

City Council Presentation Credit & Collections Review

Tiffany Thomson- Customer Service

Dec. 5, 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.
- ▶ 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.
- ▶ In November 2017, staff presented follow-up information to PUB and City Council. Direction was given to execute a homelessness deposit waiver, update criteria and funding to the P.L.U.S One Program.
- ▶ City Council asked for additional information regarding initial deposits for new customers and how existing customers are charged deposits. The information was requested in order to provide direction going forward for the deposit policy.

New Customers

- ▶ Deposit requirements are determined based upon information provided by the Online Utility Exchange
- ▶ Information obtained from the Online Utility Exchange includes the following:
 - ▶ Red Flag Compliance
 - ▶ ID Verification
 - ▶ Exchange Data
 - ▶ Credit Assessment / Vantage Score
- ▶ The Vantage Score is a consumer credit rating product developed by three credit rating agencies (Equifax, TransUnion and Experian) and uses a rating scale from 501 to 990.
- ▶ Customers requiring a deposit are provided a letter with additional information on the score as well as direction on how to dispute any inaccuracies or completeness of items on the customers credit file.
- ▶ Although we do not have visibility to what influences the score itself, we do receive a color which is used to determine the amount of the initial deposit requirement as follows:

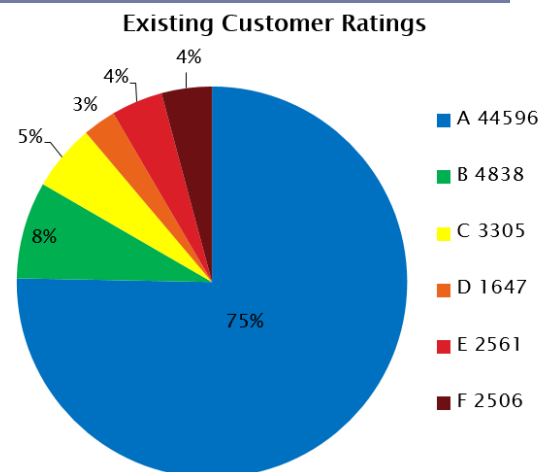
Color	Credit Risk	Deposit Req'd	Deposit Waiver Options
Green	Minimal	None	N/A
Yellow	Moderate	1 month	LOC, Cosigner, or Sign up for Draft
Red	High	2 months	LOC, Cosigner, or Sign up for Draft

* LOC = Letter of Credit

Existing Customers

- ▶ All new customers start at an "A" rating regardless of initial credit score
- ▶ Once a new customer is established with the City of Denton, their ongoing behavior will determine whether or not any additional deposit is required
- ▶ Negative behavior will result in "points" being assigned to the account
- ▶ These "points" result in an internal score which we then convert to a rating

Credit Event	Points
Late Fee	50
Overdue Interest	100
Disconnect Notice	200
Disconnect Non-Pay	500
Returned Check	200
NSF Check	200
Collection Letter	1000
Collection Agency	1000
Write Off	2000
Bankruptcy	2000



Customer Rating	Points Accrued	Deposit Required
"A" Rating	<150 points	NA
"B" Rating	150-300	NA
"C" Rating	301-600	NA
"D" Rating	601-900	Two Month Avg
"E" Rating	901-2,000	Two Month Avg
"F" Rating	>2,000	Two Month Avg

Additional Deposits for “D-F” Accounts

Once an account reaches a “D” rating, a deposit of two month average is assessed.

- Deposit assessments are run on a quarterly basis
- Customer Service considers 10 factors before assessing an deposit

FY 16/17

- 864 deposits were assessed
- Total Amount Assessed \$340,103.43
- Average Amount Assessed Per Account \$393.64

Customer Rating	Points Accured	Deposit Required
"A" Rating	<150 points	NA
"B"Rating	150-300	NA
"C" Rating	301-600	NA
"D" Rating	601-900	Two Month Avg
"E" Rating	901-2,000	Two Month Avg
"F" Rating	>2,000	Two Month Avg

Additional Deposits for Disconnects

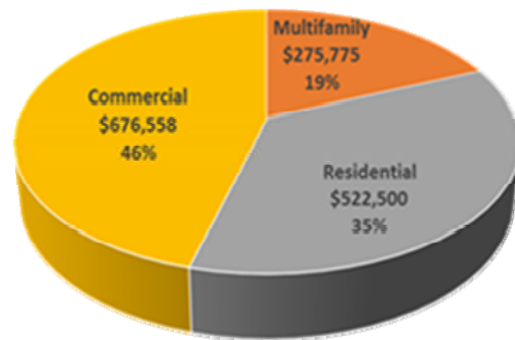
At the time of service disconnection for non payment, accounts will be secured with a two month deposit.

