

Understanding and Improving your Water System's Bill Collection Rate



Glenn Barnes, RCAP
Jean Holloway, SERCAP

October 20, 2020





RCAP *Solutions*



★ **RCAP National Office**
1701 K St. NW, Suite 700
Washington, D.C. 20006
www.rcap.org

Western RCAP
Rural Community Assistance
Corporation
www.rcac.org

Midwestern RCAP
Midwest Assistance Program
www.map-inc.org

Southern RCAP
Communities Unlimited
www.communitiesu.org

Great Lakes RCAP
Great Lakes Community Action
Partnership
www.glcap.org

Southeastern RCAP
Southeast Rural Community Assistance
Project
www.sercap.org

Northeastern RCAP
RCAP Solutions
www.rcapsolutions.org

**COMMUNITIES
Unlimited**

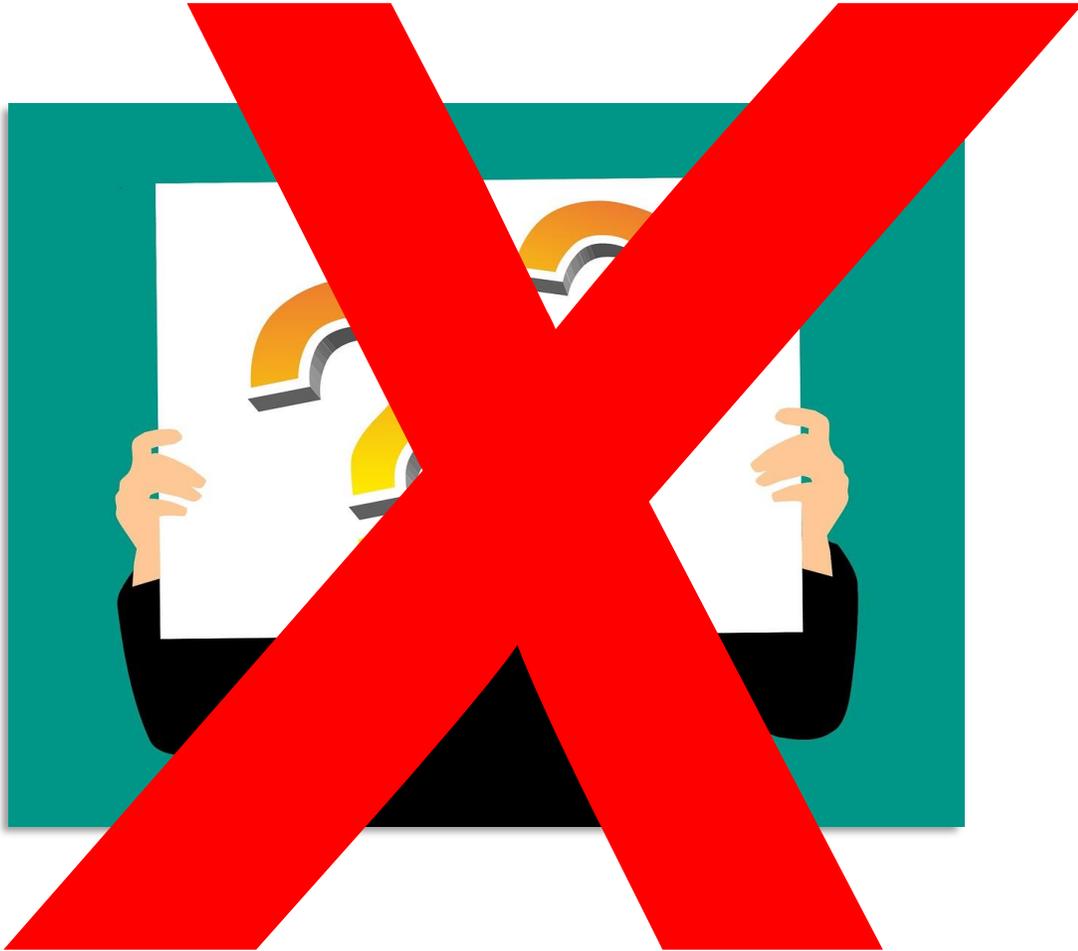
"Improving Rural Quality of Life"

Acknowledgement

This project has been funded wholly or in part by the United States Environmental Protection Agency under an EPA Training and Technical Assistance for Small Drinking Water Systems to Achieve and Maintain Compliance.

The contents of this document do not necessarily reflect the views and policies of the Environmental Protection Agency, nor does the EPA endorse trade names or recommend the use of commercial products mentioned in this document.

