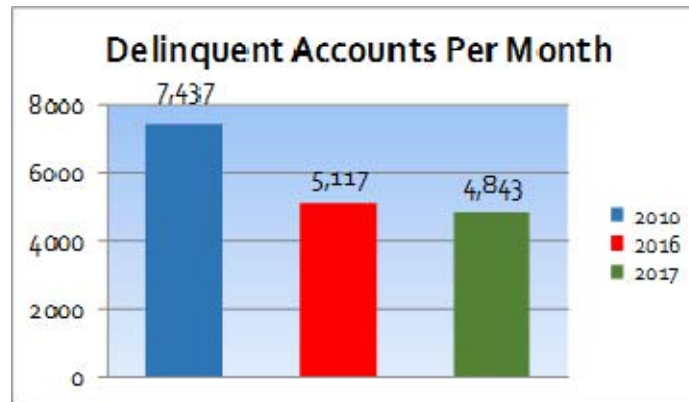


Deposit Assessments & Refunds

- ▶ Deposits are assessed or refunded based on a new customer's credit score or an existing customer's recent payment behavior.
- ▶ For 2016 and January 2017 to present, 14,063 customers have received a deposit refund. Of these refunds, 72% were issued because the utilities account was closed. In many cases, the deposit was applied to a final balance and prevented an unpaid debt. 3,966 customers received deposit refunds while the account was still active.
- ▶ The City currently has deposits on file for approximately 11,937 accounts totaling just over \$4.7 million. This figure represents only 21% of the City's current customer base. The customers comprising the remaining 79% either had their deposit requirement waived or refunded to them according to the criteria outlined in Ordinance 2010-292.
- ▶ Deposit Payment Arrangements are available for all customers. 3,091 deposit payment arrangements were provided for new and existing customers for 2016 and January 2017 to present.

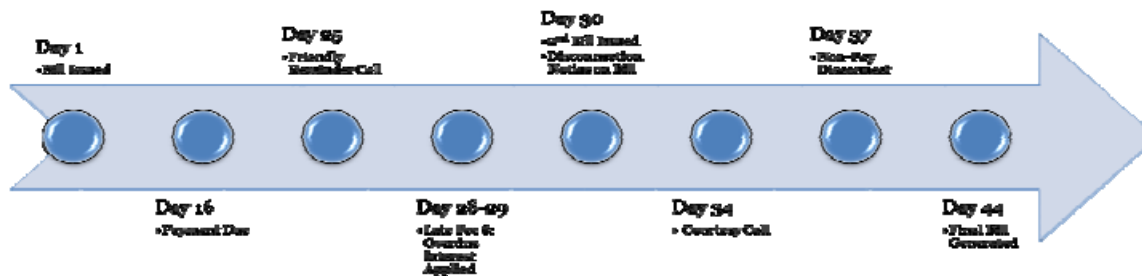
Payment Behavior

- ▶ In order to encourage frequently delinquent customers to alter their payment behavior, the Late Fee penalty was increased from \$10 to \$20 effective February 1, 2011.
- ▶ In the three years leading up to the implementation of Ordinance 2010-292, staff assessed late fee penalties to an average of 7,471 accounts per month.
- ▶ The monthly average of delinquent accounts has dropped to 5,117 for FY15/16 and 4,843 for FY16/17 YTD.
- ▶ Customer payment behavior continues to improve well after the implementation of Ordinance 2010-292. From 2011 to 2017, the number of delinquent accounts dropped by 34%.
- ▶ After the late fee penalty was increased from \$10 to \$20, staff noticed an immediate 29% month over month decrease in late paying accounts, and the reduction has been maintained over a prolonged period of time.



Discontinuance of Service

- ▶ If payment or payment arrangement is not made on an account, 37 days after the bill is issued, a discontinuance of service may occur.
- ▶ Prior to disconnect, the customer is notified on four occasions of the balance due.
- ▶ 4,851 payment arrangements were provided to assist customers with paying the balance on their account to avoid interruption of service from January 2016 through September 2017.



