



Payment Arrangements & Arrearage Management

Low Income Consumer Advocacy Working Group
RECOMMENDATIONS
June 2014





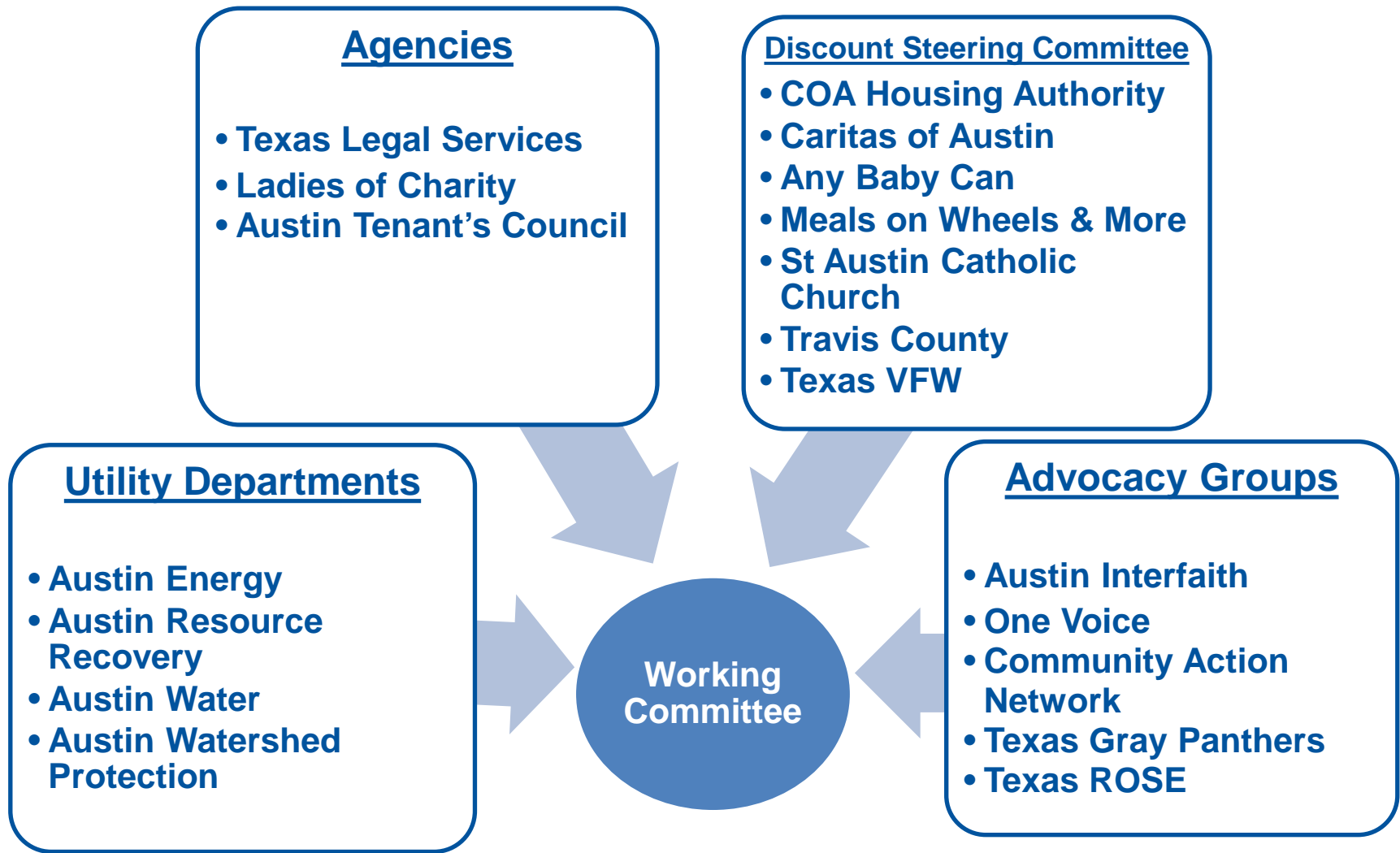
Council Resolution No. 20131107-052

City Manager to work with Discount Steering Committee and other consumer advocates to:

- **Revise Deferred Payment Arrangements & disconnection policies**
- **Develop an Arrearage Management Program (best practices & customer incentives)**
- **Develop customer service practices to better inform customers about resources**



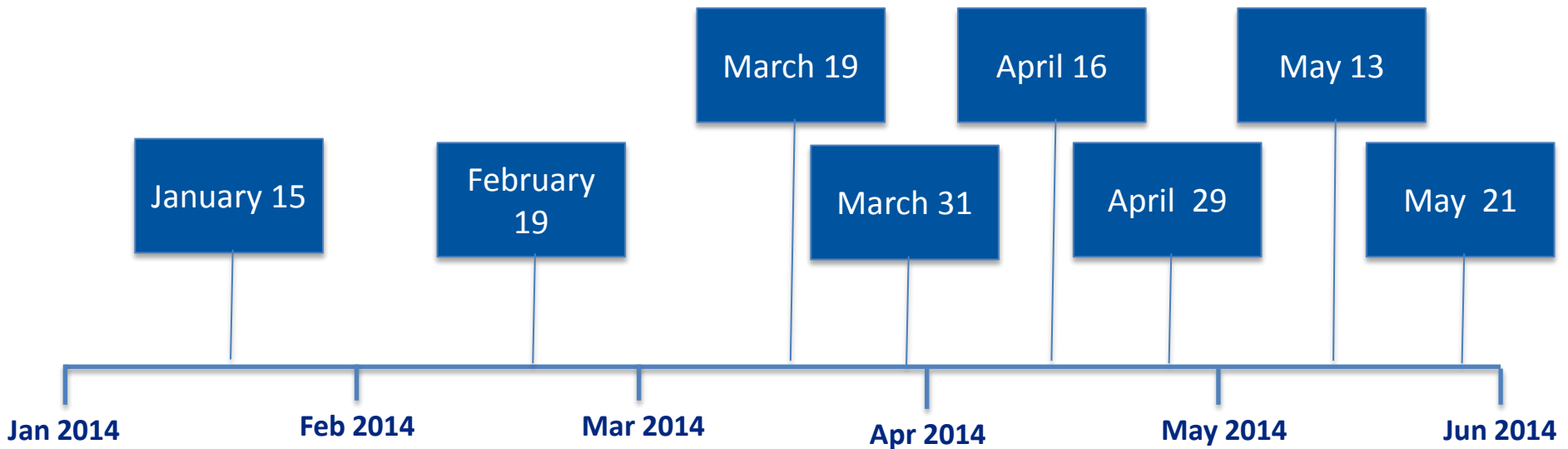
Low Income Consumer Working Group





Recommendation Process

- Facilitator contracted – Robena Jackson Agency
- Developed Group Structure
 - Stakeholder Committee (Non-Voting)
 - Working Committee (Voting)
- 8 Working Group meetings
- Analyzed over 150 data sheets
- Over 25 hours of meeting time





Working Group's Payment Arrangement Policy

	Council Mandated Current Policy	Recommended Policy for CAP	Recommended Policy for Non-CAP
Target Population	Low Income Critically Ill Elderly Households w/ children	Low Income Regular Residential Critically Ill Elderly Households w/ young children	General Residential
Eligibility	Low Income Critically Ill Elderly Households w/ children	CAP Discount Customers	General Residential
Length of Term	\$48 maximum for discount participants (No limit on term length)	As defined by a monthly payment not to exceed 5% of U.S. Dept. of HHS monthly poverty guideline for single person household	Up to 24 months, if needed (CSR) Up to 36 months (Supervisors)
Number of PA's Allowed	3 Payment Arrangements, 4th Payment Arrangement for any customer identifying a "Bona Fide" Reason *	Unlimited -as long as the account is brought to \$0 balance before the account becomes eligible again. Limited -Those with broken arrangements can have 3 Payment Arrangements/4th with "Bona Fide" Reason*	
Down Payment	NO	NO	Yes -Down payment equal to first month installment