FY 16/17

- 71.23 %, or 6,467 disconnected accounts already had a two month deposit and were not required to pay an additional deposit amount.
- Remaining 28.77%, or 2,611 accounts
 - Average Deposit Amount Requested-Multi Family \$84.79
 - Average Deposit Amount Requested-Residential \$147.19
- Customers with additional deposit qualify for payment arrangements

Debt Reduction

FY 08/09 Uncollectable Debt



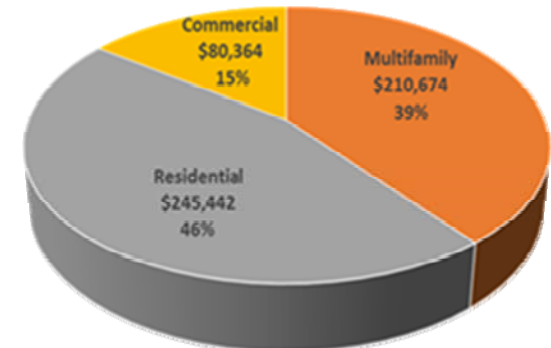
■ FY08/09 ■ Multifamily ■ Residential ■ Commercial

Commercial Debt Reduction-88.2%

Multi Family Debt Reduction- 23.6%

Residential Debt Reduction-53.1%

FY 15/16 Uncollectable Debt



■ FY15/16 ■ Multifamily ■ Residential ■ Commercial

Potential Deposits Change Impact

FY 2015-16 Closed Accounts With Deposits

	Rating A	Rating B	Rating C	Rating D	Rating E	Rating F	Totals
Unpaid Final Bills	44	36	21	27	99	1246	1473
Paid Final Bills	1379	451	324	239	732	864	3989
Total Final Bills	1423	487	345	266	831	2110	5462
% of Unpaid Dollars*	1%	1%	1%	1%	4%	91%	100%

FY 2016-17 Closed Accounts With Deposits

	Rating A	Rating B	Rating C	Rating D	Rating E	Rating F	Totals
Unpaid Final Bills	64	68	100	62	282	898	1474
Paid Final Bills	1255	426	294	306	772	732	3785
Total Final Bills	1319	494	394	368	1054	1630	5259
% of Unpaid Dollars*	1%	2%	5%	3%	19%	69%	100%

*Unpaid amounts after application of deposit

The deposit amount on these finaled (closed) accounts was reduced from two months to one month and the estimated impact was an increase in unpaid amounts of 69.7% in FY 2015-16 and 78.5% in FY 2016-17.

City Council Direction

Residential Deposit Options

- ▶ **New Additional Option:**
 - ▶ Maintain current deposit assessments at time of connection.
 - ▶ Any additional deposit assessments will occur as the customer establishes payment behavior.
 - ▶ No additional deposits will be required at the time of disconnection of service for non payment
- ▶ **Previous Discussed 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
 - ▶ 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

9 / 10

Staff Recommendations:

- Maintain current assessment of deposits when connecting service and after payment behavior established.
- No additional deposit at time of disconnect.

PUB Recommendations:

- No Changes to Deposit Policy

Reaffirm Direction:

P.L.U.S One Program
Homelessness Deposit Waiver

Implementation Timeline

P.L.U.S One Changes

New Contract July 2018

Staff is currently working on solicitation process

Homelessness Deposit Waiver

Staff will come back to City Council in January 2018 for consideration of ordinance revisions

Deposit Policy Changes

Staff will come back to City Council in January 2018 for consideration of ordinance revisions

Staff will implement City Council's direction and report back with results in 12 months.