Ability to Pay Feasibility Study

Participating Organizations

Government Finance Officers Association

CENTER FOR MUNICIPAL FINANCE
at
THE UNIVERSITY OF CHICAGO
HARRIS SCHOOL OF PUBLIC POLICY

ICMA | INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION

SERVUS

Data-driven Solutions

1. Executive Summary

Cities and counties across the United States increasingly rely upon fines and fees to balance their budgets. Sixty percent of state and local governments depend on fines and fees as a necessary part of their budget. However, this comes as less than 30% of the population is financially healthy, with a compromised ability to pay their bills. This means that local governments must become savvier about how they manage fines and fees. We contend that the practice of segmented pricing provides a unique solution to this problem by both A) improving the financial benefits local governments derive from their fee structures; and B) making fines and fees fairer to low income rate payers. Furthermore, segmented pricing allows municipalities to accomplish their fiscal and equity goals. Local governments have few options to increase revenue and most importantly, they have limited discretionary spending power due to general fund obligations. Segmented pricing may help boost that spending power by improving the profitability of each transaction.

2. Goal of PILOT

The primary goal of this project is to assess the feasibility of new pricing and revenue structures that will improve the sustainability and fairness of collection. It's important to observe whether an ability-to-pay, or ATP, model of segmented pricing can be used to increase revenue by expanding the number of payees and the rates of payment. Municipalities have departments which are responsible for monetary transactions with the public. These transactions account for twenty percent of the total revenue. Therefore, municipalities should avail themselves to technologies that improve their unit economics. We will run a controlled experiment with the aim of finding the optimal price for each segment.

3. Ideal Participants for a PILOT:

A. Possess a utility or municipal fine revenue stream with significant problems with delinquency/nonpayment.

A. Have at least 5,000 active accounts to be targeted by an ATP model.

B. Ability to waive or at least restructure debts. This is part of discovering individuals' ability to pay. Of course, you must also be willing to offer different price reductions to people.

C. An ability to pass historical account data via an API or a downloaded CSV file; and an ability to add a hyperlink to your current website or configure your DNS (Domain Name Server) management to create a seamless transition into the ATP PILOT.

4. Expected commitment from participating municipality

A. Willing Finance Officer and Executive branch to authorize debt reductions for desired revenue category.

B. Designated point of contact within the Finance department for the duration of engagement.

C. IT representative (response to requests made within a 72 hr time frame). Requests may be to address updates, broken URLs, cyber attacks, CSV formatting issues, or common technical issues.

D. Marketing efforts (raise awareness for ability-to-pay option).

5. Resources committed from SERVUS

A. University of Chicago's Center for Municipal Finance and Booth School of Business faculty.

B. SERVUS has partnered with The Center for Municipal Finance in order to utilize their domain expertise with our online web application to easily connect to government APIs for optimized price suggestions through our portal. The web application leverages Machine Learning and Big Data techniques to automate the segmented price calculations and estimates each individual's ATP.

6. Key Milestones

A. Find out current state of affairs within the debt category (Early data analysis)
B. Explain test options for debt reduction (varies by local policies)
C. Algorithm set up and meeting conducted to explain the algorithm
D. Persona based simulation (Walkthrough of what your customers will experience)
E. Risk analysis and mitigating strategies (Address potential pitfalls)
F. PR strategy (Ways to frame this debt reduction model to the public)
G. Implementation of ATP pricing model
H. Deployment of functional online pricing portal
I. Increased revenue from targeted demographic with increased consumer welfare
J. Feasibility report with pricing analysis

7. Timeline

Project Plan (Estimates):

#	Project Phases	Months			
		1	2	3	Org
1	**Feasibility Study** & Analysis of current status				Uchicago & SERVUS
2	Design and deploy ATP model				SERVUS
3	QA				SERVUS
4	Feasibility Report				Uchicago & SERVUS

A detailed project plan with tasks list will be shared post approval of PILOT. The feasibility study involves Uchicago faculty from the Center for Municipal Finance working alongside SERVUS to ensure best practices.

8. Pricing

A. **The Center for Municipal Finance** is providing pro bono services to ensure this project is conducted with best practices. **No fees associated with this project belong to the University of Chicago, ICMA, or GFOA.**

B. **SERVUS platform fee.** There are no platform fees. Participants are committing to an initial 90 day feasibility analysis in which the aforementioned partners will be advising SERVUS on the deployment of its pricing tools.

C. While some municipalities may opt to transfer data to the SERVUS platform via csv files, in the event of an API integration, the municipality is responsible for testing their own API connection to the SERVUS API. SERVUS is waiving the costs associated with onboarding and implementing municipalities involved in this project.

D. At the end of the project, local governments can decide whether or not to continue with segmented pricing. Those local governments interested in continuing will have the opportunity to discuss direct procurement of the technology and services for segmented pricing. The goal of this project is to gauge how effective segmented-pricing can be for accomplishing your organization's revenue and social equity goals. Participation in this feasibility study does not constitute any long term commitments or contracts. SERVUS is the only vendor that we are aware of that is offering the on-going support for segmented pricing. Currently, local governments may not possess sufficient in-house expertise to execute the algorithmic policy designs necessary for a successful implementation and maintenance of segmented pricing. Participating local governments may end their involvement with SERVUS at the end of this project or explore an ongoing relationship. SERVUS's fees are on a contingency basis. Municipalities would have discretion whether to add this fee to a debtor's outstanding balance or to absorb the fee.

9. Stakeholders

Municipalities will work with the below authorized personnel to ensure the availability of information and to help secure support from internal and external stakeholders during the entire tenure of this project.

Sr. #.	Name	Role	Email ID
From SERVUS			
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