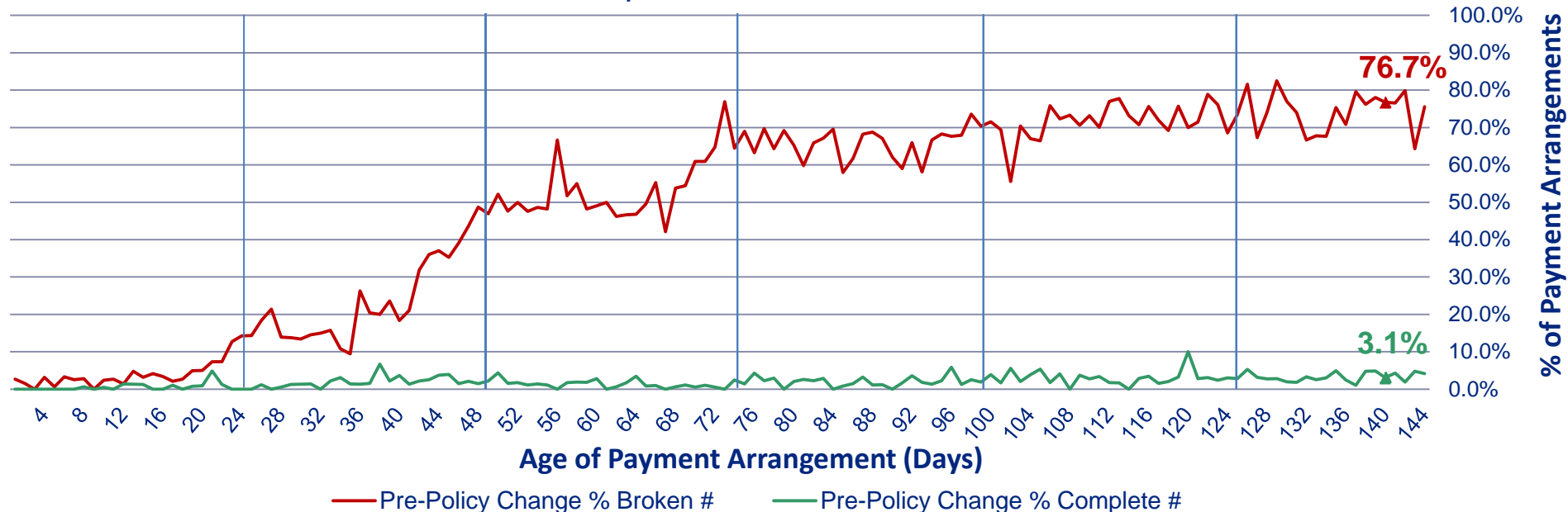
*Bona Fide Reasons= serious illness or injury by account holder or household member; loss of employment; economic loss due to natural disaster; domestic violence against the customer; a commitment by an independent program to assist customer with payment



