

May 14, 2012
Regular Agenda Item No. 3
Residential Utility Deposit/Commercial Delinquent Fee Increase Presentation

To: David Neeley, City Manager

From: Jeff Kersten, Executive Director, Business Services

Agenda Caption: Presentation, and discussion regarding a proposed ordinance amending Chapter 11, "Utilities" Section 11-1, "General Provisions", sections B-D and K of the Code of Ordinances of the City of College Station, Texas, having the effect of raising utility deposit amounts for residential Utility customers and raising the delinquent fee amount for commercial customers.

Relationship to Strategic Goals: Financially sustainable city providing response to core services and infrastructure.

Recommendation: Staff recommends Council receive the report and provide direction. If Council provides direction to move forward, the ordinance will be placed on the May 24 consent agenda.

Summary: The attached ordinance implements an increase to the utility deposit amounts charged for residential customers and clarifies when deposits will be collected. Increasing the utility deposit amounts will help offset the dollar amount of write offs each year. The write off amounts have been increasing in recent years.

Currently all residential customers are billed the same deposit amount of \$105.00 for electric service and \$30.00 for water service after they demonstrate a slow payment history.

The proposed ordinance will require customers, at the time of connection, to make a deposit equal to one and one half times the estimated average monthly utility bill amount unless exemption criteria is met. Exemption criteria for homeowners will be maintaining a credit history of no more than 2 late payments in a 12 month period. Renters will be exempt if they enroll in Auto Pay which is a service provided that automatically pays the utility bill monthly electronically. The average deposit for a residential account receiving all services would be \$350.00.

The delinquent service fee for commercial customers is proposed to be increased to \$150 when services are disconnected for nonpayment and a reconnect has been requested. This amount is in line with the cost to provide this service. Currently these customers are charged \$25.00 which is not covering the cost of this reconnect service.

Budget & Financial Summary: Utility write offs will be reduced.

Attachments:

1. Proposed Ordinance
2. Deposit Criteria

ORDINANCE NO. _____

AN ORDINANCE AMENDING CHAPTER 11, "UTILITIES" BY AMENDING SECTION 11-1 "GENERAL PROVISIONS", SECTIONS B – D AND K OF THE CODE OF ORDINANCES OF THE CITY OF COLLEGE STATION, TEXAS, AS SET OUT BELOW; PROVIDING A SEVERABILITY CLAUSE; DECLARING A PENALTY; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLLEGE STATION, TEXAS:

PART 1: That the Code of Ordinances of the City of College Station, Texas **CHAPTER 11, "UTILITIES" BY AMENDING SECTION 11-1 "GENERAL PROVISIONS", SECTIONS B – D AND K**, be amended as set out in **Exhibit "A"**, attached hereto and made a part of this ordinance for all purposes.

PART 2: That if any provisions of any section of this ordinance shall be held to be void or unconstitutional, such holding shall in no way effect the validity of the remaining provisions or sections of this ordinance, which shall remain in full force and effect.

PART 3: That any person, firm, or corporation violating any of the provisions of this chapter shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine of not less than Twenty-Five Dollars (\$25.00) nor more than Five Hundred Dollars (\$500.00). Each day such violation shall continue or be permitted to continue, shall be deemed a separate offense. Said Ordinance, being a penal ordinance, becomes effective ten (10) days after its date of passage by the City Council, as provided by Section 35 of the Charter of the City of College Station.

PASSED, ADOPTED and APPROVED this ____ day of _____, 2012.

APPROVED:

Mayor

ATTEST:

City Secretary

APPROVED:

City Attorney

EXHIBIT “A”

That the Code of Ordinances of the City of College Station, Texas **CHAPTER 11, “UTILITIES” SECTION 11-1 “GENERAL PROVISIONS”, SECTIONS B – D AND K** be amended and are to read as follows:

B. Deposits and Administrative Charges for utility service.

- (1) **Administrative Charges.** Any person desiring utility service from the City of College Station, Texas, shall be required to pay an administrative charge covering the cost of labor for the connection of utility service.
- (2) **Deposits.** Deposits will be required from all customers, unless they are exempt from such deposit.

