

Modern, Effective, and Compassionate Billing: How Louisville Made an Overdue Upgrade to Assistance Programs and Improved the Utility- Customer Relationship

Access to water and sanitation services should not hinge on background, geography, or how much money someone makes—but it often does. Studies show that between 2012 and 2019, local water bills increased 31 percent nationally, far outpacing inflation and the consumer price index. Historical declines in federal support for water infrastructure have made this trend even worse. Local officials and water utility leaders have had no choice but to raise local water and sewer rates to pay for the needed operation, capital, and maintenance costs. Without federal and state support, local water and wastewater rates have increasingly become unaffordable for millions of Americans, and utilities have operated with outdated billing systems and often struggled to enroll low-income residents into the modest assistance available.

Financial stress incurred by the COVID-19 pandemic and economic crisis has brought water affordability into sharp focus, and innovators have been seeking solutions to meet their communities' rising needs. The water and wastewater utilities in Louisville, Kentucky, provide one such case. Louisville shows how new, smarter solutions to bill relief are helping people in need while improving the utility-customer relationship by balancing care, bill assistance, and debt relief with needed revenue stability to maintain essential water systems.

This case study explores key facets of the challenge, what Louisville achieved for its residents, and how the city's approach provides a model for other utilities to consider as they move forward. Sections discuss:

- How traditional customer assistance efforts have failed to meet customer needs, struggled with enrollment, and overlooked their fundamental purpose of guarding against revenue instability.
- What a modern, user-friendly approach to bill assistance looks like and how, combined with compassionate messaging, it can shift utility-customer payment and service relationship for the better.
- Why establishing innovative bill assistance options is especially wise given current and future federal funding opportunities to provide debt relief.
- Longer-term actions the federal government should prioritize to make safe, reliable water and wastewater service affordable for all.

Water bill assistance needs are increasing, but traditional programs are not working.

Water and wastewater utilities often want to help low-income or hard-hit residents struggling to pay their bills. Yet, they rarely design and implement effective solutions capable of reaching economically vulnerable customers. For example, traditional government payment systems are typically very rigid regarding individual circumstances. They expect customers to pay at the same time, in the same way, every billing period which does not meet the economic reality of many. Customers are grappling with many burdens of financial hardship, and there should not be an expectation that they can discover and then navigate these outdated systems on their own.

When customers cannot pay, they often face serious consequences. Having water shut off or a lien placed on their property carries drastic health, economic, and social consequences for individuals, families, and communities. These punitive consequences also affect people of color disproportionately and contribute to a cycle that keeps people poor.

Of the water utilities that offer financial support, most do so through poorly publicized, application-based programs with complex eligibility. Customers must reach out to the utility, submit a host of burdensome documentation, wait for approval, and only then enter the program. This system is difficult to navigate, time-intensive, and often results in low program enrollment among the eligible population. Other barriers are the often limited resources utilities dedicate to customer outreach and engagement. Many water utilities report their inability to distribute the assistance funds fully despite glaring unmet needs. Considering low enrollment in assistance programs, many vulnerable customers pay higher rates and hold larger past-due balances than they should.

The number of households experiencing financial hardship increased dramatically during the COVID-19 crisis—making assistance issues more acute.

The COVID-19 pandemic had a massive economic ripple effect. Data from the Census Bureau and the Department of Labor show that tens of millions of people are still out of work and struggling to afford food, housing, and basic household expenses. The amount of unpaid water debt in California alone during the pandemic has reached over \$1 billion. Such substantial losses to revenue can threaten water and wastewater utilities' ability to provide the safe, reliable service most expect. Many service providers and policy-makers dismissed cutting off the water—the most basic form of PPE—during a pandemic and imposed a moratorium on service disconnections.