Impact of Policy Change

Payment Arrangement Status – Grouped By Start Date

Report Date: 8/6/2013



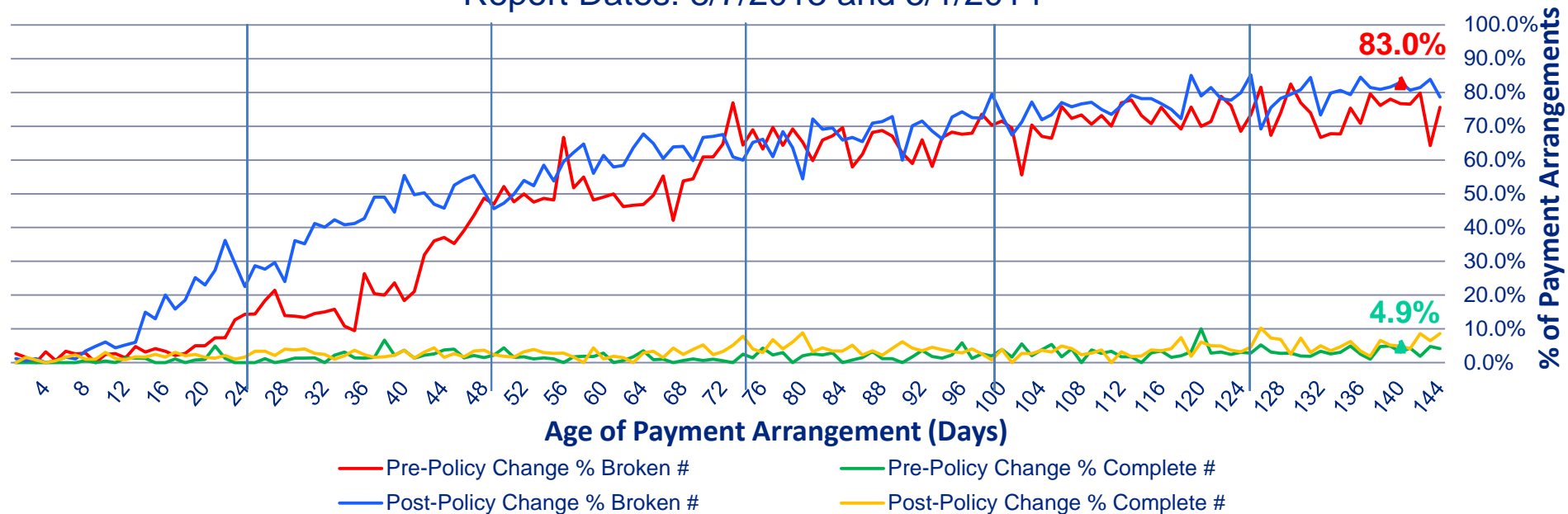
- The majority of Payment Arrangements are broken by the fourth month of the agreement
- For Example, of the Payment Arrangements that are 140 days old 76.7% were broken on or prior to the report date. 3.1% were completed. (The remaining 20.8% were still Active – not completed or broken.)



Impact of Policy Change

Payment Arrangement Status – Grouped By Start Date

Report Dates: 8/7/2013 and 5/1/2014



- In comparison, the trends in customer behavior did not shift significantly with relaxed Collections practices.
- 83% of Payment Arrangements were broken within 140 days of their start date.



City Response to PA Policy Recommendations

	City of Austin Utilities Response to CAP Policy	City of Austin Utilities Response to Non-CAP Policy
Target Population	Low Income Regular Residential Critically Ill Elderly Households w/ children	General Residential
Eligibility	CAP Customer	General Residential
Length of Term	36 month maximum; Payment not to exceed 5% of FPIL	Up to 8 months (CSR) Up to 12 months (Supervisors)
Number of PA's Allowed	Unlimited-as long as the account is brought to \$0 balance before the account becomes eligible again. Limited - Those with broken arrangements can have 2 Payment Arrangements/3rd with "Bona Fide" Reason	Unlimited-as long as the account is brought to \$0 balance before the account becomes eligible again Limited -Those with broken arrangements can have 1 Payment Arrangement/2nd with "Bona Fide" Reason
Down Payment	NO	Yes - 50% down , exceptions approved by Supervisors
*Differences between Working Committee recommendation and City response are shown in red.		



