

**MEMORANDUM**

DATE: December 5, 2017
TO: Public Utilities Board & City Council
FROM: Tiffany Thomson
SUBJECT: Additional Data Regarding Credit & Collections

During the last few weeks, staff has received questions in regards to the uncollectable debt amount and staff time spent on delinquent accounts. The following information provides historical data on collections, potential impact if policies were not updated in 2010 and what effort and impacts are associated with active collections. Further information is also provided on the breakdown of the time and costs spent on collections.

| Historical Collections | | Potential Collection Impact | |
|--|------------------|--|-----------------|
| Total Uncollectable Debt in FY 08/09 | \$1.47 m | *Estimated Uncollectable Debt in FY 15/16 | \$1.83 m |
| Total Uncollectable Debt in FY 15/16 | \$0.54 m | Total Uncollectable Debt in FY 15/16 | \$0.54 m |
| Total Benefit of Policy Change | \$0.93 m | Total Benefit of Policy Change | \$1.29 m |
| Less: Total Cost of Collection Staff | \$0.017 m | Less: Total Cost of Collection Staff | \$0.017 m |
| Total Net Benefit to Ratepayers | \$0.913 m | Total Net Benefit to Ratepayers | \$1.27 m |

*If no changes implemented in 2010

Estimate based on FY 08/09 Delinquency Performance

| FY 15/16 Billing and Collection Activity | | FY 16/17 Billing and Collection Activity | |
|---|------------------|---|------------------|
| Total Delinquent Outstanding Bills | \$24.86 m | Total Delinquent Outstanding Bills | \$24.01 m |
| Collections Totaled As a Result of Collection Efforts | \$23.24 m | Collections Totaled As a Result of Collection Efforts | \$22.29 m |
| Less: Cost of Collections | \$0.36 m | Less: Cost of Collections | \$0.36 m |
| Total Net Benefit to Ratepayer | \$22.88 m | Total Net Benefit to Ratepayer | \$21.93 m |

Additional Information about Staff Time:

The \$378,439 costs associated with Credit and Collections is based off of a full time staff member whom is our Credit and Collections Specialist and 19% of Customer Services Representatives time assisting with delinquent accounts.

The Credit and Collection Specialist is responsible for initiating and maintaining Customer Service's credit and collection processes including activity related to active, inactive, and uncollectable debts. The Credit and Collection Specialist is also the liaison for the multiple help agencies the City partners with to aide customers with documentation request, customers' needs and pledges of payments. The Specialist made up for \$68,121 of the total costs. 72.43% (\$50,703) of the Specialist time is spent on active collections and 25.57% (\$17,418) on inactive collections.

OUR CORE VALUES

Integrity • Fiscal Responsibility • Transparency • Outstanding Customer Service

The remaining \$310,217 is the Customer Service Representatives time dedicated to delinquent accounts. The way this was calculated is through customers calls logged by call type in the Customer Information System. These calls types include: payment arrangements, amount due, reconnect, and deposit questions. Out of the calls pulled, 72.5% were amount due calls. These calls may not strictly be related to delinquent accounts and can also be good credit customer inquiring about their balance. Staff wanted to be transparent and lean on the high side of the associated costs, but in reality the total costs for collections could be less.

Active Collections

The Credit & Collection Specialists Efforts Include:

- Friendly Reminder phone calls for accounts that are past their current bill's due date.
- Courtesy Calls for accounts who owe two utility bills and are eligible for disconnection.
- Screens and processes the orders for disconnection for nonpayment. During this screening process staff is verifying any event on the account that would prevent disconnection for the customer.

For **FY 15/16**, the efforts made to notify and work the customers' accounts has resulted in \$23,240,319 being collected or arrangements made for the customer.

| | Revenue Billed | Friendly Reminder | % of Revenue Billed | Courtesy Call | % of Revenue Billed | Disconnection | % of Revenue Billed | Amount Collected/Arranged | % |
|--------|------------------|-------------------|---------------------|-----------------|---------------------|----------------|---------------------|---------------------------|-----|
| Oct-15 | \$ 20,706,580.52 | \$ 2,521,135.82 | 12.18% | \$ 1,332,285.86 | 6.43% | \$ 192,580.61 | 0.93% | \$ 2,328,555.21 | 92% |
| Nov-15 | \$ 16,932,130.20 | \$ 2,420,457.83 | 14.30% | \$ 1,028,958.27 | 6.08% | \$ 132,372.00 | 0.78% | \$ 2,288,085.83 | 95% |
| Dec-15 | \$ 17,056,551.98 | \$ 2,245,034.38 | 13.16% | \$ 867,978.83 | 5.09% | \$ 72,622.07 | 0.43% | \$ 2,172,412.31 | 97% |
| Jan-16 | \$ 17,470,078.60 | \$ 2,068,428.48 | 11.84% | \$ 899,036.93 | 5.15% | \$ 76,853.28 | 0.44% | \$ 1,991,575.20 | 96% |
| Feb-16 | \$ 18,122,028.86 | \$ 2,139,908.82 | 11.81% | \$ 777,140.78 | 4.29% | \$ 144,662.32 | 0.80% | \$ 1,995,246.50 | 93% |
| Mar-16 | \$ 17,314,085.73 | \$ 1,609,711.23 | 9.30% | \$ 882,873.43 | 5.10% | \$ 36,507.41 | 0.21% | \$ 1,573,203.82 | 98% |
| Apr-16 | \$ 16,989,460.19 | \$ 1,711,545.52 | 10.07% | \$ 570,580.13 | 3.36% | \$ 131,593.15 | 0.77% | \$ 1,579,952.37 | 92% |
| May-16 | \$ 17,372,670.19 | \$ 1,849,589.41 | 10.65% | \$ 660,057.77 | 3.80% | \$ 123,192.26 | 0.71% | \$ 1,726,397.15 | 93% |
| Jun-16 | \$ 20,204,969.74 | \$ 1,423,003.52 | 7.04% | \$ 779,132.00 | 3.86% | \$ 213,991.99 | 1.06% | \$ 1,209,011.53 | 85% |
| Jul-16 | \$ 22,506,439.11 | \$ 1,859,744.75 | 8.26% | \$ 746,040.15 | 3.31% | \$ 127,195.36 | 0.57% | \$ 1,732,549.39 | 93% |
| Aug-16 | \$ 24,682,487.76 | \$ 2,697,231.43 | 10.93% | \$ 1,390,016.03 | 5.63% | \$ 152,726.85 | 0.62% | \$ 2,544,504.58 | 94% |
| Sep-16 | \$ 24,163,846.17 | \$ 2,323,436.80 | 9.62% | \$ 1,286,249.27 | 5.32% | \$ 224,611.28 | 0.93% | \$ 2,098,825.52 | 90% |
| | \$233,521,329.05 | \$24,869,227.99 | 10.65% | \$11,220,349.45 | 4.80% | \$1,628,908.58 | 0.70% | \$ 23,240,319.41 | 93% |