On March 13, 2020, Louisville's water and wastewater utilities suspended the practice of shutting off customers' service if they had not made a payment on their bills. They did so because keeping service on allowed residents to take precautionary measures to help slow the spread of the virus. Before the pandemic, one thousand residents were at risk of disconnection for nonpayment. By June, this number increased more than tenfold. Many of these customers had not been on the disconnection list before. Of the 11,000 residents in danger of shutoff should the disconnection moratorium lift, 70 percent never missed a payment before the pandemic. To better understand who these customers were, Louisville utilities mapped where the accounts were located and cross-referenced that information with data from previously delinquent households. Prior to the pandemic, past due accounts were mostly clustered in specific areas, but this new data showed that those impacted were spread across the entire service territory—an entirely new population in need of assistance.

In response to the growing need, Louisville utilities—which do joint billing—deployed a set of affordability strategies. In addition to the shutoff moratorium, they paused the accrual of fines and fees, modernized their payment plans, and provided bill relief using Louisville Metro funding made available because of CARES Act reimbursements the Metro government received from the federal government.

In Louisville, 93 percent of payment plan customers successfully keep up with their bills, up from 20 percent before partnering with Promise.

During the pandemic, Louisville, Kentucky experienced unprecedented numbers of customers falling behind in paying their water bills and the amount of the debt on these accounts skyrocketed. However, there was not an increase of customers with delinquent accounts enrolling into utility payment plans. Pre-pandemic data also showed that the majority of customers that were enrolled would break their payment plans with the utilities.

Louisville Water and Louisville MSD wanted to improve both the enrollment into and performance on customer payment plans. To achieve these two goals, the utilities decided to deploy innovative customer outreach and engagement strategies both for enrollment and ongoing performance in the agency's payment plans. To reestablish repayment relationships with their customers, the utilities partnered with a technology company called Promise. Promise offers a modern payment platform that goes beyond traditional processing to provide dynamic customer outreach, flexibility, engagement, and convenience that make it easier to pay.

Through their work with other government agencies and sectors, Promise found that outreach by text message was an incredibly effective enrollment tool. Text messages are easy to automate, efficient for the utility, and very accessible for the customer. Promise also uses strategies like robocalls, Google ads, and translation for non-English speakers.

Once Promise reaches a customer, they can use their phone to engage with a highly accessible online portal. The simple interface allows people to customize their payment plans, including how frequently they pay (monthly/biweekly) as well as their payment methods. Customers can easily request extensions or switch their payment date without speaking with a customer service representative. This dramatically decreased the number of calls to Louisville Water's customer service call center. For those customers that could not afford the first monthly enrollment payment, Louisville Water had Promise offer a "get your foot in the door" option where customers can sign up with just a five-dollar payment. This approach helps to enroll as many customers as possible and does not result in poorer long-term payment plan performance. Louisville Water data show that these customers do just as well as others on making regular payments once enrolled.

Louisville Water and Louisville MSD worked with Promise to roll out PromisePay to great effect in October, 2020. Before this partnership, only 20 percent of payment plan customers successfully kept up with their traditional plans compared to 93 percent using PromisePay.



#TeamKentucky is the best. Thank you all so much for your help during these difficult times.

—A Louisville Water payment plan customer

New, smarter payment plans help customers and strengthen repayment relationships between customers and utilities. From rethinking customer outreach and engagement to increasing flexibility and convenience, the COVID-19 pandemic created an opportunity for Louisville utilities to try new approaches. The old paradigm that expects struggling customers to discover payment arrangements on their own has historically resulted in low enrollment. More modern, human-centered, data-driven approaches to collecting revenue and helping customers manage their debt can reduce excessively punitive consequences for customers and result in better repayment rates for utilities.

Modern assistance approaches are better at bringing money in and sending it back out. Residential customers in Louisville received \$4 million in water debt relief in just a few months.

Louisville's partnership with Promise quickly helped the utilities recover lost revenue and significantly reduced the number of customers at risk of water shut offs once the moratorium is lifted. Given this success, the utilities wanted to deploy tech again but this time to help them quickly distribute relief dollars back to customer accounts.