Working Group's Arrearage Management Program

	Program for CAP Participants	Program for Specialty Group (Non-CAP)
Eligibility	Enrolled or waitlisted on the discount program	Active residential customer who had service with AE from June 2011 to June 2013 (Non Disconnect Period)
Benefits	Immediate incentive towards debt (match/credits begin month 1 of program) Leverage AE current services (education classes and weatherization)	
How to Apply?	Discount Participant	Already in place
Length of Program	Determined by amount of debt; \$1,750-\$3,000 = 12 months \$3,001-\$6,000 = 24 months \$6,001+ = 36 months	Determined by amount of debt; \$1,750-\$3,000 = 12 months \$3,001-\$6,000 = 24 months \$6,001+ = 36 months
Down Payment	Not required	
Payment Amount	20%/80%, 30%/70%, 40%/60% with cap of 5%	40%/60%, 30%/70%, 20%/80%
Removal from Program	*2 strikes rule 30 day no contact = strike Default payment = strike NSF = strike	
Program Administration	Austin Energy	
*Consensus not reached on items that are shaded in yellow.		




Program Cost Analysis

	No. of Customers	Total Amount of Debt	Amount Paid by Customer	Amount Paid by City
CAP Discount	203	\$0.509 M	\$0.153 M	\$0.356 M
Non-CAP Special Group	2543	\$7.877 M	\$2.363 M	\$5.514 M

- Working Committee members suggested the cost of the Program could be offset by an improved debt recovery for this subset of customers.
- Estimates below show the potential for offsetting the cost of the program.

Assumptions	Estimated % Not Recovered :			Total Amount Unrecovered
	Active	Inactive	Agency	
Optimistic	20%	15%	75%	\$0.2 M
Norm	50%	50%	75%	\$1.6 M
Pessimistic	80%	50%	75%	\$2.5 M

