



# City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
[www.cityofdenton.com](http://www.cityofdenton.com)

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## AGENDA INFORMATION SHEET

**DEPARTMENT:** Finance

**DCM:** Bryan Langley

**DATE:** January 9, 2018

### **SUBJECT**

Review and consider approval of ordinance changes 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 in regards to the meter/billing cycles, survey comparisons, fair credit scoring, fee review, deposit options and additional funding to the P.L.U.S One program.

During the November 13, 2017 Public Utilities Meeting and November 14, 2017, City Council meeting, Customer Service presented the follow-up information and provided options for direction regarding the P.L.U.S One program and deposit policy.

The Public Utilities Board recommended no changes to the deposit policy, increase funding by \$25,000 for the P.L.U.S One program, allow funding to be used towards deposits, update criteria for new contract and proceed with a Homelessness Deposit Waiver.

City Council gave direction to increase funding by \$25,000 for the P.L.U.S One program, allow funding to be used towards deposits, update criteria for new contract and proceed with a Homelessness Deposit Waiver. The Council asked for additional information regarding initial deposits for new customers and how deposit are assessed for existing customers.

During the December 5, 2017, City Council meeting, Customer Service presented the information regarding new and existing customer utility deposits. The City Council provided direction on changing

points associated with overdue interest and the customer ratings. The Council asked for the changes to be made in ordinance and brought back to review and approve. The proposed changes are detailed below:

#### P.L.U.S One Program Changes

All changes associated with the P.L.U.S One program are contractual changes that will be included in the new contract that is currently in a Request for Proposal status. The contract will be brought back to the Public Utilities Board and City Council for approval in May 2018. The contractual changes include:

- Increase funding from \$100,000 to \$125,000 per year
- Update contract criteria for vendor to utilize to determine approval of assistance and defining specific guidelines to help more families and understand what barriers customers are facing.
  - Allow funds to be allocated to assist with deposits.
  - 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).

#### Homelessness Deposit Waiver Implementation

Addresses a specific community need through a deposit waiver process for any individual or family experiencing homelessness that are participating in a City of Denton verified permanent or rapid rehousing program.

- Qualified agencies will be provided a form letter for clients to present to the City when requesting utility service in order to have the deposit waived.

#### Credit Event & Rating Changes

The point's associated with the Overdue Interest credit event is 100. Per City Council direction, no points will be associated with an Overdue Interest charge.

Current customers in the utility system have an internal customer rating that determines deposit requirements. City Council provided direction to modify the rating scale, points accrued and deposit required. These changes are illustrated below:

##### **Current**

Customer Rating	Points Accrued	Current 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

##### **Proposed**

New Customer Rating	New Points Accrued	New Current Deposit Required
"A" Rating	<150 points	NA
"B" Rating	150-300	NA
"C" Rating	301-750	NA
"D" Rating	751-2,000	One Month Avg
"E" Rating	>2,000	Two Month Avg
"F" Rating	Eliminated	Eliminated

### Disconnection Procedures for Holidays/Weekends and Extreme Weather

Customer Service has followed an internal policy in regards to disconnection of service during holidays, weekends and at time of extreme weather. In effort to memorialize these procedures, staff has added the parameters into the ordinance changes for consideration.

- Disconnection on holidays or weekends – Unless a dangerous condition exist or the customer requests disconnection, service shall not be disconnected on holidays or weekends, or the day immediately preceding a holiday or weekend, unless utility personnel are available on those days to take payments and reconnect services. Services shall also not be disconnected during the weeks of Thanksgiving, Christmas or New Year's
- Disconnection during extreme weather. Utility services will not be disconnected for nonpayment when on the day of disconnection:
  - The National Weather Service (NWS) has forecasted the day's temperatures to fall below 32 degrees Fahrenheit
  - The NWS has forecasted the day's high temperatures to be at or above 100 degrees Fahrenheit or a heat advisory has been issued for Denton County.

### **RECOMMENDATIONS:**

Review ordinance changes and consider approval from 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.

On November 13, 2017, Customer Service presented the follow-up information and options for direction to the Public Utilities Board. The Board provided direction to update criteria to the P.L.U.S One program, increase finding by \$25,000, allow funds to be allocated to deposits and execute a deposit waiver for customer's experiencing homelessness and working with a help agency to be housed. The Board recommended that no changes be made to the deposit policy.

On November 14, 2017, Customer Service presented the follow-up information and options for direction to the City Council. The City Council provided direction to update criteria to the P.L.U.S One program, increase finding by \$25,000, allow funds to be allocated to deposits and execute a deposit waiver for customer's experiencing homelessness and working with a help agency to be housed. The City Council requested additional information on the deposit process to be further discussed.

On December 5, 2017, Customer Service presented the follow-up information and options for direction to City Council regarding new and existing customer utility deposits. The City Council provided direction to remove any points associated with overdue interest and changes were made to the scale of customer ratings, points and associated deposits for existing customers.

Once the ordinance revisions are approved, staff will work to make the updates in the Customer Information System effective February 5, 2018. Once the changes have been implemented and internal

credit ratings updated, all existing customers will maintain current deposits on the accounts. Once the credit events roll off the account, deposits will be refunded to the utility accounts. Staff will also not be completing the quarterly additional deposit assessments in January to allow for the new parameters to be put into place.

### **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: Revised Ordinance 2010-292

Exhibit 3: Presentation

### **PREPARED BY:**

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