

**Transportation and Infrastructure Subcommittee
February 21, 2008
Item 4**

CITY COUNCIL REPORT

TO: David Cavazos
Deputy City Manager

FROM: Tammy J. Perkins
Acting Water Services Director

SUBJECT: MUNICIPAL UTILITY SERVICES DEPOSITS

This report recommends Transportation and Infrastructure Subcommittee approval on proposed changes regarding customer deposits on the municipal utility services bill. If approved, the Phoenix City Code related to deposits would be amended to reflect the recommended changes effective with the implementation of the new Customer Information System (CIS).

THE ISSUE

The Water Services, Public Works, Finance, and Information Technology Departments are working together to replace the current billing system for water, wastewater, and solid waste collection services. The new CIS provides opportunities to collect deposits in a way that cannot be accommodated by the current Water Customer Information System (WCIS). City Council guidance is necessary at this time so that the new system can be programmed in a timely manner.

OTHER INFORMATION

The Water Services Department currently collects a deposit from all new customers who rent property regardless of their payment history. The deposit amount is based on the size of the meter serving the property. The deposit for a typical residential renter is currently \$66.00 if served by a 5/8" meter, or \$103.00 if served by a 3/4" meter. In addition, the Department can collect a risk deposit from any water services customer who does not maintain a good payment record. Residential customers can be required to pay a risk deposit in an amount equal to two and one-half times their average bill during the previous year, and commercial customers can be required to pay a risk deposit in an amount equal to two and one-half times the highest bill during the previous year. Currently, risk deposits are rarely assessed.

The Public Works Department requires a \$50.00 financial responsibility deposit from any customer who establishes a solid waste only account.

OPTIONS

The new CIS provides options for implementing customer deposits. Based on the system's functionality, staff has developed the following options:

Option A: No change to current practice. Staff would continue to apply water customer deposits to renters only and risk deposits on an as-needed basis. Solid Waste would continue to assess a \$50.00 deposit for solid waste only accounts.

Advantages:

- Does not require staff training on new policy.

Disadvantages:

- The new CIS would require customized programming in the new CIS to continue this approach.
- Does not reflect customer credit worthiness.
- The current deposit does not reflect the City's financial liability.

Option B: Implement the deposit functionality offered in the new CIS. This system identifies accounts that should have a deposit based on the customer payment history. Customers with a poor payment record (numerous delinquencies or service disconnected for non payment) would be required to pay a deposit based on the average monthly billing of all services at the property. If insufficient billing history exists at a property to establish the average bill amount, a deposit would be based on the average bill for that property classification type (business or residence).

The deposit amounts will vary. Recent billing activity shows a residential bill range of \$38.00 to \$1,645.00. The deposit based on the citywide average bill for a residence is approximately \$75.00. Deposits for solid waste only accounts would continue to be \$50.00.

Advantages:

- Customized programming would not be required.
- Deposits would be based on credit worthiness instead of whether or not the customer owns or rents the property.
- Since the deposit would be based on the total bill as well as the billing history for the property, the deposit would more accurately reflect the potential financial liability to the City in the event of a payment default.

Disadvantages:

- Deposits could be assessed on long-time customers who have not maintained a good payment record.

- Staff training on the new policy would be necessary.

RECOMMENDATION

Staff recommends Subcommittee approval of Option B. Staff would implement the new deposit policy using the new CIS functionality. Customers who are a risk to the City in terms of becoming delinquent based on individual payment history or who have not established a payment history with the City of Phoenix would be assessed deposits.