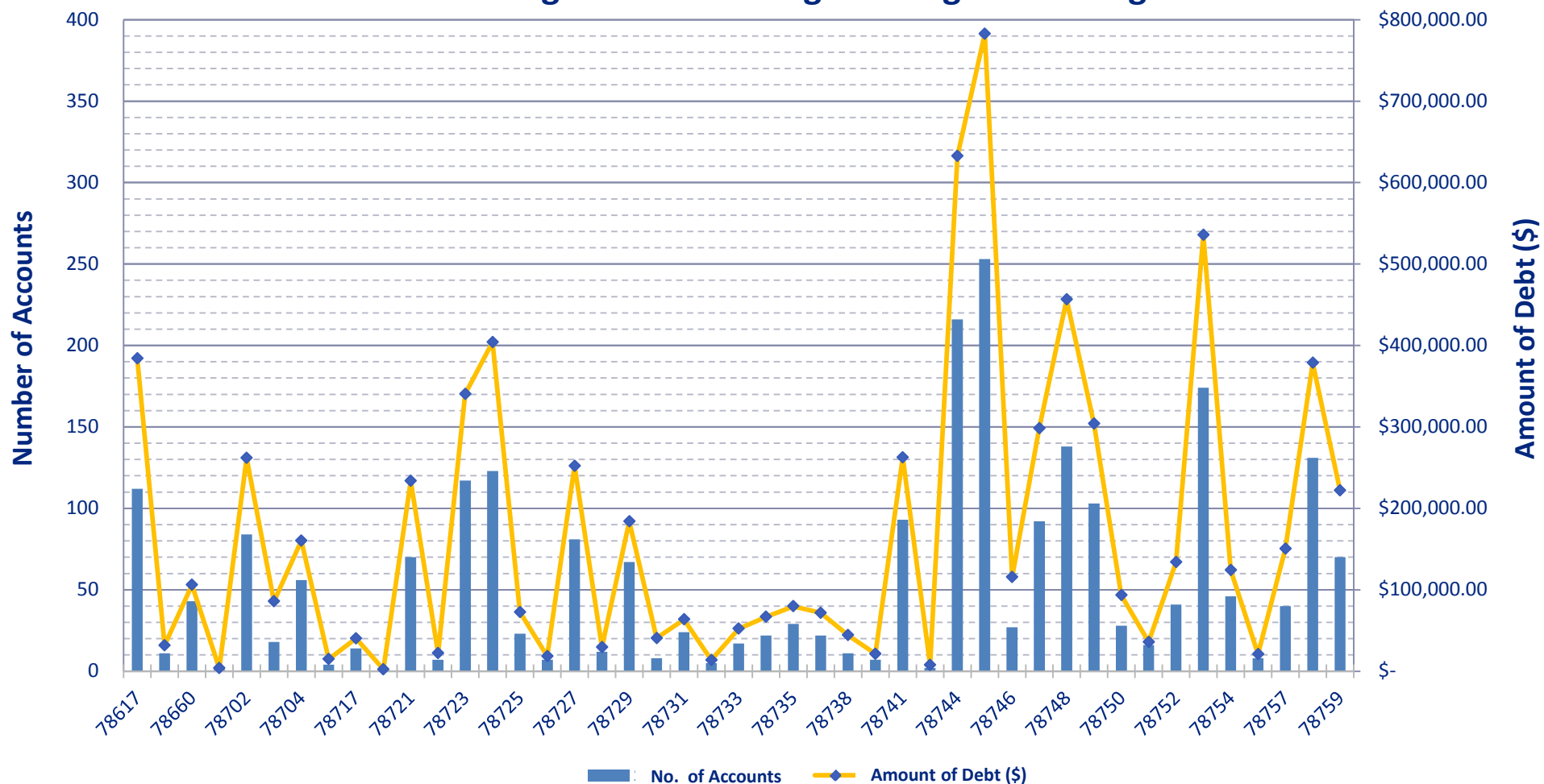
 \$8.4 M in Debt



Eligible Accounts by Zip Code

- There are customers who are eligible for the Program in almost every zip code

Accounts Eligible for Arrearage Management Program





City Response to Arrearage Management Program

	Program for CAP Participants	Program for Specialty Group (Non-CAP)
Eligibility	Enrolled or waitlisted on the discount program	<p>An arrearage management program is not recommended for this group.</p> <p>City recommends a special <u>60-month</u> Payment Arrangement: Down payment equal to first month installment</p> <p>Unlimited-as long as the account is brought to 0 balance before the account becomes eligible again.</p> <p>Limited - Those with broken arrangements can have 2 Payment Arrangements/3rd with "Bona Fide" Reason*</p>
Benefits	Immediate incentive towards debt (match/credits begin month 1 of program) Leverage AE current services (education classes and weatherization)	
How to Apply?	Discount Participant	
Length of Program	<i>Determined by amount of debt;</i> \$1,750-\$3,000 = 12 months \$3,001-\$6,000 = 24 months \$6,001+ = 36 months	
Down Payment	Not required	
Payment Amount	20%/80%, 30%/70%, 40%/60% with cap of 5%	
Removal from Program	2 strikes rule 30 day no contact = strike Default payment = strike NSF = strike Can reinstate as long as they "catch up" the account to the point they were removed	
Program Administration	Austin Energy	

Differences between Working Committee recommendation and City response are shown in red.



Training & Customer Service Practices

Advocacy Group Recommendation	City of Austin Utility Current Program Components
Inquiries and referrals to assistance and conservation and efficiency programs would be part of the conference between the customer and the AE Customer Care employee	New hire training includes 15 hours of training on: <ul style="list-style-type: none">-Determining that a customer needs help when it hasn't been explicitly stated-Difference between a high bill due to AE error vs. high bill due to usage patterns-Analyzing usage patterns Identifying conservation programs that may benefit the customer-Connecting customer with assistance agencies <i>Refresher training provided as needed</i>
As part of the referral process, there should be an explanation of any arrearage programs including providing the customer application forms and instructions.	If and when an arrearage program is created and funded, the training curriculum will be updated to include all of the aforementioned items.
Develop training modules to instruct Customer Care employees on performing one to one customer conferences in a compassionate manner with a focus on empathy and consistency of service.	All new hires complete a 12 hour Customer Relationship Building class. The focus is on improving the customer experience through communication. Employees are also coached on these concepts during monthly call quality coaching sessions
Develop referral forms that would tailor contact persons and their contact numbers to greater enable customers with bill paying problems to connect with available resources. Application forms should be provided to the customer.	Referring customer to available resources is covered within the 15 hours of training covered on assistance agencies and conservation
Empower Customer Service Representatives to ensure AE staff have flexibility in working with customers to develop a realistic and reasonable solution to their utility bill problems.	New hire training includes 12 hours of training on: <ul style="list-style-type: none">-Working with customer to create a payment arrangement that sets the customer up for success-Engaging other AE workgroups-Tying in topics already covered about conservation and assistance agencies <i>Refresher training provided as needed</i>
New hire training includes: <ul style="list-style-type: none">-125 hours of classroom instruction-75 hours of trainer supported phone time New hires transition to a nesting environment in the call center for 4 to 6 weeks directly after new hire training	