In January 2021, Louisville Metro granted \$4 million to Louisville Water and Louisville MSD through the Louisville Water Foundation—an entity created by Louisville Water to be able to leverage and implement charitable and philanthropic efforts. By this point, 18,000 households were behind on payments. Instead of enrolling customers in assistance programs through a cross-enrollment approach with LIHEAP, an assistance program for heat and energy, Louisville Water recognized that their programs served different in-need populations. Roughly 70 percent of LIHEAP participants were renters who did not receive a water utility bill directly. Given previous success with PromisePay, Louisville Water and Louisville MSD decided to use Promise to create a COVID Relief Portal.

Promise's COVID Relief Portal feature engaged customers with delinquent accounts primarily via earned media, social media, and stakeholder outreach and engagement including text messaging. The COVID Relief Portal distributed up to \$500 grants to customers that accrued water debt between March and December 2020. Promise targeted those most in need of bill relief by using Louisville Water's delinquent account data to directly reach out to customers and let them know about the debt relief opportunity. Almost 12,000 customers were reached in just eight weeks and able to easily apply for relief. Those with remaining debt were then connected to the payment plan portal if interested.

Another key component of Louisville's program design was that applicants could self-certify their income. The program accepted all applicants for grant relief as long as they had a past-due balance from bills between May and December 2020 and could answer three questions about how the pandemic financially affected them. Removing layers of approval, including income verification and document uploads, made the Promise Covid Relief Portal simple to use and quickly deployable in the short, urgent time frame needed.

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First and foremost, we provide a public service. Preserving our customers' dignity and access to water when they're in need far outweighs any worry of impropriety by an individual. That's why self-certification is an important part of our assistance approach.

—Spencer Bruce, President and CEO, Louisville Water

Louisville Water and Louisville MSD also consolidated each assistance and relief opportunity offered, including PromisePay, under the brand Drops of Kindness. Customer data from surveys Louisville Water conducted in September 2020 and April 2021 show Drops of Kindness improved customer perceptions about the utilities. The April data also show an increase in customers' use of emotional, rather than functional, attributes to describe Louisville Water—a positive sign of shifting attitudes in an otherwise difficult time.

Making good on the utilities' more compassionate tone, Louisville's partnership with Promise on payment programs and disbursing debt relief have been hugely successful. On the first day alone, the Covid Relief Portal distributed \$750,000 in funds. In the first month, Promise distributed \$3.4 million out of the \$4 million available—which is now fully dispersed.

As of mid-February 2021, the program assisted 11,784 customers with credits between \$10–\$500; of these, 24 percent now have a balance of zero, and another 4,200 are on payment plans with an average payment of \$50 a month.

Technology can integrate with the entire ecosystem of customer bill assistance, from local third-party services to federal assistance programs.

Historically, charitable organizations have supported customers struggling to pay their utility bills. Congress and the current administration are also funding low-income water assistance to help people afford water and wastewater service. User-friendly technologies can make it easier for third parties to provide direct bill relief support to people, and Louisville's experience is showing how.

When it comes to bill relief, one reason direct utility to customer outreach is effective is that water and wastewater utilities know exactly who is not paying their bills, and their customers know who their utilities are. Third-party charitable organizations, however, often play a role, helping people access assistance programs and pay down utility balances. In addition to direct outreach from utilities, these organizations can fill an important outreach gap since they sometimes have more trusting relationships with the target populations.

Louisville Water worked with Promise to create a pledge portal to make it easier for charitable organizations to assist customers behind on their water bills. Before creating the portal, Louisville Water customer service representatives experienced a large volume of calls from these organizations seeking account information. Now, the pledge portal allows these organizations to go online, look up the account balance of the customer, and make a pledge to pay someone's bill directly. The pledge portal is more user friendly and efficient because it removes the extra step of calling customer service to initiate a slow, manual process, and it expedites disbursements and updates in real-time. Nonprofit organizations can also generate reports from the pledge portal to document how much assistance they have provided over time.

In response to the pandemic, Congress recently created the temporary Low-Income Household Drinking Water and Wastewater Emergency Assistance Program which allocated the \$1.1 billion in rate assistance and bill relief passed in December 2020 and March 2021. The right technologies will make administering these and future assistance funding straightforward and streamlined.