Pay immediately to avoid disconnection: **\$134.62**
 Current Billing Date: 09/08/2017
Total Amount Due: \$310.88
 Due Date for Current Charges: 09/25/2017

SPECIAL MESSAGE

Please Note: Your account has an unpaid previous balance and/or has been assessed a late payment penalty. If payments are not submitted in full by your due date, you may be subject to an additional service deposit in an amount equal to two months of your average billing.

Pay immediately to avoid disconnection: **\$134.62**
 Current Charges Due by 09/25/2017: **\$176.26**
Total Amount Due: \$310.88

AMOUNT ENCLOSED: _____

Payment Options

Payment Options:

Monthly Auto Pay: Pay automatically each month via your checking account, savings account or credit card. To sign up, visit www.cityofdenton.com

Pay Online: Visit www.cityofdenton.com to pay your bill online via electronic check or credit/debit card.
Please allow 1 business day for processing.

Drop Box: Drop your utility bill and payment into one of two drop boxes located at 601 E. Hickory St.
Please include your bill stub with payment by check, money order or cashier's check. Please allow 1 business day for processing.

Monday - Friday, 8A.M. - 5P.M.

Pay in Person: City Hall East, 601 E. Hickory St. Suite F, Denton, TX 76205.
Payments accepted include cash, check, credit/debit card money order, or cashier's check.

Pay by Mail:

Mail payments to:
City of Denton
PO Box 660150
Dallas, TX 75266-0150

Please include your bill stub with payment by check, money order, or cashier's check. Please allow 7-10 days for processing.

Payment Locations:

Pay your bill at several convenient locations. For a full listing of locations, visit www.cityofdenton.com
Please allow up to 3 business days for processing.

Pay by Phone:

Call (940) 349-8700 and follow the prompts to pay by electronic check or credit/debit card.
Please allow 1 business day for processing.

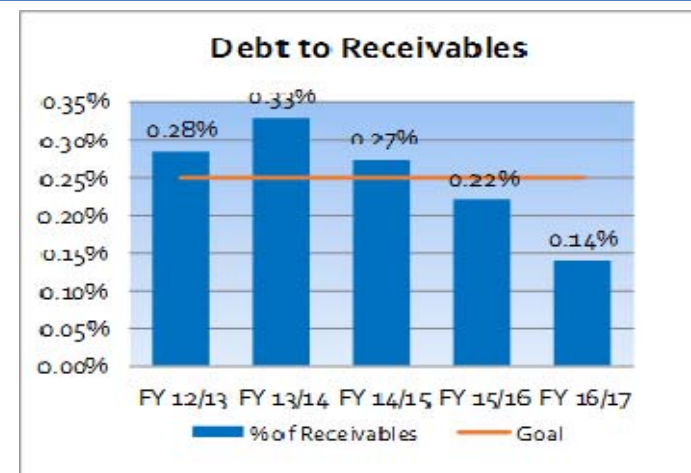
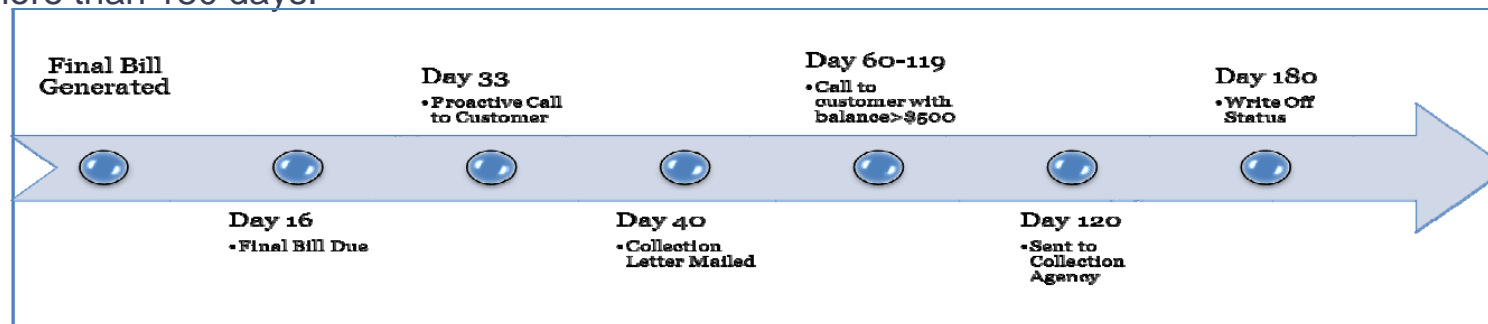
Kiosk:

