Credit & Collections Review for the

City of Denton, Texas

ASCENT GROUP

August 2025

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Business Process Review

BACKGROUND

Project Scope & Work Completed

The Ascent Group conducted a focused operational assessment of the Credit & Collections functions for the City of Denton with the goal of identifying action items or areas of focus for further improvement. A similar assessment was conducted in 2018.

Scope of Review:

- Residential and Commercial revenue collection cycle and practices
- Customer Deposit policy and practices
- Leak Adjustment policy and practices
- Payment Plan policy and practices

Work Completed:

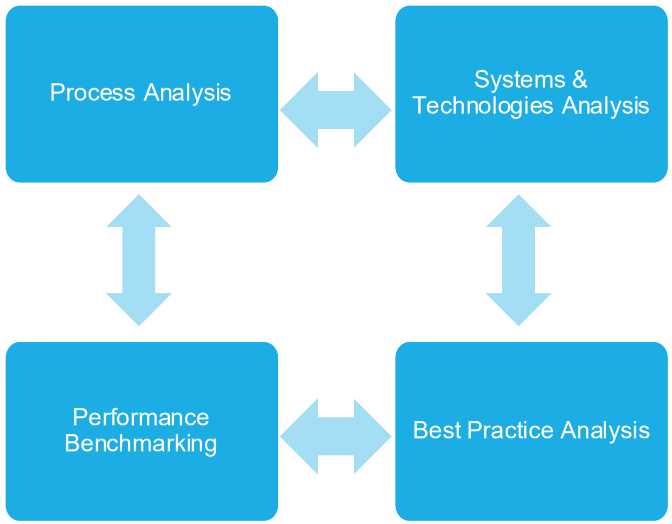
- Interviewed management and staff in Customer Service and Collections
- Reviewed business processes
- Listened to recorded customer calls
- Reviewed reports and business documents
- Gathered workload, cost, and performance data
- Benchmarked cost and service level performance to industry

Project Approach

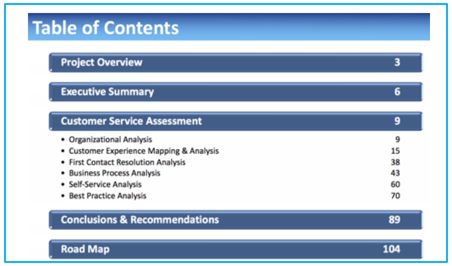
Task 1: Planning & Kickoff | **Task 2: Credit & Collections Assessment** | **Task 3: Recommendations & Roadmap**

- Mobilize
- Work plan
- Communications
- Clarify expectations
- Identify sponsors & stakeholders
- Review data & results
- Schedule interviews & working sessions
- Initial data request
- Project management

Work Plan



Assessment Report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Present Results to Management, Public Utility Board and City Council

Denton Collection Practices Changes

2011	Developed internal credit scoring and customer credit classes
	Online Utility Exchange to verify identify and determine deposit based on credit risk
	Shortened collections action timeline by 8 days
	Deposit assessments quarterly based on internal credit rating
	Refunded deposits for 12 months of good payment behavior
	Began writing off bad debt at 180 days
	Using the CIS to manage payment arrangements
	Late fees increased to $20
2018	Lessened deposit requirements for average to higher risk credit classes
	Redefined credit class thresholds and internal credit points for collection actions
	Increased Plus One assistance funding and assistance available to individuals

Credit & Collection Review

OPERATIONAL BENCHMARKS

Benchmarks – Texas Municipal Utilities & U.S. Utilities

- We compared Denton's Credit and Collection practices to 23 other municipal utilities in Texas.

Arlington	El Paso	McKinney
Austin	Fort Worth	New Braunfels
Boerne	Garland	Plano
Bryan	Georgetown	Rowlett
Carrollton	Greenville	San Antonio
College Station	Houston	San Marcos
Dallas	Lewisville	San Marcos
Denton	Lubbock	

- We compared Denton's Credit and Collection performance to our database of U.S. utilities:

Type	Coop	Gas	IOU	Muni	Total
Electric / Gas / Water Utility			1	2	3
Electric / Gas Utility			21	1	22
Electric / Water Utility			2	4	6
Electric Utility	2		39	6	47
Gas Utility	1	3	13	1	18
Water Utility			1	14	15
Grand Total	3	3	77	28	111

- A list of benchmark utilities is included at the end of this section.

