

Public Works & Utilities

City Council Workshop

Collection of Delinquent Accounts for Water & Sewer Utility



July 28, 2015

INACTIVE ACCOUNT COLLECTION

Background

- Merger of Public Works & Water Utilities
- Efficient Processes
- Re-Tooling
- Bad debt from inactive accounts

What Did We Do?

- Implemented Kansas State Setoff Program

Professional Finance Company (PFC)

- All accounts
- Credit bureau reporting after 60 days
- Three year Statute of limitations
- Phone calls and letters

State Setoff

- Only accounts with Social Security #
- No credit bureau reporting
- No Statute of limitation
- Tax returns, State payments, State employee payroll

Dual collection efforts, only one agency is paid

What Did We Do?

- Addressed bad debt backlog
 - Sent \$5.2M to Professional Finance Company (PFC)
 - Sent \$4.5M to Kansas State Setoff*

*Setoff is not sent accounts that do not have Social Security numbers

What Did We Do?

- Developed bad debt submission calendar
- Began business process documentation
- Repurposed collection staff position (1 FTE)

What Did We Do?

- Cross functional training
- Developed relationships to assist with disputes
 - Westar, Kansas Gas, and Wichita Police Dept.
- Established a monthly reconciliation process

Results to Date

- Revenue collected from January 1, 2014 – to date, \$1.5M
 - Water - \$821K
 - Sewer - \$616K
 - Storm - \$112K
- Debt is submitted every 60 – 90 days
- Project to send PFC \$2.1M, collecting 83K annually
- Project to send KSSO \$1.8 M, collecting 287K annually

Performance Metrics

Performance Metric	Goal	Target by 2020
Timely submission to collections (6 submissions per year)	4	6
Collection recovery rates	18%	18%
Pre-collection recovery dollars	TBD	TBD
Total debt sent to collections	3% (~ \$4.5 million)	1% (~ \$1.5 million)

Comparisons

Utility	Total Sales	Total Debt	% of Sales	# of Customers
Wichita (on average)	\$98,826,062	\$2,941,840	3%	147,000
Virginia Beach	\$215,181,000	\$1,529,000	.71%	
Colorado Springs	\$868,847,747	\$4,814,779	.55%	220,000
Albuquerque - Only writes off accounts that going into bankruptcy. Debt stays with property, liens are filed against property	\$203,000,000	\$100,000	.05%	210,000
Fort Worth	\$352,775,522	\$1,167,429	.33%	234,000

What Can You Expect?

Business Process Evaluation and Enhancement

- Pre-collection cost recovery analysis
- Collection language on the final bill and 2nd notice
- Evaluate the ability to pass collection cost to customer
- Develop a reconciliation process with State Setoff

ACTIVE DELINQUENT ACCOUNT COLLECTIONS

What Did We Do?

PAYMENT ARRANGEMENT

	OLD	NEW
Down Payment	1/3 down	Based on length of time account delinquent 20% - 31 – 60 days delinquent 30% - 61 – 90 days delinquent 40% - 91 – 120 days delinquent 50% - 121+ days delinquent
Installments	Up to 3	Up to 12
Number of Arrangements	Every 90 days	Two arrangements per 12 month period

A payment arrangement default tool has also been developed to assist us in monitoring activity.

What Did We Do?

Scenario 1 Old Payment Arrangement Policy	Scenario 2 New Payment Arrangement Policy
<ul style="list-style-type: none">▪ \$200 past due balance	<ul style="list-style-type: none">▪ \$200 past due balance
<ul style="list-style-type: none">▪ 90 days delinquent	<ul style="list-style-type: none">▪ 90 days delinquent
<u>Required Down Payment:</u> \$66.67 (1/3 of Past Due Balance)	<u>Required Down Payment:</u> \$60.00 (30% of Past Due Balance)
<u>Monthly Installment Payments:</u> \$44.44 per month for 3 months	<u>Monthly Installment Payments:</u> \$11.67 per month for 12 months

Collections without Disconnection

Goals:

- Enhance customer service
- Improve the service interruption process for non-payment
- Reduce 91+ day active accounts receivable balance
- Reduce accounts sent to collections

Collections without Disconnection

- Outbound call to the customer prior to disconnection

Contact	Action Taken
Customer Answers Call	Bring their account current or establish a payment arrangement
Voicemail or Message left with caller	Customer will have 48 hours to respond, if no response service will be interrupted
Bad Contact Information	Service Interruption will be processed

- Focused on the oldest receivable eligible for service interruption

Collections without Disconnection

Pre-Pilot completed June 16th – 30th

284 Outbound Calls

- 65 customers answered (23%)
- 146 customers no answer/voicemail (51%)
- 73 customers bad contact info (26%)
Wrong number, phone disconnected

65 Answered Calls

- 6 paid full balance (9%) - \$3,500 collected
- 29 setup payment arrangement (45%) - \$2,000 collected for down payments

Staff Time 23.5 hours for the pilot – average cost of \$21 per hour

Collections without Disconnection

PERFORMANCE METRICS	Goal
# of customers reached – paid account in full	10%
# of customers reached – estab. payment arrangements	50%
# of accounts with invalid contact info	25%
# of customers defaulted on payment arrangements	Less than 10%
91+ day aged Accounts Receivable balance	Reduce by 3%
# of customer referrals to help agencies	For tracking purposes

What Else Can You Expect?

- Evaluation of service interruption process and backlog
 - Impact of new payment arrangement policy
 - Impact from the Collections without Disconnections pilot
 - Evaluation of staffing levels for service interruptions
- Enhanced customer service
- Business Process Evaluation and Enhancement

What Else Can You Expect?

- Implementation of new billing system
- Community Engagement
 - New bill design
 - Outreach and marketing campaign for H2O Care Fund
 - Outreach and marketing campaign to increase e-billing and electronic payments

Public Works & Utilities
City Council Workshop

Collection of Delinquent Accounts for
Water & Sewer Utility

Questions?



July 28, 2015