

C O U N C I L C O M M U N I C A T I O N

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUNCIL MEETING DATE
SEPTEMBER 5, 1990

SUBJECT: REPORT ON CITY UTILITIES DEPOSIT POLICY

PREPARED BY: City Manager

RECOMMENDED ACTION: None required. Information only.

BACKGROUND INFORMATION: At the regular meeting of August 15, 1990, Councilmember Hinchman inquired as to the City's policy regarding deposits for utilities services. The attached memo of August 21, 1990 in response (Exhibit A) has been distributed to the City Council. The purpose of this item on the agenda is to make public the staff response and to afford Councilmembers the opportunity to ask questions in this regard.

Respectfully submitted,



Thomas A. Peterson
City Manager

TAP:br

Attachment

M E M O R A N D U M

TO: The Honorable Mayor and
Members of the City Council

FROM: City Manager

DATE: August 21, 1990

SUBJ: City Policy Regarding Utility Deposits

At its regular meeting of Wednesday, August 15, 1990, City Council heard a request of Councilmember Hinchman that the staff apprise the Council of the City's policy with regard to deposits for utility services. This memo will serve as the staff response.

Residential Customers - Normally, deposits are not required of residential customers. However, a deposit in an amount equal to two months estimated utility bills is required if:

- a customer has had utility service discontinued for not redeeming a returned check
- a customer has had utility services discontinued for non-payment of a past due utility bill
- an applicant for City services has a delinquent City account with a collection agency
- an applicant for City services does not or will not present acceptable identification

Commercial and Industrial Customers - All applicants for commercial and industrial utility accounts are required to post a deposit in an amount equal to two months estimated utility bills. This deposit is required of all new accounts and additional business locations even though the additional locations are under the same ownership. These deposits are retained by the City until the account is closed. For example, when the owner of a video store purchased an existing video store in another part of the City, a deposit was required on the account at the second store. No deposit is required if an existing business moves to a new location and the payment history has been good.

The Honorable Mayor and
Members of the City Council
August 21, 1990

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The reason for the deposit requirement on all new commercial and industrial accounts is the result of a number of recent (within the last four years) very unfavorable and expensive experiences endured by the City. An industrial customer went bankrupt leaving the City with an unpaid, and in this case uncollectible, utility bill-balance of approximately \$25,000. A failed market cost the City \$16,000; another \$12,000. A restaurant that failed left the City with an \$11,000 deficit. That's a total of approximately 564,000 in losses with just four bad experiences. Authority for the requirement of deposits is set forth in Lodi Municipal Code Section 13.04.020 which reads in part: "A deposit for the furnishing or continuance of service ~~shay~~ be required by the director of finance in those cases where he deems it to be in the best interest of the city." This requirement has served well the City and the thousands of conscientious rate payers who make their payments on time, for it is the rate payers who suffer the disservice of the consequence of bad debts. De in part to this requirement, the City in the last 12 months incurred only \$110,357 in utility account losses on a total billing of \$35,379,658. The result is an excellent loss ratio of just .003%.

The City makes every effort to bring utility service to new customers during non-business hours. This is sometimes necessary when both the husband and the wife work during regular City Hall business hours. Such customers are advised to contact the Electric Utility Department on the City's 24-hour emergency telephone for after-hours and week-end connections. Service is usually provided the same day it is requested. These customers are requested to come to City Hall within the next five business days to complete the paperwork.

Staff will be pleased to provide whatever additional information Councilmembers may request on this topic.

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