

City Council Presentation Credit & Collections Review

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Nov. 14, 2017



Background

- ▶ November 16, 2010 approval of Ordinance 2010-292. 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.
- ▶ 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 Public Utilities Board and City Council requested review of progress and ways to modify in October 2017.

Focus Areas

- Meter/Billing Cycles
- Survey Comparisons
- Fair Credit Scoring
- Fee Review
- Reviewing Deposit Options
- Additional Funding to P.L.U.S One

Meter & Billing Cycles

- ▶ Advanced Metering Infrastructure Meters (AMI)
 - ▶ AMI Meters-47%
 - ▶ Remote Reads & Two Way Communication
 - ▶ AMI Disconnect Meters-53%
 - ▶ Remote Reads, Two Way Communication
 - ▶ Remote Disconnect/Reconnect
- ▶ 21 Billing Cycles
 - ▶ Distribution of work load
 - ▶ Flexibility in payments



Survey Comparisons



CITY OF BRYAN
"The Good Life, Texas Style."



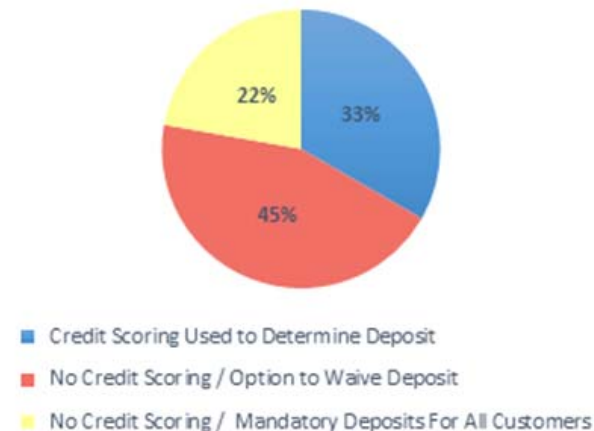
Compliance & Credit Scores

Online Utility Exchange provides the City with

- Red Flag Compliance
- ID Verification
- Exchange Data
- Credit Assessment

VantageScore – A consumer credit rating product developed by three credit rating agencies – Equifax, TransUnion and Experian. VantageScore uses a rating scale (501 to 990). The score is calculated through a weighted average of a consumer's available credit, recent credit, payment history, credit utilization, depth of credit and credit balances.

Deposit / Credit Scoring



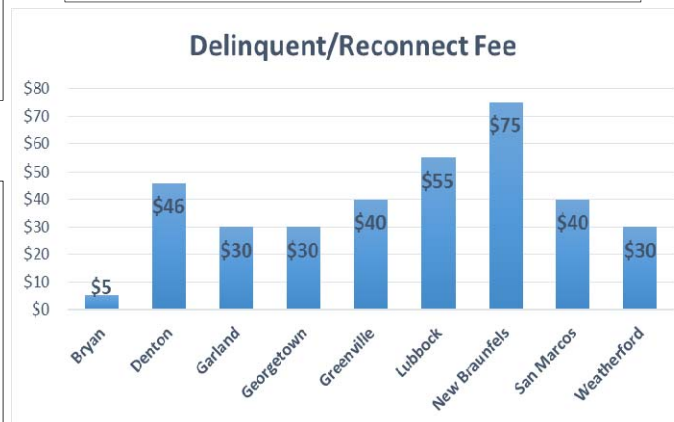
VantageScore calculation categories		
Category	Description	Weight ^[15]
Payment history	how timely and consistent your payments are	Extremely influential
Age and type of credit	length of credit history and types of credit previously received	Highly influential
Percent of credit limit used	debt-to-credit ratios and how much credit is available	Highly influential
Total Balances/Debt	what your total debt is, most likely, delinquent debt is counted more harshly than current debt	Moderately influential
Recent credit	how recent and many new hard inquiries and new accounts there are	Less influential
Available credit	how much credit can be accessed, for example, could you spend \$50,000 of credit tonight or within the next week	Least influential