Setting Policy



Images by Mohamed Hassan and 200 Degrees from Pixabay

An Oft-Forgotten Number

- We tend to pay lots of attention to how rates are structured and how they are priced. It makes sense! Rates are the lifeblood of a water utility
- But...rates are only effective if customers pay their bills
- Especially big concern right now due to COVID-19

Webinar Agenda

- How to calculate the bill payment rate
- How to use the bill payment rate as part of your rates analysis process
- Strategies to improve your bill payment rate
- Special considerations in the time of COVID-19

Calculating the Bill Collection Rate

Bill Collection Rate

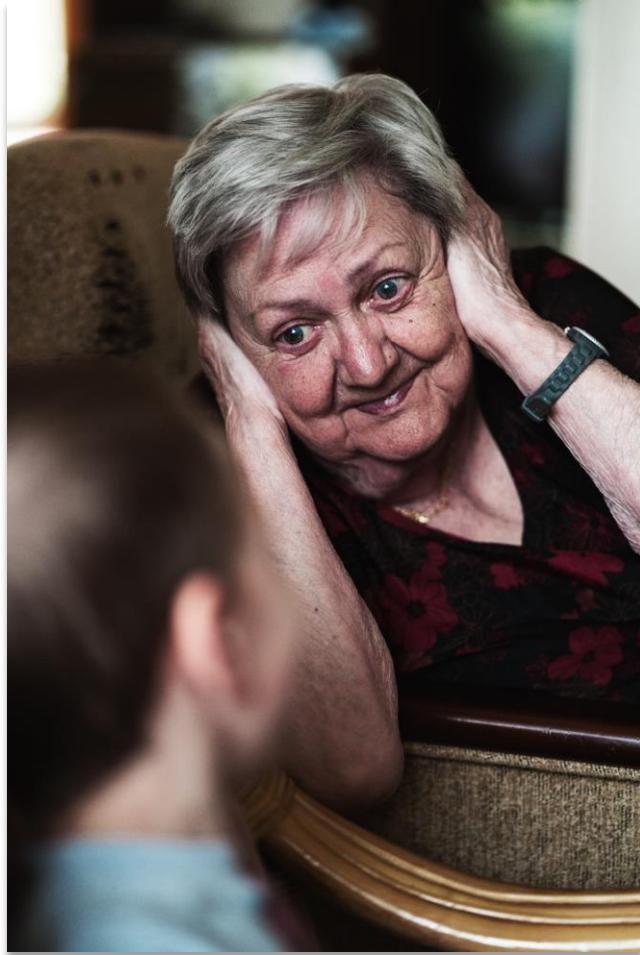
- Measurement of whether the bills you send to your customers are paid on time and in full
- Can be measured per billing period, per fiscal year, or year-to-date
- “Collection rate,” “payment rate,” or “arrearage rate,” “non-payment rate,” etc.

Percent of Customers Paying

- Bill collection rate is often based on the percentage of your customers that pay on time and in full

$$\frac{\textit{Number of Bills Paid On Time and In Full}}{\textit{Total Number of Bills Sent}}$$

Calculation Consideration



VS.



Photos by William Krause and Mara Conan Design on Unsplash

Percent of Total Amount Paid

- You may base the bill collection rate on the amount of dollars received

$$\frac{\textit{Total Payments Received in Dollars}}{\textit{Total Amount Billed in Dollars}}$$

Bill Collection Rate & Your Rate Analysis

Get a handle on Collections before a Rate Increase...

Because...

***Non – payment
costs***

Everyone more



How does Collections relate to Rate Setting?



Cash Flow and Revenue Stream

- Cost per 1,000 gallons – the LEAST amount you can charge
 - If the cost per 1,000 gallons produced is not recovered (i.e. *collected*) the utility spends money to produce water it isn't paid for

- Charge per 1,000 gallons - what you bill
 - If the charge per 1,000 gallons is not collected, the utility is losing or *foregoing* revenue that it could be receiving

- Either way the utility needs to take those amounts into account when setting rates

Low collections and lost capacity



- Capacity (volume) is being used but not paid for
- Lost capacity can mean loss of potential new customers
- Lost customers means smaller rate base, ergo higher rates
- Customers who do pay on time are “carrying” those who don’t
- Ripple effect of all these can affect sustainability of the utility



Fixed charges must be paid regardless of volume

- Utility has certain costs that must be paid regardless of collections ratio or volume sold
- Some consideration for low payment rate and/or slow payments must be built into the rates to ensure revenue for these costs
- Rates based solely on volume may not yield enough to pay the utility's bills
- Minimum bill or fixed “customer charge” should be part of the rate structure



Strategies to Improve Your Bill Collection Rate

Accept Credit Cards

- Expanding the number of payment options makes it easier for customers to pay you
- Yes, credit cards have fees. But checks and cash have more staff time
- Credit cards by phone

Accept Bill Payments Online

- Accept credit card and bank transfer payments online, which adds convenience and is in line with other utility services
- Allow payments with apps like PayPal or Venmo
- Have it possible to pay online without creating an account

Payment Reminders

- The bill is obviously a payment reminder
- Additional reminders to customers when bills are due, such as an email or a text message

Payment Reminders

- Text messages have a 98% open rate (vs. 20%-30% for email)
- 90% of texts are read within in 3 seconds of being received!



