Improving Revenue Collections for Utilities

Topics in Financial Management of Water and Wastewater Utilities

Presented by
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Company Background

- Local Government and Utility Solution Provider
  - Consulting
  - Software
  - Training
  - Implementation
- Based in Raleigh, North Carolina
- In business since 1973
- 145 customers in 11 states
Individual Background

Gary Sanders

- Senior Consultant at Logics, LLC
- Worked with local government software since 1979
- Founding partner of original Logics in 1983
- Worked with over 100 utilities
- Publish a blog and bi-weekly e-mail newsletter – garysanders.wordpress.com
What Other Utilities Have Done
Applicant’s Identifying Information

➢ Can you identify deadbeats after they move?
   - Social Security Number
   - Driver’s License Number
   - Date of Birth

➢ Can you contact them after they move?
   - E-mail address
   - Cell phone number
   - Employer information
   - Reference information
Written-Off Account Lookup

- Name
- Driver’s License Number
- Social Security Number
- Date of Birth
Collect co-applicant information

- Spouse
- Roommate
- Parent
- Record all names on the lease or rental agreement on the account
Application for Service Best Practices

- Require a copy of rental agreement or closing documents
- List all names on the rental agreement on the service application
- Require a photo ID for each applicant
- Perform a bad debt search for each applicant
- Charge an application fee
- Print an application form that the applicant(s) sign
Delinquent Process

- Is your late payment penalty high enough to be a disincentive?
- The next few slides are from a delinquent accounts study I conducted for the 2010 Logics User Meeting and are based on the responses of 56 Logics customers:
Late Fee – Flat Amount or Percentage?
Late Fee Flat Amounts

Customers Charging Flat Amount Late Fee

Amount of Late Fee

$0 $5 $10 $15 $20 $25 $30 $35 $40 $45 $50
Late Fee Percentages

Customers Charging Late Fee by Percentage
Late Fee as Percentage of Average Bill

Logics Customers Participating in Study
Is your cut-off fee high enough to recover the costs associated with administering the disconnection and reconnection of service?

Is every account on the cut-off list assessed a fee on cut-off day?

Does cut-off for non-payment happen in a timely fashion? Consider the following scenarios…
Scenario One

| Read Meters | 25th |
| Mail Bills  | 30th |
| Due Date    | 15th |
| Delinquent Date | 20th |
| Cut-off Date | 25th |
| Days of Exposure | 60 |
Scenario Two

- Read Meters: 25th
- Mail Bills: 30th
- Due Date: 25th
- Delinquent Date: 30th
- Cut-off Date: 10th
- Days of Exposure: 75
Scenario Three

<table>
<thead>
<tr>
<th>Event</th>
<th>Month One</th>
<th>Month Two</th>
<th>Month Three</th>
<th>Month Four</th>
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<tbody>
<tr>
<td>Read Meters</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Mail Bills</td>
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<td>30th</td>
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<td></td>
</tr>
<tr>
<td>Due Date</td>
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<td></td>
<td>25th</td>
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<tr>
<td>Delinquent Date</td>
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<tr>
<td>Cut-off Date</td>
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<td>10th</td>
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<tr>
<td>Days of Exposure</td>
<td></td>
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<td></td>
<td>90</td>
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Security Deposits

- Is your minimum deposit amount equal to at least two month’s (best case) average bill?
- Consider charging a variable deposit based on customer’s credit rating
- Do all customers pay a deposit?
- Consider charging all customers a deposit then refund it once they have established good credit
Security Deposits (continued)

- Are out of date deposits required to be brought up to current policy if account is cut off for non-payment?
- Update your deposit policy with each rate increase
Which would you choose?
Which would you choose?

98% of what is owed to you

0% of what is owed to you
Credit Card Payments

- Do you accept credit cards?
- Do you charge an additional fee for credit card payments?
- Can your customers pay by credit card when your office is closed?
Additional Ways to Pay

- Bank Drafts
- Recurring Credit Cards
- On-line Bill Pay via the Internet
- Electronically receive On-line banking checks
- Interactive Voice Response (IVR)
- Kiosks
Final Bills

- Are final bills processed promptly?
- Forwarding Address
  - From Customer if possible
  - Use proper USPS endorsement on bills
- Do you send delinquent notices to final billed accounts?
USPS Endorsements

- **Address Service Requested**
  Mail forwarded, new address notification provided, address correction fee charged

- **Return Service Requested**
  Mail returned, new address notification provided

- **Change Service Requested**
  Mail disposed of, new address notification provided

- **Forwarding Service Requested**
  Mail forwarded, no new address notification provided

Source: http://pe.usps.com/text/qsg300/Q507d.htm
# USPS Endorsements

<table>
<thead>
<tr>
<th>Type of Endorsement</th>
<th>Mail is Forwarded</th>
<th>Mail is Returned</th>
<th>Mail is Disposed of</th>
<th>Address Notification Provided?</th>
<th>Fee Charged?</th>
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</thead>
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<td>Address Service Requested</td>
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<td>Return Service Requested</td>
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<td>Forwarding Service Requested</td>
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Third Party Solutions
Credit Reporting and Collection Agencies

- Equifax – www.equifax.com
- Experian – www.experian.com
- TransUnion – www.transunion.com
On-line Utility Exchange

- www.onlineutilityexchange.com
- Fraudulent SSN detection
- Credit score
- Optional variable deposit calculation based on credit score
- Shared information with other utilities
Set-Off Debt

- Attaches personal state income tax refunds for delinquent public debts
- Extremely successful for our customers in states where it is available
- If it’s available, use it!
- If it’s not available, contact your state legislators!
Questions?
For more information…

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