C. Residential Service.

- (1) **Deposits required.** Residential customers shall make a deposit in the amount of one and one half (1 ½) times the estimated average monthly bill for their service location for the preceding year.
- (2) **Deposit Exemptions**
 - (a) The owner of the location is exempt from a deposit, unless the account is paid late more than two (2) times in a twelve (12) month period or the account is disconnected for nonpayment.
 - (b) Any customer that enrolls in Auto Pay, unless there is a returned payment.
- (3) **Deposit Returned.** Residential customers who have twenty four (24) consecutive months of service with not more than two (2) late payments may request that the deposit be returned to them by the City. The deposit will be applied to their utility account. A subsequent failure to maintain a good payment history shall be deemed as just cause to require a subsequent cash deposit.

D. Commercial and Industrial Customers.

- (1) **Deposits Required.** Any commercial or industrial customer shall make a deposit with the City in an amount sufficient to cover the average utility bill for a two-month period. An average of the locations last twelve (12) monthly bills, or an estimate of the annual bill amounts shall be used in computing the minimum deposit. Such deposit may be made in the form of cash, the pledging and assignment of a certificate of deposit, a valid non-documentary bank letter of credit, or placement of a surety bond with an insurance company licensed to do business in Texas, with the best bond rating as accepted by the City.
- (2) **Deposit Exemptions.** Commercial and industrial customers who provide an acceptable

letter of credit from a previous utility company showing at least twenty four (24) months of service with no late payments, no returned checks and no disconnects for nonpayment in the most recent twelve (12) month period will be exempt from deposit. Failure to maintain a good payment record shall be deemed as just cause to require a deposit as outlined in paragraph (1) of this subsection.

(3) Deposit Returned. Commercial and industrial customers who have twenty four (24) consecutive months of service and have no late payments in the last twelve (12) months may request that their deposit be released by the City. A subsequent failure to maintain a good payment record shall be deemed as just cause to require a deposit as outlined in paragraph (1) of this subsection.

K. Disconnection and Reconnections.

(1) When Utility Connections may be Severed.

(a) All utility connections may be severed for any customer who fails to pay all or any part of his total bill by the due date.

(b) Any person found to be in violation of any section of the chapter shall be served a written notice stating the nature of the violation. The City is authorized to immediately disconnect the offending person's service upon such notice and to not reconnect the service as long as the violation continues.

(2) Restoration of Services.

(a) When connections for services have been severed, or are considered to be severed, the same shall be restored only when all amounts past due to the City have been paid in full.

1. A twenty-five dollar (\$25.00) delinquent fee will be charged on each residential account.

2. A one hundred fifty dollar (\$150.00) delinquent fee will be charged on each commercial account.

(b) All connections, reconnections and disconnections shall be made only by an authorized representative of the City.

New Deposit Criteria

RESIDENTIAL

Homeowners will be exempt from putting down an initial deposit. After two late payments in twelve months, the deposit will be billed in one installment. Exemption from deposit will be for those who enroll in auto pay. After the first auto pay return/non-payment, the deposit will be billed in one installment.

Renters will be billed deposit on the first month's bill in one installment. The only exemption from deposit will be for those who enroll in auto pay. After the first auto pay return/non-payment, the deposit will be billed in one installment.

Deposit amount for all residential accounts is 1 ½ times the estimated average monthly bill.

Deposit amounts will be evaluated periodically to ensure adequate deposits are collected. If additional deposits are required they will be billed.

Should an account be disconnected for nonpay, the deposit amount will be evaluated to ensure adequate deposit is on account. If not, additional deposit amounts will be collected.

Deposit Refunds – Requires twenty four months of service with no more than two late payments.

COMMERCIAL

Commercial accounts will continue to pay a deposit of two times the annual estimated bill amount. Exemption will be letter of credit from utility company showing twenty four months of service with no late payments, returned checks, or disconnects for non-pay in most recent twelve months.

Deposit Refunds – same as letter of credit criteria.