Available 24 hours a day
Located at Customer Service Entrance
601 E. Hickory St. Suite F, Denton, TX 76205
Payments accepted include cash, check, credit/debit card.

*Check payments will be converted to a one time electronic fund transfer from your account or will be processed as a check transaction.

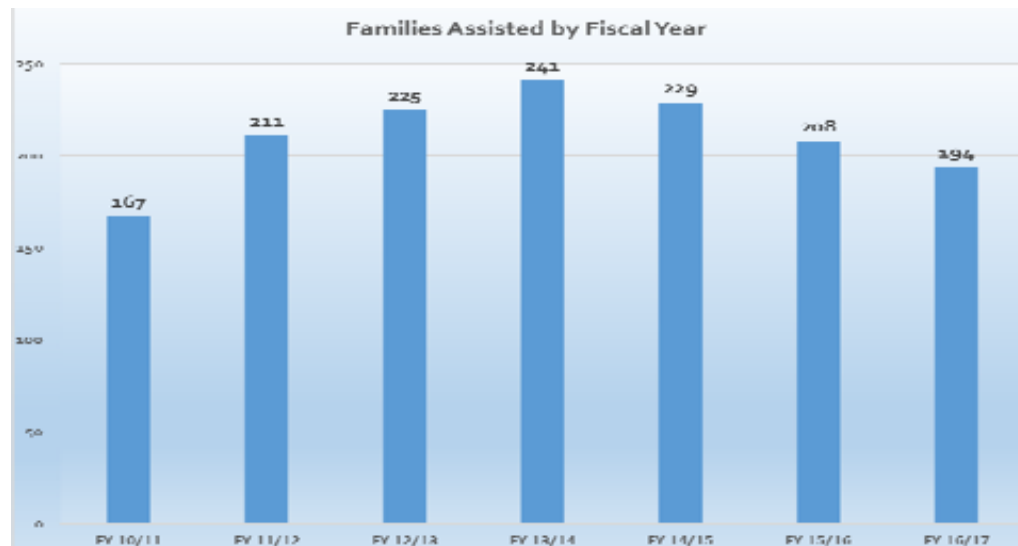
Uncollectible Debt

- Unpaid debts are deemed uncollectible by Utilities Customer Service when the final bill remains unpaid for more than 180 days.



P.L.U.S One Program

- ▶ The Prevent Loss of Utility Service (P.L.U.S.) One Program is designed to assist in the payment of utility bills for customers who may be low income and/or experiencing a temporary financial crisis. Interfaith Ministries Inc., a local non-profit agency, administers the P.L.U.S. One Program. City Council approved the continuance of this administration agreement in Ordinance 2014-425 on December 16, 2014. Through Interfaith Ministries, Inc., customers can apply for assistance to pay utility bills.
- ▶ Interfaith Ministries, Inc. is allocated an annual amount not to exceed \$100,000. This amount is funded from utility customer donations and City funding. \$86,000 of the funds are utilized to assist those in need. \$14,000 covers Interfaith Ministries, Inc.'s administrative costs.
- ▶ Since FY 10/11 to current, 1,475 families have been assisted for a total of \$447,148.33
- ▶ The average amount of assistance provided to each family has increased from \$176 in FY 10/11 to \$332 in FY 16/17.