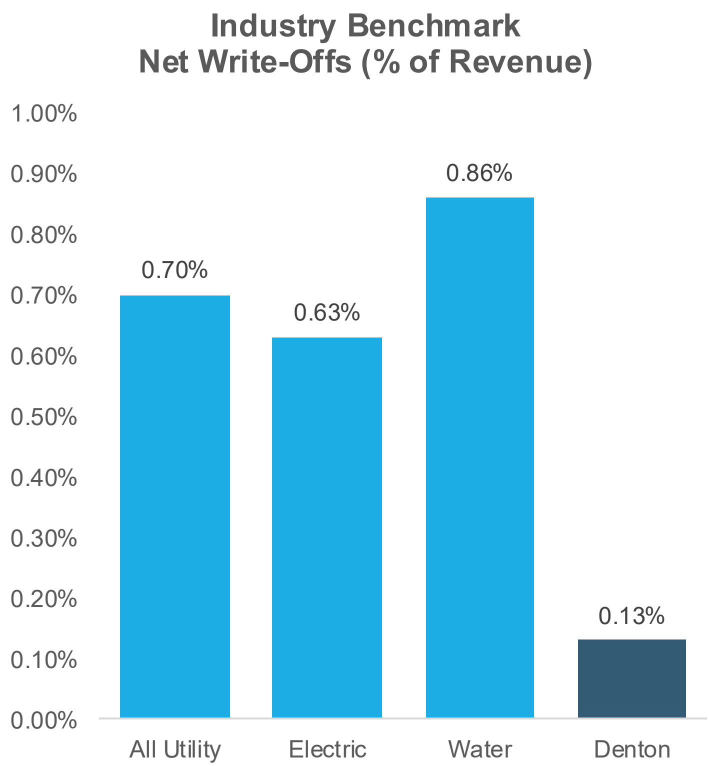
Benchmarks – U.S. Utilities

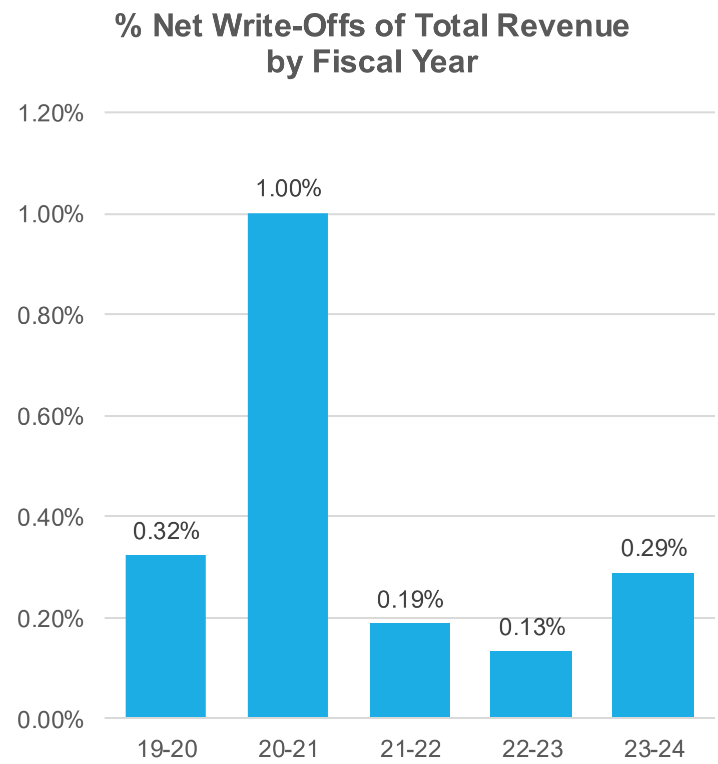
We compared Denton's Credit and Collection performance to our benchmark panel using the following metrics:

Metric	Focus	Definition
% Net Write-Offs	Effectiveness	Uncollectible Accounts Receivables Written-Off (adjusted for recoveries) / Total Revenue
Days Sales Outstanding (DSO)	Effectiveness	(Customer Receivables / Total Revenue) X days in period
% Customer Receivables Older than 60 days	Effectiveness	Customer Receivables older than 60 days / Total Receivables
Collection Actions per FTE	Productivity	Number of Collection Actions / Collection FTEs
Cost per Collection Action	Unit Cost	Collection Cost / Collection Actions

Benchmarks – U.S. Utilities

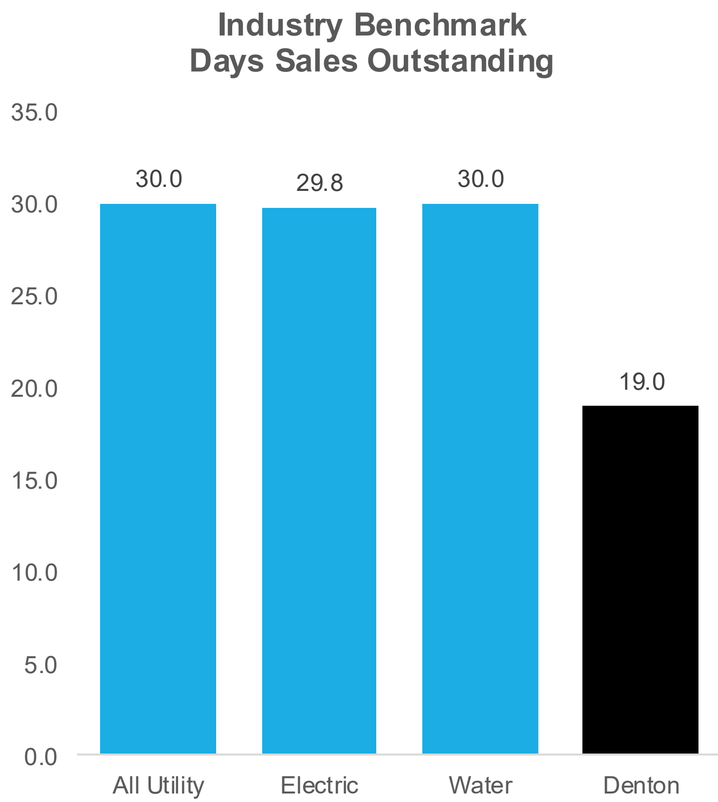
- Denton leads benchmark panel for Percent of Net Write-Offs.
- Denton has progressively reduced net write-offs over the past five years.
- FY20-21 reflects impact of pandemic on bad debt.

