



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: November 13, 2017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the Credit and Collection Policy of the City Utility System.

BACKGROUND

On October 17, 2017, the City Council received a report and held a discussion about the Credit and Collections Policies of the City Utility System. The specific review was in regards to Ordinance 2010-292, which details the credit and collection practices utilized by Denton Municipal Utilities. The changes undertaken were in response to recommendations made in a 2008 management review conducted by Navigant Consulting as well as evidence that the City's uncollectible debt was increasing in amount and in proportion to total accounts receivables.

Staff has closely monitored the impact of each of the ordinance changes over the last several years, and the results indicate that the primary objectives of these initiatives are being met. The number of delinquent accounts continues to decrease, credit screenings are ensuring that customers receive fair collection treatment, and uncollectible debts have been reduced.

During the October 9, 2017, Public Utilities Board meeting and October 17, 2017, City Council meeting, Customer Service presented the Credit and Collections results and practices. The Board and Council asked staff for further information. The follow-up information is attached in Exhibit 3, in addition to a map showing security deposits throughout the City in Exhibit 4.

RECOMMENDATIONS:

Staff will present options for discussion and direction from the Public Utilities Board and City Council.

PRIOR ACTION/REVIEW (Councils, Boards, Commissions)

On October 9, 2017, Customer Service presented a review and presentation to the Public Utilities Board. The Board asked for a breakdown of uncollectable debt by account type for FY 08/09 and 15/16. Other requests included a map displaying security deposits and the process of transferring service within the service area. The Board asked staff to return for a work session prior to releasing a Request for Proposal on the P.L.U.S One Program.

On October 17, 2017, Customer Service presented a review and presentation to the City Council. The Council had questions regarding meters, credit screening, amount of staff time dedicated to delinquent accounts, reducing deposits, bill and payment arrangement dates and the impact of additional funding to the P.L.U.S One program.

FISCAL INFORMATION

The primary purpose of Ordinance 2010-292 was to reduce the amount of uncollectible debt associated with utility services. Prior to implementation, uncollectible debts exceeded \$1.1 million for fiscal years 08/09 and 09/10. In both cases, these amounts represented more than 0.6% of the City's total utility receivables. The credit screening and deposit assessment processes were designed as measures to limit the amount of debt reaching this status. 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.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Presentation

Exhibit 3: Follow-Up Information

Exhibit 4: Deposit Map

Exhibit 5: Benchmark Cities

PREPARED BY:

Tiffany Thomson, Customer Service Manager

(940) 349-7401

Tiffany.Thomson@cityofdenton.com

Respectfully submitted:

Charles Springer, (940) 349-8260

Director of Finance