P.L.U.S One Program

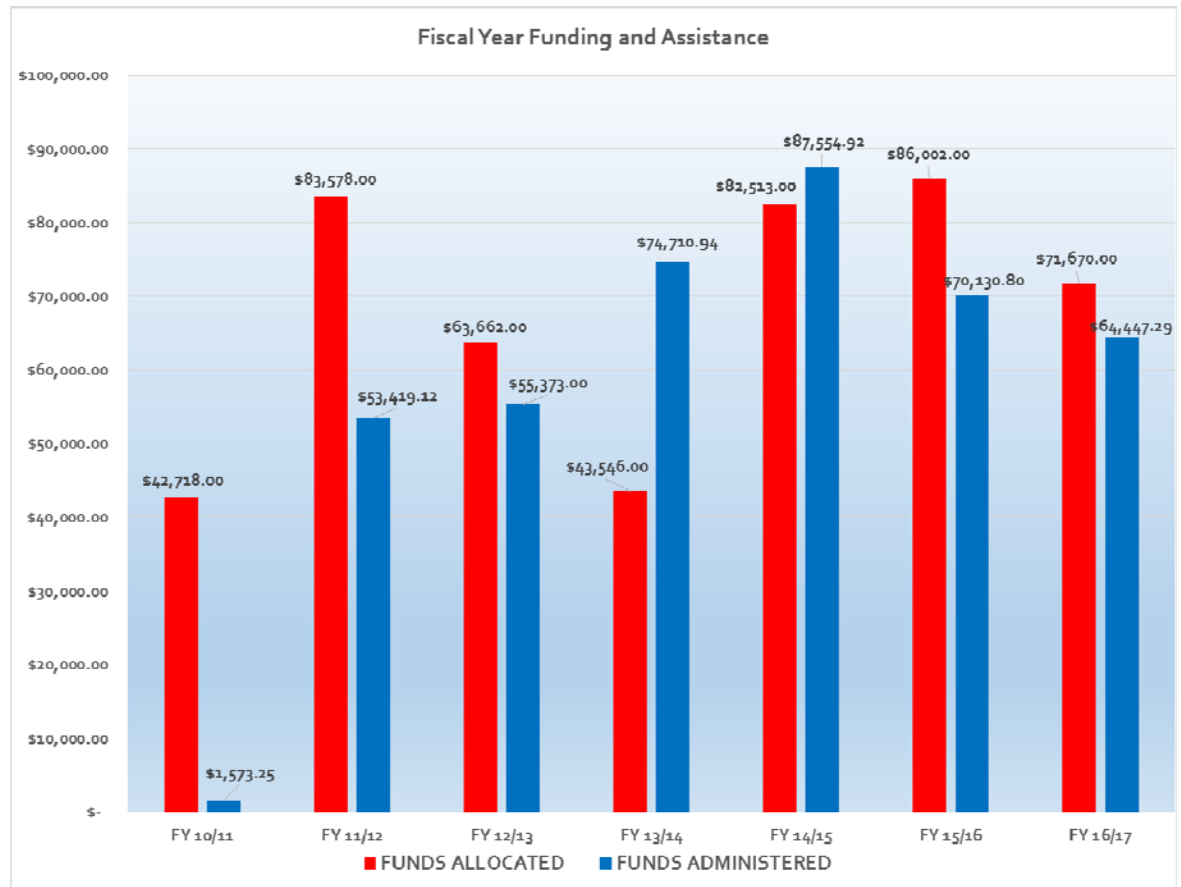
(88%) of people seeking assistance are denied

- ▶ 50% are denied due to the 1 time assistance within 12 month guideline
- ▶ 50% are denied for a variety of other reasons
 - ▶ Applicant does not show up for appointment
 - ▶ Applicant no longer needs assistance
 - ▶ Applicant does not provide proper documentation

Discussions with Interfaith Ministries, Inc. reveal that two specific opportunities identified to provide more assistance to families are:

- ▶ Assisting families regardless of tenure at address
- ▶ Assist families more than once per 12 month period
- ▶ Staff recommends to allow Interfaith Ministries, Inc. to look at more specific situations to help the customers as needed

The contract with Interfaith Ministries, Inc. is approaching term in December 2017 and can be extended up to six months.