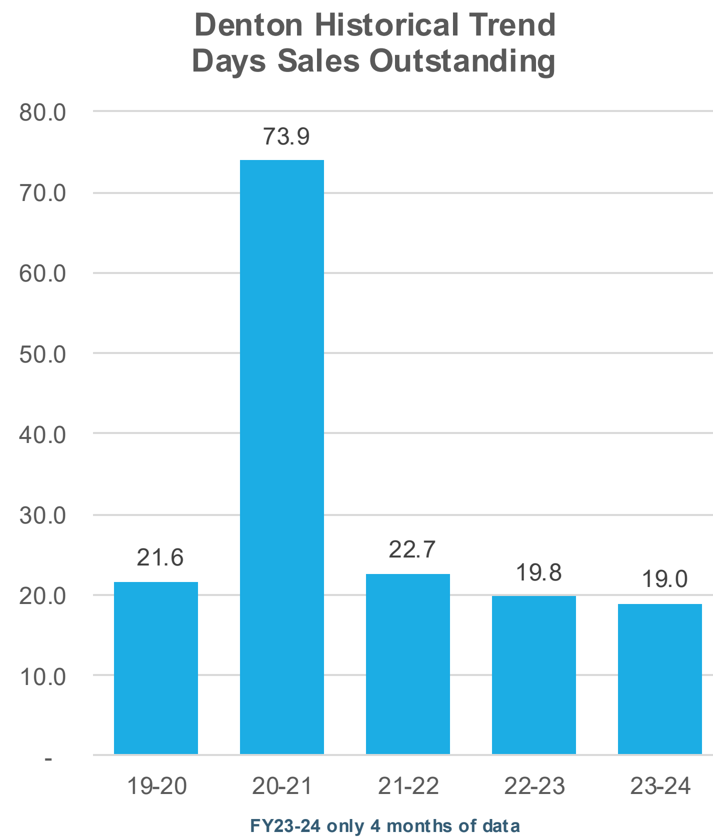




Benchmarks – U.S. Utilities

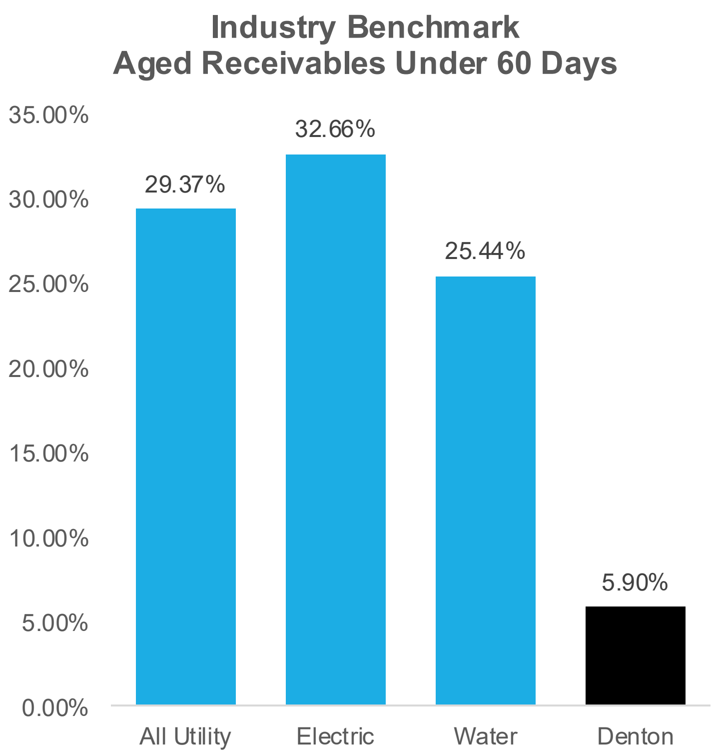
- Days Sales Outstanding (DSO) measures how long it takes to collect.
- Denton leads industry and historical is trending positive.

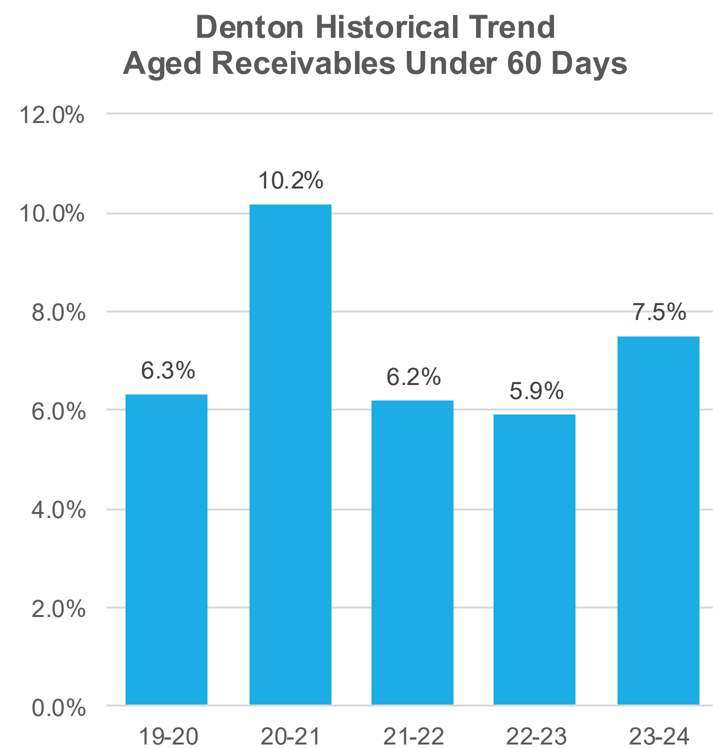




Benchmarks – U.S. Utilities

- Denton well below industry benchmark for customer receivables 60-day or older.
- Customer receivables older than 60 days under 8% except during pandemic.