Image by antonymjoro from Pixabay

Automatic Payment

- Have the customer's bill automatically deducted from their credit card or bank account on a set date during the billing cycle
- Helpful for customers that may simply forget to pay their bills
- Automatic payment is not appropriate for every customer

Written Cut off policies – Yes WRITTEN

POLICY



Written policies should...

- Be adopted and backed up by the governing body
- Help staff substantiate what they can and can't do for delinquent customers
- Be distributed to all new customers to inform up front
- Be consistently applied without favoritism
- Include re-connection fees substantial enough to discourage repeated offenders
- Include interest and penalties sufficient to discourage repeated late payers

Allowing for Payment Plans



- Payment plans need specific eligibility requirements
- Payment plans should have specific parameters that are consistently followed
- Payment plans should clearly spell out the consequences for failure to follow or default on the plan
- Provisions for payment plans should be adopted and backed by the governing body

Establishing a Needy Customer fund

- Seed money
 - Voluntary \$\$ addition to customer bills
 - Appropriation in the budget
 - Setaside or contribution funds

- Specific qualifications for eligibility and access
 - Proof of eligibility
 - Degree of arrearage

- List of outside resources and assistance programs



Resources—Customer Assistance Programs

- EPA: Compendium of Drinking Water and Wastewater Customer Assistance Programs
<https://www.epa.gov/waterfinancecenter/compendium-drinking-water-and-wastewater-customer-assistance-programs>
- UNC Environmental Finance Center: Navigating Legal Pathways To Rate-Funded Customer Assistance Programs
<https://efc.sog.unc.edu/project/navigating-legal-pathways-rate-funded-customer-assistance-programs>

One Last Strategy—Keep Your Expenses Down Overall

- Conduct preventative maintenance
- Pay your employees an appropriate salary and retain them
- Replace assets on a set schedule, not because they fail
- Conduct a water audit and minimize non-revenue water
- Manage energy costs
- Ensure that your debt is at the lowest possible interest rate

COVID-19 Considerations

Economic Policy

Millions of Americans risk losing power and water as massive, unpaid utility bills pile up

More than 179 million people may be at risk for shut-offs as many state protections end.



<https://www.washingtonpost.com/business/2020/10/01/power-water-gas-bills/>

[Environment](#)

Just How Bad Is California's Water Debt

“Those water bills are going to come due,” said Jonathan Nelson, the policy director at the Community Water Center. “Not only is there no plan for what to do about that crisis of water debt and potential mass water shutoffs next year, but we don't even know the full scope of the problem.”



<https://www.capradio.org/articles/2020/10/15/just-how-bad-is-californias-water-debt-problem-the-state-isnt-sure/>



Coronavirus Updates and Information

Governor Murphy Signs Executive Order Extending Utility Shutoff Moratorium Through March 15, 2021