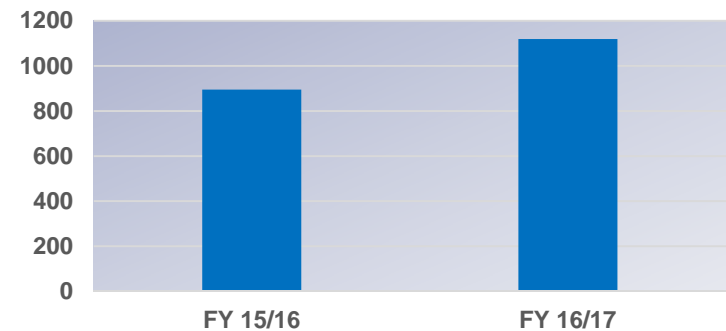


Additional Assistance from Help Agencies

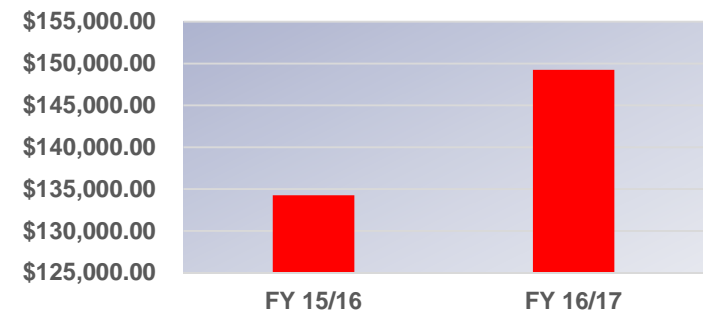
The City receives payments from other help agencies that are not funded by the P.L.U.S One program. Customer Service works with the help agencies by providing documentation and answering questions related to the customer's needs.

- ▶ Texoma Council of Governments (TCOG)
- ▶ Community Services
- ▶ Health Service of North Texas
- ▶ Giving Hope
- ▶ Morse Street Baptist Church
- ▶ Cross Timbers Church
- ▶ First Baptist Denton
- ▶ Singing Oaks Church of Christ
- ▶ Other Various Churches

Customers Assisted by Other Agencies



Amount Paid to City by Other Agencies



Solutions to Help Customers

- ▶ Offering a prepaid billing model meaning, “Pay as you go.” Prepaid utilities allows customers to avoid paying for service deposits, delinquent fees, and because all usage is purchased in advance, late fees and overdue interest are not assessed.
- ▶ The program will also allow flexibility for customers with a balance needing to be paid out, through a debt recovery model.
- ▶ Customers have a greater awareness and control of their energy bills.
- ▶ The prepaid program is currently in an integration and testing phase.
- ▶ Anticipated soft go live date May 2018.
- ▶ Eliminates needs for deposits and fees.



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Takeaways and Recommendations

- ▶ The results through 2017 indicate that the primary goals of Ordinance 2010-292 are being met. Fewer customers are missing their due dates, credit screenings are helping to ensure fair collections treatment, and uncollectible debts are trending downward. As a result, staff recommends that Ordinance 2010-292 remain intact in its current form.
- ▶ In efforts to increase assistance through the P.L.U.S One program, staff has had conversations with Interfaith Ministries, Inc. Two opportunities specifically being addressed are to assist with families regardless of recent tenure at current address and to be able to assist more than once in a 12 month period depending on circumstances. Staff recommends to allow Interfaith Ministries, Inc. to look at more specific situations to help the customers as needed. Because more families can be assisted, additional funding can aide with addressing the needs identified.
 - ▶ The contract term for the P.L.U.S One Program is expiring December 2017. The timing of the contract will allow for staff to incorporate feedback from the Public Utilities Board and City Council in the Request for Proposal.
- ▶ The Prepaid utilities program will provide another option for all residential customers. Prepaid utilities is a “pay as you go” model that will allow customers to avoid paying for service deposits, delinquent fees, and because all usage is purchased in advance, late fees and overdue interest are not assessed.

Questions