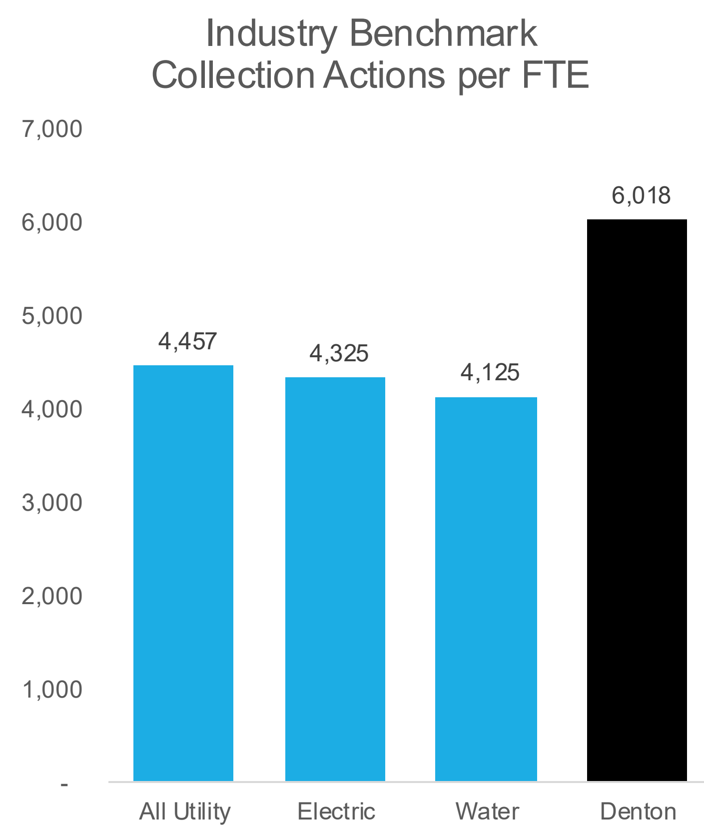




FY23-24 only 4 months of data

Benchmarks – U.S. Utilities

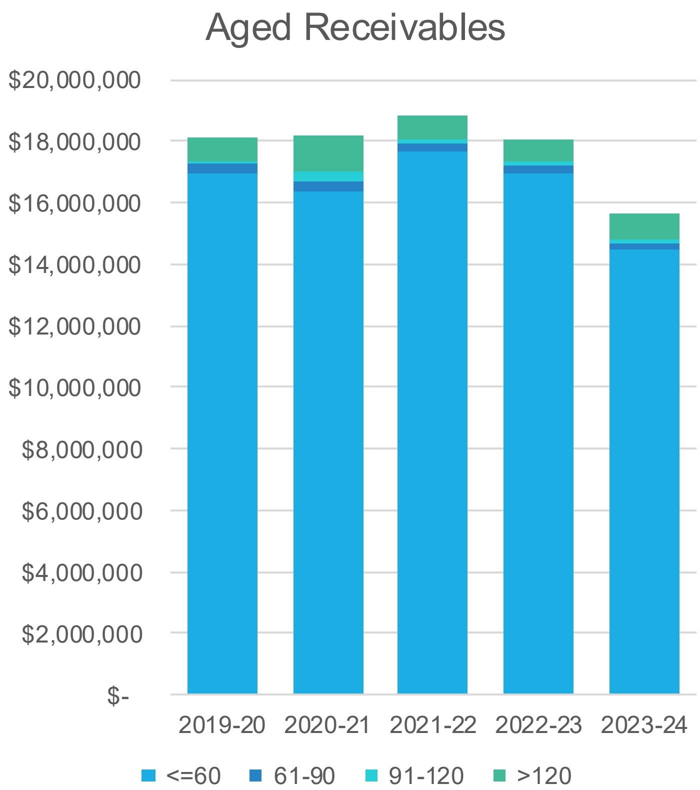
- Denton's cost per collection action is better than industry as is collection productivity.