Implementation Timeline

	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015
Payment Arrangement Policy								
Update Policy								
Policy Approval								
Configure CCB								
Employee Training								
Go Live								
Arrearage Management								
Program Approval								
Establish Budget								
Establish Team								
Program Infrastructure Development (COA Recommendation)								
Program Infrastructure Development (CAG Recommendation)								
CCB Configuration (COA Recommendation)								
CCB Configuration (CAG Recommendation)								
Program Marketing								
Employee Training								
Go Live								



Appendix

- List of committee members
- Definitions
- Resource requirements



Appendices: Working Group Members

Utility Committee Members

Kerry Overton – Austin Energy
Alice Flora – Austin Water
Diane Gonzales – Watershed Protection

Jawana Gutierrez – Austin Energy
Jessica Edwards – Austin Resource Recovery

Discount Steering Committee Members

Linda Perez – Meals on Wheels
Michelle Akers- Housing Authority
Tonda Owens – Travis County
Angel Ramirez – Texas VFW

Gloria Cueva – Caritas
Pat Macy – Faith Based Organizations
Kathleen Hopkins – Any Baby Can

Advocate Committee Members

Bob Batlan – Austin Interfaith
Ruby Roa – Ladies Of Charity
Lanetta Cooper – Texas Legal Services
Dan Pruett – One Voice
Vanessa Saria – Community Advancement Network

Kathy Stark – Austin Tenant's Council
Mark Widoff – Texas Gray Panthers
Carol Biedrzycki – Texas ROSE



Appendices: Definitions

- Payment Arrangement – A Payment Arrangement (PA) is a short term payment option for households that are having a temporary crisis; PAs provide several months to pay off overdue utility bills in equal installments. These installments are in addition to the regular monthly current charges. The City of Austin does not disconnect services of customers with approved payment arrangements and on-time payments.
- Successful Payment Arrangement - successful PAs occur when payments for each PA installment plus the current billed charges are received in full, on or before the due date for each applicable month.
- Defaulted Payment Arrangement - PAs are in default when the full PA installment and current billed charges due are not paid by the due date. If default occurs the account will proceed through the collections process.
- Arrearage Management – Arrearage Management Programs are long-term financial assistance programs and provide relief for low-income customers who have significant past due amounts (arrears) on their utility bills.
- Specialty Group – residential households who experienced moratorium on disconnections (June 2011 through June 2013)
- Discount Participant Group – residential households that are currently enrolled or wait-listed for the discount program
- General Residential Group – residential households that are not defined by the above definitions.



Resources Required for Implementation

- Payment Arrangement Policy
 - COA Recommendations
 - Current Infrastructure
 - CCB Reconfiguration (4 months)
 - CAG Recommendations
 - Current Infrastructure
 - CCB Reconfiguration (8 months)

- Arrearage Management Program
 - COA Recommendations
 - 1 Full Time FTE's
 - » Case Managing 200+ accounts (current MVR infrastructure)
 - » CCB Reconfiguration (4 months)
 - CAG Recommendations
 - 6 full time FTE's
 - » Case Managing 1,200+ accounts
 - » CCB Reconfiguration (8 months)