Louisville's use of modern, customer-centric billing technologies is making an incredible difference—but challenges remain. While the Louisville Water Foundation contributed another \$500,000 to help customers with past-due balances, the assistance funds received from the Metro government have run out, and the shutoff moratorium could lift soon. But the partnership between Louisville Water, Louisville MSD, and Promise has significantly reduced the number of customers at risk for water shut offs and increased revenue for the utilities. Their approach is effective both from a customer and a utility perspective, and it began in a moment where time was of the essence—and is a model for how water and wastewater utilities can improve customer assistance into the future.

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The pandemic called on us to take a leap of faith with new technology and a new approach. It's proving to be transformative. This is where all those aspiring to become utilities of the future need to go, and our customers will be better served for it.

—Tony Parrott, CEO, Louisville MSD

Improving assistance is an important bridge to long-term affordability solutions.

The COVID-19 pandemic's effect on the water sector is a precursor to the hardships to come if advocates, utilities, and policymakers fail to make progress on long-term solutions to rising unaffordability.

As a growing number of people in the United States struggle to afford basic water and sewer service, utilities need to scale humane assistance and collection approaches. These strategies would provide efficient, immediate financial relief as policymakers work on more lasting structural solutions to water infrastructure and service affordability. New assistance models are also better at safeguarding utility revenue than traditional assistance programs because they make it easier for struggling customers to pay what they can and enroll in a payment plan.

Every level of government can take immediate action to alleviate financial strain and the punitive consequences of poverty. Locally, officials and water leaders can improve assistance programs by providing better customer assistance and allowing people to self-certify their needs and income. They can also coordinate wraparound services across multiple assistance programs, proactively take solutions to those in need rather than passively expecting customers to navigate the system, and use data and user-friendly technology to maximize reach and engagement.

State and federal policymakers have crucial roles to play. The federal government can and must be a stronger partner in covering water infrastructure and related service costs. Louisville was more able to address the household water debt because of an influx of federal CARES dollars to the city which made it possible. More relief dollars could similarly help residents across the nation tackle mounting water insecurity. State and federal policymakers can also work towards structural reforms in how the nation funds the provision of essential services like water and wastewater. Working towards comprehensive affordability and low-income assistance programs can ensure everyone, regardless of income, demographics, or geography, has reliable access to life's most essential resource.

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We're proud of the progress we're making in Louisville. And, we know it's going to take continued effort and coordination with our state and federal partners to make sure everyone can afford the basics long-term. That starts with safe, reliable water and wastewater services.

—Mayor Greg Fischer, Louisville, KY

Summary of Strategies to Improve Assistance and the Utility-Customer Relationship

Payment plan and bill relief best practices:

- Use direct, modern approaches to make customers aware of payment plan options. For example, use direct calls, emails, texts, and mobile ads rather than limiting outreach to more traditional methods like door hangers and fliers.
- Provide user-friendly mobile options for customers to enroll in programs independently.
- Allow customers to customize their payment plans, request extensions, and make changes to those plans without needing to speak to a customer service representative.
- Provide electronic reminders before payments are due.
- Allow customers to self-certify their income for income-restricted plans. Remove other layers of approval wherever possible. Reject outdated, unfounded assumptions that customers will abuse such a system at rates high enough to wipe out the benefits of allowing self-certification.
- Offer customers level billing that creates equal monthly payments based on predicted future average usage. In this way, level billing helps to limit customers' exposure to billing fluctuations.
- Provide a human translator for non-English speakers.
- Provide charitable organizations with options to assist people with their water and wastewater bills directly online rather than over the phone through a manual process.
- Choose technologies that can be repurposed for distributing available and future federal assistance to customer bills.

Louisville Water and Louisville MSD are members of the Water Equity Network, a growing community of practice of utilities, community-based organizations, environmental groups, philanthropy, and others, to advance equitable water management practices at the local, state, and national levels. For more about the Network:
<http://uswateralliance.org/waterequitynetwork>

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