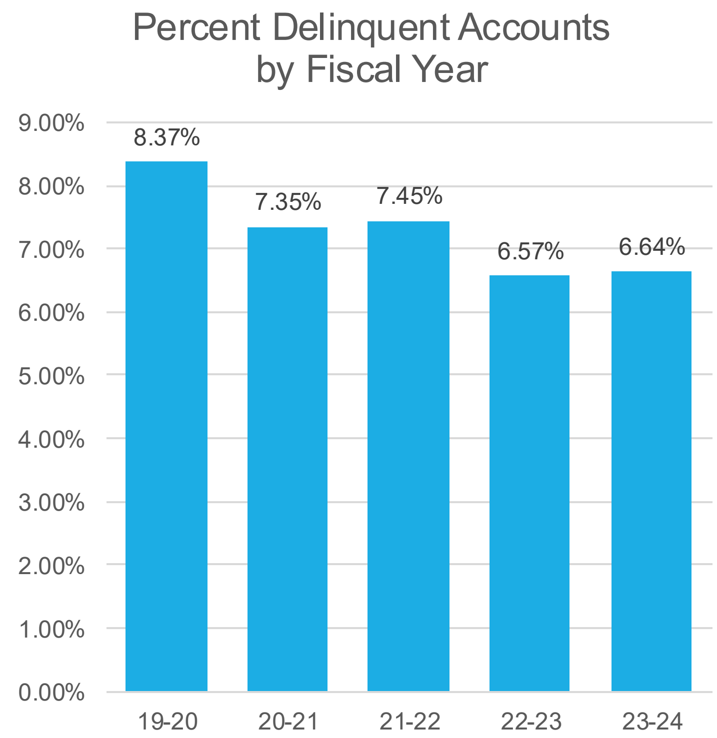
FY23-24 only 4 months of data

Delinquencies and Arrearages have reduced

- Aged receivables are improving as the percent of delinquent accounts has declined.



FY23-24 only 4 months of data



FY23-24 only 4 months of data

Benchmark Participants

AEP
Alabama Power
Alliant Energy
Ameren Illinois
Ameren MO
Aquarion Water Co.
Arizona Public Service
Atmos Energy
Austin Energy
Avista Utilities
Black Hills Power
CenterPoint Energy - Texas
Chelan County PUD
Chesapeake Utilities
Chesterfield County Department of Utilities
City of Boerne
City of Clearwater
City of Denton
City of Independence Utilities
City of Long Beach
City of Phoenix
City of Regina, Saskatchewan
Clayton County Water Authority
Cleveland Water
College Station Utilities
Colorado Springs Utilities
Consolidated Edison Company of New York, Inc.
Consumers Energy
CPS Energy
Dominion Energy West Virginia
Dominion Gas
Dominion Virginia Power
DTE Energy
Duquesne Light
East Central Energy
El Paso Electric Company
Entergy
Evergy KCP&L
Eversource
Exelon - Delmarva Power
Exelon Atlantic City Electric
Exelon BGE
Exelon ComEd
Exelon PECO Energy
FirstEnergy Corporation
FirstEnergy JCP&L
FirstEnergy Met-Ed
FirstEnergy Mon Power
FirstEnergy Ohio Edison
FirstEnergy Penelec
FirstEnergy Penn Power
FIrstEnergy Potomac Edison
FirstEnergy Toledo Power
FirstEnergy West Penn Power
Florida Power & Light
Ft Worth Water Department
Georgia Power Company
Golden Valley Electric Association
Grant County PUD
Hawaiian Electric Company
JEA
Kansas Gas Service
Kentucky Utilities Company
Lakeland Electric
Liberty Utilities - Empire
Liberty Utilities - NH
Louisville Gas & Electric
Louisville Water Company
Macon Water Authority
Madison Gas & Electric Company
National Grid - KEDLI
National Grid Massachusetts
National Grid Upstate
New Jersey Natural Gas
Northern Indiana Public Service Co
Northwestern Corporation
Nova Scotia Power
NV Energy
Oklahoma Gas and Electric Company
Oklahoma Natural Gas
Orlando Utilities Commission
Pacific Gas & Electric Company
Pacific Power
Passaic Valley Water Commission
Peninsula Light Company
Peoples Natural Gas
PHI - Pepco
PNM Electric & Gas Services
Portland General Electric
PPL Electric Utilities
PPL Kentucky
PSE&G
PSEG Long Island
Sacramento Municipal Utilities District
San Antonio Water System
Sarasota County Environmental Services
SD1
SEMCO Energy, Inc.
Southern California Edison
Southern California Gas
Southern Company Gas
Southwest Gas Corporation
Spire Alabama
Spire Missouri
Tampa Electric
Texas Gas Service
Truckee Meadows Water Authority
Tualatin Valley Water District
UGI Utilities, Inc.
Washington Gas
Xcel Energy

Credit & Collection Review

POLICY BENCHMARKS

Leak Adjustment Policy Benchmarks
Texas Municipal Utilities

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City	Eligibility	Proof Required?	Application Requirements	Potential Adjustment Amount	Limitations	Pools & Irrigation leaks eligible?
Denton	Repaired within one month of detection, 60 days to submit proof, must be at least 50% higher than normal. Eligible if repair shows significant reduction in usage and plumbing permits were obtained and pass inspection.	Yes, repair documentation with permit and permit inspection.	Authorized account holder must submit Utility Assistance Form (online) with repair documentation.	Normal charges will be deducted from leak charges and 50% of the excess will be credited (up to 100Kg) Credits will be applied after one full leak-free month of billed service.	One adjustment per year; may cover up to 2 consecutive months of water charges. Sprinklers, pools, water filtration units do not qualify for water adjustment but may for sewer adjustment.	No
Garland	Repairs must be completed and usage back to normal before submitting application.	Proof of repair: receipts, photos, or plumber's bill.	Submit Leak Adjustment Request with receipts, proof of repair within 6 months.	Credit on water charges above normal usage	Cannot exceed one adjustment per 12 months	Not specifically excluded.
Fort Worth	Residential leaks eligible if usage returns to normal after repair	Repair receipts.	Submit application within 60 days of repair with receipts	50% of excess usage at a max of two consecutive billing periods	One adjustment per year. Adjustment only applies to water, not sewer	No
Dallas	Substantial leak causing high usage eligible once per year	Repair documentation	Complete form with repair details, account number, and related documentation Must pay typical bill during review period to avoid service disruption	Recalculates excess water at the lowest rate, max of 3 months	Limited to one adjustment per 12 months for a maximum of 3 months.	No
Austin	Eligible if leak repair shows return to average use Apply within 90 days of repair with proof of completed work	Proof of work completed. For high volume adjustment, company investigates high usage and inspects meter and premise	Usage must be greater than or equal to 3X the normal usage Restricted to water consumption, not wastewater	Credit calculated on excess usage; 50% of charges above normal will be credited; remainder will be adjusted to a discounted rate. Water leaks were not within customer's control and due diligence exercised in repairing leaks	Leak adjustment once per year for up to 2 consecutive billing periods. Sewer may be adjusted if lower volume charged. High volume adjustment limited to water usage up to 2 consecutive billing periods (once in 2 years and at least 4 months billing history).	No, but irrigation system leaks may be eligible for sewer adjustment.