10/15/2020

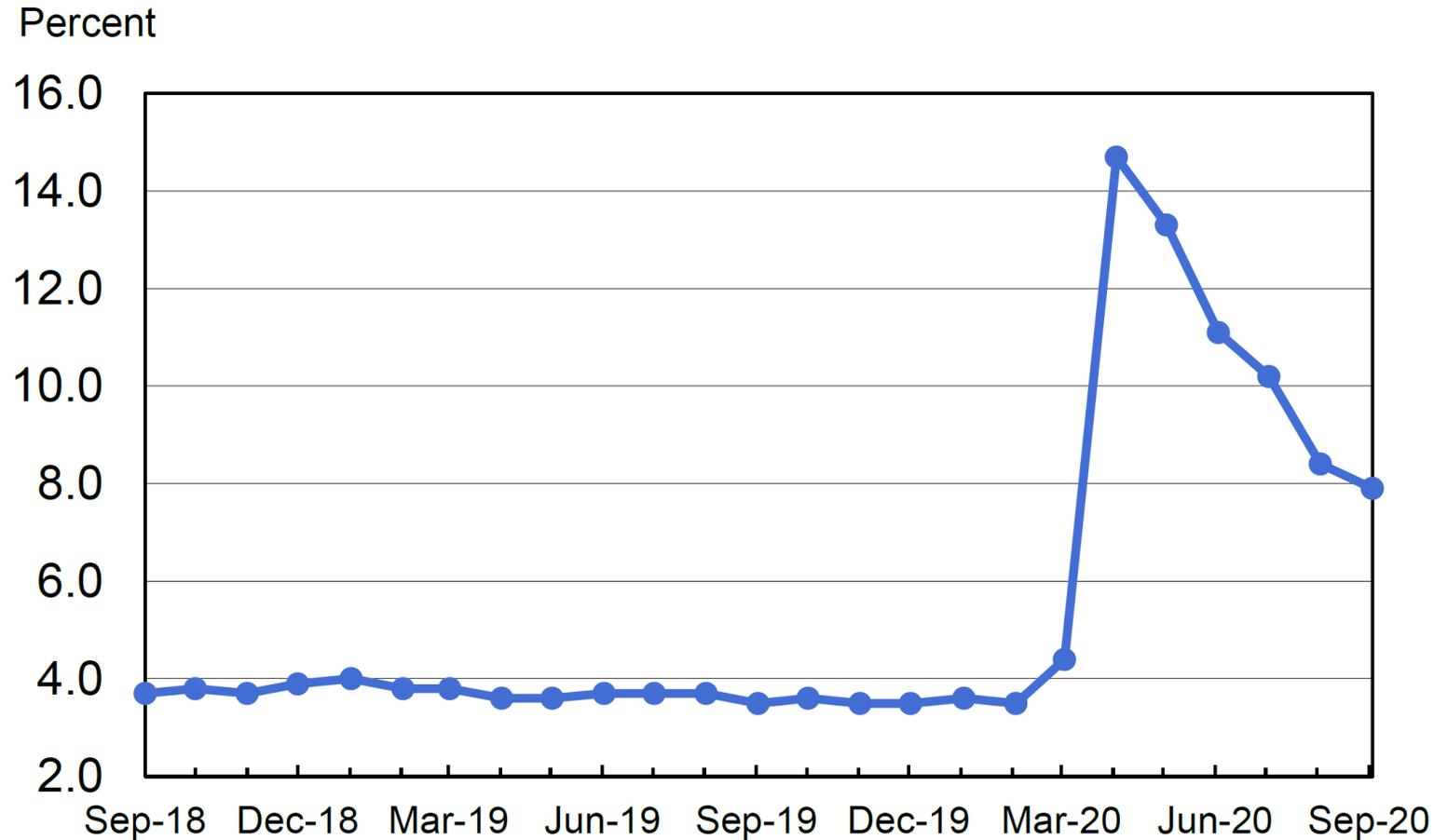
Announces \$15 Million with Legislative Leadership from the Coronavirus Relief Fund to Reduce Utility Arrearages for Low Income Households

TRENTON – Governor Phil Murphy today signed Executive Order No. 190, extending a moratorium preventing New Jersey residents from having their utilities disconnected through at least March 15, 2021. The moratorium applies to all residential gas, electric and water utilities, both public and private. Further, the utilities will not be charging late fees nor fees to reconnect services that have been disconnected. The Order also requires that all residential services that were disconnected after social distancing measures went into effect on March 16 be reconnected. The Governor and legislative leadership further announced that \$15 million from the Coronavirus Relief Fund will be allocated to assisting low income households in paying off utility arrearages.

"New Jerseyans are hurting and many of our fellow state residents, who have lost their jobs due to the COVID-19 pandemic need help," **said Governor Murphy.** "Extending the utility moratorium is the right thing to do as so many in our state struggle to pay their bills during one of the most devastating economic crises in the history of our country. As we enter the

Unemployment

**Chart 1. Unemployment rate, seasonally adjusted,
September 2018 – September 2020**



Source: Bureau of Labor Statistics

How Do We Keep the Water Flowing?

- Manage arrearages through payment plans
- Cash assistance to customers in need
- Expect to write off some bad debt
- Reminder: you have customers, including businesses, that are behind for the first time ever and may not know how your programs work

Next Finance & Management Webinar

- Utilities Helping Utilities: A Conversation on Drinking Water System Collaboration
- Tuesday, November 17
- 3 AT / 2 ET / 1 CT / Noon MT / 11 PT / 10 AK / 9 HI
- 90 minutes of stories of water system collaborations from RCAP's field staff, plus your questions answered!

Understanding and Improving your Water System's Bill Collection Rate

Glenn Barnes

RCAP

gbarnes@rcap.org

Jean Holloway

SERCAP

jholloway@sercap.org