For **FY 16/17**, the efforts made to notify and work with the customer's accounts has resulted in \$22,292,825 being collected or arrangements made for the customer.

| | Revenue Billed | Friendly Reminder | % of Revenue Billed | Courtesy Call | % of Revenue Billed | Disconnection | % of Revenue Billed | Amount Collected/Arranged | % |
|--------|------------------|-------------------|---------------------|-----------------|---------------------|----------------|---------------------|---------------------------|-----|
| Oct-16 | \$ 20,732,771.05 | \$ 2,215,139.22 | 10.68% | \$ 1,266,258.86 | 6.11% | \$ 88,496.62 | 0.43% | \$ 2,126,642.60 | 96% |
| Nov-16 | \$ 17,970,031.94 | \$ 2,269,334.70 | 12.63% | \$ 922,512.36 | 5.13% | \$ 221,082.37 | 1.23% | \$ 2,048,252.33 | 90% |
| Dec-16 | \$ 18,252,701.52 | \$ 2,040,790.68 | 11.18% | \$ 958,415.81 | 5.25% | \$ 88,496.62 | 0.48% | \$ 1,952,294.06 | 96% |
| Jan-17 | \$ 17,962,569.21 | \$ 1,931,886.54 | 10.76% | \$ 901,894.93 | 5.02% | \$ 109,916.15 | 0.61% | \$ 1,821,970.39 | 94% |
| Feb-17 | \$ 16,306,716.68 | \$ 2,094,021.71 | 12.84% | \$ 838,805.98 | 5.14% | \$ 241,847.52 | 1.48% | \$ 1,852,174.19 | 88% |
| Mar-17 | \$ 17,527,255.10 | \$ 1,269,322.12 | 7.24% | \$ 772,399.83 | 4.41% | \$ 134,682.54 | 0.77% | \$ 1,134,639.58 | 89% |
| Apr-17 | \$ 17,616,028.11 | \$ 1,437,028.01 | 8.16% | \$ 735,296.60 | 4.17% | \$ 115,932.06 | 0.66% | \$ 1,321,095.95 | 92% |
| May-17 | \$ 18,406,401.93 | \$ 1,830,321.92 | 9.94% | \$ 733,213.01 | 3.98% | \$ 117,192.54 | 0.64% | \$ 1,713,129.38 | 94% |
| Jun-17 | \$ 21,790,928.13 | \$ 1,829,296.54 | 8.39% | \$ 918,673.13 | 4.22% | \$ 135,616.67 | 0.62% | \$ 1,693,679.87 | 93% |
| Jul-17 | \$ 22,922,996.53 | \$ 2,030,716.18 | 8.86% | \$ 1,117,900.90 | 4.88% | \$ 89,121.86 | 0.39% | \$ 1,941,594.32 | 96% |
| Aug-17 | \$ 25,102,424.61 | \$ 2,322,270.23 | 9.25% | \$ 1,164,651.90 | 4.64% | \$ 217,005.00 | 0.86% | \$ 2,105,265.23 | 91% |
| Sep-17 | \$ 22,950,504.63 | \$ 2,745,653.75 | 11.96% | \$ 1,344,526.65 | 5.86% | \$ 162,846.04 | 0.71% | \$ 2,582,807.71 | 94% |
| | \$237,541,329.44 | \$24,015,781.60 | 10.00% | \$11,674,549.96 | 5.00% | \$1,722,235.99 | 1.00% | \$ 22,293,545.61 | 93% |

Inactive Collections

- Customer is provided a call 14 days after their final bill was due.
- Customer is provided a collection letter 21 days after their final bill is due; any debts are transferred to active accounts for the same customer.
- Any debt over \$500 receive a call by the Credit and Collection Specialist to obtain payment or arrangements until the account is 120 days old.
- At 120 days old the account is turned over to the third party collection agency.
- At 180 days old the account is placed as uncollectable debt.

For **FY 15/16**, these efforts resulted in \$371,217 collected in house by our Credit and Collection Specialist.

For **FY 16/17**, these efforts resulted in \$550,740 collected in house by our Credit and Collection Specialist.