Leak Adjustment Policy Benchmarks
Texas Municipal Utilities

City	Eligibility	Proof Required?	Application Requirements	Potential Adjustment Amount	Limitations	Pools & Irrigation leaks eligible?
San Antonio	Allowed for substantial water loss due to leaks, with completed repair. Receipts must be submitted within 90 days of repairs	Provide documentation of repair and water usage details		Percentage of excess usage may be credited. Courtesy adjustment up to 25% of the excess usage.	Limited to 1 annually Adjustments are discretionary; sewer charges are not adjusted	Yes, both may be eligible.
Houston	Significant leak causing high bill eligible for residential accounts File within 6 months a sworn written application of the repair.	Requires proof of complete repair, must resume normal usage after repair	Application with repair documentation and receipts required Leak balance must be greater than $1000.00 or $100 for elderly customers.	100% repaired 30 days 75% repaired 60 days 50% repaired after 60 days; 100% credit on excess wastewater charges. Account may be reduced by up to $10,000 of an Exceptional Circumstance Adjustment (once)	Up to 3 consecutive months. Multiple leak adjustments per year. Exceptional circumstances (2X average) 1 in 2 years. Large bill (200% or greater than average) 1 per year - - adjusted to 125% of average.	No, but irrigation system leaks may be eligible for sewer adjustment.
College Station	Submit completed application with documentation within 60 days.	Proof of repair.	Must have an active account and proof of leak repair. Written request	50% of the amount over average use for the last 12 months Adjustments are based on prior consumption.	Adjustments for one month's bill, not exceeding 50% of usage. Only one adjustment per year.	No, but irrigation system leaks may be eligible for sewer adjustment.
Arlington	Proof of repairs and a request must be made within 90 days of the leak detection.	Proof of repair is required, receipts or plumber's statement. Residential.	Only residential accounts are eligible.	Water usage must exceed 2X normal usage of same period over prior 3 years or twice the city average for customers without 3 years service (200%)	One adjustment over two years. Within past 90 days but limited to 2 consecutive months.	No, but irrigation system leaks may be eligible for sewer adjustment.

Leak Adjustment Policy Benchmarks Texas Municipal Utilities

City	Eligibility	Proof Required?	Application Requirements	Potential Adjustment Amount	Limitations	Pools & Irrigation leaks eligible?
Georgetown	Written request required with repair details.	Yes, repair receipts and verification by field personnel.	Residential and non-residential accounts can be eligible. Non-residential customers must have more than 12 months continuous active water and/or sewer service and high usage must exceed 3X average monthly bill.	Residential customers (>1 year service) up to 50% of excess over system average usage (not to exceed $250). Excess based on system average of 5,000 gallons per month usage for new customers. Non-residential will be adjusted based on the excess	One adjustment per 12 months and 2 in five years. Sewer can be adjusted if watering new landscaping or filling a swimming pool (only one month usage adjusted).	No, but irrigation system leaks may be eligible for sewer adjustment.
Lubbock	Application must be filed within 30 of leak's detection.	Must provide repair receipts and demonstrate the leak was fixed.	Active accounts in good standing only.	50% of the overage for one billing period Adjustments are capped based on historical averages	One adjustment a year.	Irrigation systems are not eligible however pools are not specifically excluded.
San Marcos	Request must be submitted within 30 days of the leak's detection..	Must provide proof of repair documentation, receipts or statement from a plumber, photos	Active accounts in good standing only.	Credit up to 50% of the excess usage 10-14 days to process application.	Adjustments are limited to one annually, up to 2 consecutive months adjusted. Not more than 2 months retroactively.	No.
Weatherford	Submit completed leaks within 60 days.	Must provide proof of leak repair and past consumption records.	Only available for leaks not caused by customer negligence.	Credit for one billing cycle, up to 50% of excess usage	One adjustment allowed every 12 months, maximum two months billed.	No.