Fiscal Year 2016-2017 Fee Revenue

- **Interest Charge-** 1% of past due charges
 - \$151,718
 - Fee Structure Highly Variable

- **Late Payment-** \$20.00
 - \$1,169,980
 - 100% Surveyed Cities Charge

- **Delinquent Service Fee-** \$46.00
 - \$423,936



- **Same Day Reconnect Charge-** \$61.00
 - \$77,104



Deposit Usage

21% Customer Base has Security Deposits

▶ **Post Paid Environment**

- ▶ At time of disconnection, customer has 2 ½ months worth of usage
- ▶ Deposits only cover up to 2 month's of usage
- ▶ 44% of other Cities seek 2 month average deposit
- ▶ Seeing increase in disconnects without reconnection

▶ **FY 2016/2017 Deposit Usage**

- ▶ 5,669 Final Accounts held Deposits
- ▶ 54% Final Balance Paid
- ▶ 46% Still had an amount owing after deposit

▶ **FY 2015/2016 Deposit Usage**

- ▶ 5,517 Final Accounts held Deposits
- ▶ 53% Final Balance Paid
- ▶ 47% Still had an amount owing after deposit
(23% of the total left a balance after 180 days, resulting in uncollectable debt)

P.L.U.S One Program

- ▶ For fiscal year 2016/2017, 231 families were assisted for a total of \$80,502.93.
- ▶ The contract with Interfaith Ministries, Inc., expires December 2017.
- ▶ 6 of the 8 Cities surveyed, have an assistance program.

Updating and defining specific guidelines within the contract are additional ways to help more families and understand what barriers customers are facing.

- ▶ A requirement that the vendor establish written program guidelines that the City reviews and approves annually and that must be provided to clients.
- ▶ The monthly reporting should capture more data to help better understand the barriers to assistance.
- ▶ The addition of training on limitations of the funding that will help the agency better understand its authority in qualifying clients for assistance.
- ▶ Assisting families regardless of tenure at address.
- ▶ Assist families more than once per 12 month period (Up to 3 times a year).

Deposit Options

New & Existing Customer Options

- | | |
|------------------|---|
| Option 1: | Charge deposit equaling one month average utility bill for service address at time of connection. Additional deposit assessed quarterly, or at time of disconnection for non-payment equal to two months average utility bill. |
| Option 2: | Charge deposit equaling one month average utility bill for service address at time of connection. \$50 increment increases at quarterly review or time of disconnection for non-payment (up to two months average utility bill). |
| Option 3: | Charge deposit equaling one month average utility bill for service address at time of connection. No increases. |
| Option 4: | No changes to deposit process. |

Homelessness Deposit Waiver

- ▶ Address a specific community need through a deposit waiver process for any individual or family experiencing homelessness that is working with a help agencies.
- ▶ Community Development and Customer Service will partner together on the process.
- ▶ Customer Service will provide qualified agencies with a form letter for clients to present to the City when requesting utility service.



Discussion/Questions

P.L.U.S One

- ▶ Increase in funds
- ▶ Allow funds to be used towards deposits
- ▶ Guidelines:
 - ▶ A requirement that the vendor establish written program guidelines that the City reviews and approves annually and that must be provided to clients.
 - ▶ The monthly reporting should capture more data to help better understand the barriers to assistance.
 - ▶ The addition of training on limitations of the funding that will help the agency better understand its authority in qualifying clients for assistance.
 - ▶ Assisting families regardless of tenure at address
 - ▶ Assist families more than once per 12 month period (Up to 3 times a year)

12 / 12

Deposits

- ▶ Homelessness Deposit Waiver
- ▶ **Option 1:** Charge deposit equaling one month average utility bill for service address at time of connection – Additional deposit assessed quarterly or at time of disconnection for non-payment
- ▶ **Option 2:** Charge deposit equaling one month average utility bill for service address at time of connection - \$50 increment increases at quarterly review or time of disconnection for non-payment
- ▶ **Option 3:** Charge deposit equaling one month average utility bill for service address at time of connection – No increases
- ▶ **Option 4:** No changes to deposit process



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