Leak Adjustment Policy Benchmarks
Texas Municipal Utilities

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City	Eligibility	Proof Required?	Application Requirements	Potential Adjustment Amount	Limitations	Pools & Irrigation leaks eligible?
El Paso	Written request required along with explanation of repair; must occur within 60 days.	Show reduced consumption in subsequent month.	Account holder. All customers are eligible and automatically opted-into ServLine Leak Protection Program. More than 10 ccfs excess usage	50 percent of the difference above standard use of same billing cycle a year ago If customer participates and pays for Leak Protection Program covers up to $1000 in leaks (ServeLine) but same basic limitations as normal leak adjustment.	Limited to one adjustment per 24 months. Up to 2 consecutive months of usage. Does not apply to sewer or other services.	No
Boerne	Submit application	Documentation of repairs needed and completed form.	During Dec-Mar indicate if excess usage impacted sewer usage for possible sewer adjustment.	Up to 50% adjustment of excess as compared to average usage (over Jan-Mar) If usage is 50% higher than normal usage.	One adjustment per year.	Not specifically excluded.
Carrollton	Submit application within 90 days of bill with leak.	Proof of repair within 3 months of leak's detection. Leak-free billing period confirmed.	Customer of Record. Not pools or other manageable acts. No adjustment if not repaired within 6 billing periods.	60% adjustment for water leak outside sewer, difference between leak and average usage over same month for 2 prior years. 50% of the difference if inside sewer.	One per 12 months, two within 60 months. Up to two months of consecutive usage adjusted. Not for irrigation systems or pools.	No.

Leak Adjustment Policy Benchmarks
Texas Municipal Utilities

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City	Eligibility	Proof Required?	Application Requirements	Potential Adjustment Amount	Limitations	Pools & Irrigation leaks eligible?
Greenville	Application with proof of repair. No timeframe indicated.	Proof of repair, plumber receipt or statement or notarized statement detailing self-repair.	Residential accounts only, 3 months of billing history at the location. Concealed leaks.	If approved, water usage will be charge at production cost of $1.45 per 1,000 gallons.	One adjustment in 2 years.	Not specifically excluded.
McKinney	Submit adjustment form within 60 days of repair date.	Proof of repair.	Three times normal bill during same period of prior year.		One adjustment within 12 months	Not specifically excluded.
Plano	Request must be submitted within 90 days of repair. Submit application within 6 months of repair.	Proof of repair required. Verified by AMI meter reading data	Account in good standing. Leak must exceed 30,000 gallons over average usage on a single statement.		Limited to three billing statements, excess determined based on average consumption. One adjustment every 2 years.	Pools are not eligible. Irrigation systems are not specifically excluded.
Lewisville	Repair within 30 days of detection, submit application withing 60 days of bill.	Proof of repair.	Customer of record. Hidden leaks only. Submit written request with proof of repair. Substantial increase in water or one that impacts the three-month winter average period.	In excess of 100% of average water usage for same month over 3 prior years. Bill average of two monthly water usage levels billed immediately preceding the excess usage.	One in 12 months, up to two consecutive months. Sewer adjustment for one month usage, during November to February and no adjustment for water or sewer within prior 6 months.	Not specifically excluded.

Leak Adjustment Policy Review

Current Policy/Process	Recommended Changes

• Low customer eligibility.
• Language excludes renters.
• Policy not aligned with benchmarks from other cities in Texas:
    • Process is hard-coded in Ordinance
    • Permit requirement
    • Short filing time
    • Restrictive policy in comparison
	• Proposed redlines to ordinance are appropriate and will provide needed flexibility to enhance and change Leak Adjustment policy and process going forward without requiring changes to ordinance.
	• Eligibility should continue be determined systematically and consistently.
	• Discretion to handle individual situational exceptions without City Council approval.
	• Self-service application process should be intuitive and offer payment plan options to eligible customers.
	• Once Water AMI is available, it will shorten time to identify leaks and alert customers sooner to reduce amounts adjusted.
	• Water AMI should be used to verify leak resolution.

Commercial Deposit Policy Benchmarks
Texas Municipal Utilities

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City	Amount	Waivers	Refunded When?
Arlington	2.5X or minimum of $300	No waivers	Account Closure
Austin	1/6 average bill	Letter of Reference or Good Credit History	24 months good status
Boerne	1/6th average annual usage charges		36 months if no more than 2 past due payments
Bryan	Minimum $175 electric, $85 water, $50 solid waste (or 1/8 annual billing)		24 months good standing
Carrollton	$100 or 1/6th average annual usage		Account closure for commercial and apartments.
College Station	2X monthly bill	Letter of credit	24 months no late payments, returned checks or disconnects non-pay.
Dallas	1/6th annual billings		12 months good standing
Denton	2 X Average Bill	Irrevocable letter of credit	Account Closure
El Paso	$150 Commercial, $500 Industrial; 2x average for poor payment history		Account closure
Fort Worth	Varies	No waivers	Account Closure
Garland	Varies	Established acceptable credit.	12 months acceptable pay history
Georgetown	2X or minimum of $300	Letter of Credit or AutoPay for 12 months	12 months good status
Greenville	$250 min for electric, $40 garbage, $150 water and up to 2 or 3x highest bill depending on credit score.	Experian good credit score	24 months with no cuts for non-payment and no more than 2 late payments
Houston	Varies	Surety bonds for $5000 or more deposits.	Account closure
Lewisville	$150 to 1,850 based on meter size	None.	Account closure
Lubbock	$550	Letter of Credit	12 months good status
McKinney	2 months or minimum of $100		Account closure.
New Braunfels	2x average bill	Irrevocable letter of credit or small business customers with 24 months good credit history	36 months good standing for small commercials, life of account for large commercial.
Plano	1 month or $100		36 months in good standing
Rowlett	$150	Letter of credit	Account closure
San Antonio	$100 to $800 depending on meter size.		12 months of good payment history.
San Marcos	Electric is 1/6th ($50 min), Water is $50, Sewer is $50, and Garbage is $35	Letter of credit	12 months good status

Commercial Deposit Policy Review

Current Policy/Process

- Denton's 2x average bill deposit requirement is consistent with peers
- Application of deposit interest is consistent with peers.
- Current Ordinance requires manual screening on all deposit refunds.
- Denton's policy to retain deposits for the life of the account is not aligned with benchmarks from other cities in Texas.
    - Most return deposits with 1 to 2 years, with good payment history.

Recommended Changes

- Return commercial deposits, with deposit interest, after 2 years total service and at least 12 consecutive months of excellent payment history:
    - Account is current
    - "A" credit rating
    - No disconnections for non-payment
    - No meter tampering

Payment Arrangement Policy Benchmarks Texas Municipal Utilities

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City	Eligibility	Type Arrangement	Down Payment	Duration
Denton	If payment arrangement are broken twice in 12 months, must wait another 12 months before another payment arrangement.	Payment extension and payment arrangement	50% down	3 months
Garland		Payment extension		
Fort Worth	No broken arrangements Elderly and disabled receive standard 10-day extension	Payment arrangement and extensions		10-day
Dallas		Payment plan and online platform launched in August 2024		Up to 6 months
Austin	Max of 8 months terms with down payment for “subject to disconnection” status customers.	Deferred payment arrangement	Up to 50% down (due in 15 days)	Up to 24 months
San Antonio	Customers can apply online or by phone. No prior broken promises			3, 6, 9 months
Houston		Deferred payment arrangement		
College Station		Payment arrangement		
Arlington		Payment extensions and plans		
Georgetown	$15 administrative fee	Repayment plan for unique circumstances (substantial water leak or electrical equipment malfunction)		Up to 6 months
Lubbock		“Pay in 6 Plan”		Up to 6 installments
San Marcos	Request no later than 1 day prior to the date an account is subject to disconnection	Extended payment arrangements		

Payment Arrangement Policy Benchmarks
Texas Municipal Utilities

City	Eligibility	Type Arrangement	Down Payment	Duration
Greenville	Extensions of not more than fourteen (14) calendar days from the last day to pay will only be allowed for two (2) billings during a rolling twelve (12) month period. No extensions will be allowed on first bills nor extensions on top of extensions, nor bills containing additional deposits.	Payment extension		14 days
El Paso		Up to 6 installments		6 months
Boerne	Payment extensions and contract payment plans Deferred Deposit Installment Plan	One payment extension per year	25% of the balance at payment extension contract signing. Additional deposit payment plan	Up to 5 months on the deferred deposit installment plan for additional deposits.
Carrollton	14-day extension or 45-day payment extension	Payment extension		14 days or 45 day extensions.
Lewisville	Request made in writing	Service extension agreement	15% of balance	Up to 6 months
McKinney	Not on first bill Request prior to extension date, no disconnects or returned payments in past 6 months, only allow 2 non-consecutive requests per year	19-day automatic payment extension Payment plan	50% of the balance for the payment plan	19 days for extension Up to 12 installments
Plano		30-day extension no approval needed		30 days
Rowlett	Available once every 3 months, extensions cannot be consecutive, signed agreement, 12 months without broken agreement.	10-day extension		10 days

Payment Arrangement Policy Review

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Current Policy/Process

- 5-day extensions are available to customers, but employees must manually calculate the due date of the extension (5 days past interruption date) which is time consuming and prone to mistakes.
- Multi-month arrangements (up to 3 months) with 50% of outstanding balance are available, one every six months.
- Only one extension or multi-month arrangement is allowed in six months.
- Ordinance states that payment arrangement guidelines will be established by the City Council and on file in the City Secretary’s office.

Recommended Changes

- Match due date of payment extension to next bill due date.
- Payment arrangement can be made for up to 3 months with 50% down.
- Do not limit the number of allowed payment arrangements if arrangements are not broken.
- However, if broken twice in 12 months, the customer must wait 12 months before entering another payment arrangement.
- Ordinance should be updated to require payment extension and arrangement guidelines to be approved by the City Manager and on file with the City Secretary. City Council should be notified of any changes prior to implementation.
- Discretion to handle individual situational exceptions without City Council approval.

Credit & Collection Review

FINDINGS & RECOMMENDATIONS

Findings & Recommendations

Continued Best Practice Success

Denton Continues to Improve Collections Effectiveness:

- Compares favorably to other municipalities in Texas and nationwide.
- Bad debt has declined significantly.
- Customers have more options to self-serve.
- AMI meters provide billing data sooner, remote connect/disconnect capabilities.
- Increased participation in Pay As You Go program.
- More funding available for P L U S assistance program.
- Liens now used for delinquent drainage accounts.

Growth & Opportunity

- Implement recommended changes to make policies more responsive to customer needs and less onerous to change for:
  - Leak Adjustments
  - Commercial Deposits
  - Payment Arrangements
- Investigate the option to apply outside collection fees on customers' final accounts (with proper notification) prior to sending accounts to outside collections.
- Continue to expand IVR and Web self-service options.
- Continue investigating options to help payment-challenged customers reduce bills.
- Expand customer outreach for crisis assistance.

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