



# Satisfactory Payment History & Customer Deposits

April 17, 2014

# Current State

- Standard residential deposit: \$210
  - E \$100, G \$50, W \$20, WW \$40
  - Last updated in April 2007
- 55% of bad debt sent to collections last year came from residential customers with less than 2 years of service (~\$892,000)
- Satisfactory payment history definition allows for 2 NSF's (returned checks) in a 12 month period

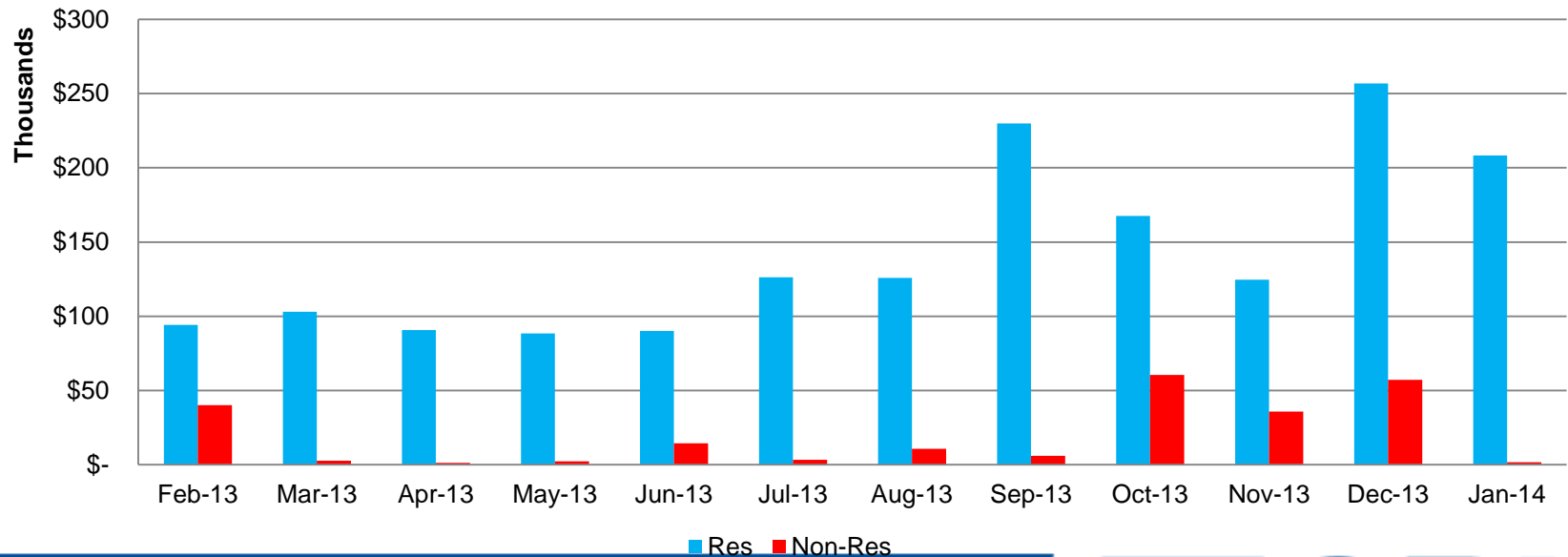
# Current State

- Creditworthiness (CW) points in SAP
  - 30 CW Disconnection
  - 30 CW NSF
  - Late payments are not assessed CW
- Satisfactory payment history in the billing system (SAP) is an account that has been active for 2 years and has <90 CW
- Non-residential customers have three options for deposit: cash deposit, surety bond, letter of credit

# Current State

- Non-residential cash deposits are only refunded at account closure

Dollars Referred to Collections



# Current State

- New customers start with 0 CW

# Proposed Changes: #1

- Industry standard deposit is 2 months average bill
- Change standard residential deposit from \$210 to \$270
  - current: E \$100, G \$50, W \$20, WW \$40
  - proposed: E \$145, G \$50, W \$35, WW \$40
- Estimate \$90,000 reduction in collection referrals

# Proposed Changes: #2a

- Change definition for satisfactory payment history in 12 month period to:
  - 0 disconnections
  - 0 NSF's
  - No more than 3 late payments
- Consistent with other Florida IOU's and Muni's
- Apply to residential and non-residential customers

# Proposed Changes: #2b

- Assign 5 CW to late payments in SAP
- Change satisfactory payment history score in SAP from  $<90$  CW to  $\leq 15$  CW
- Required to facilitate change #2a in SAP



# Proposed Changes: #3

- Allow for refund of non-residential deposits using new satisfactory payment history definition:
  - 2 years of history, last 12 months meet satisfactory payment definition
  - Same as for residential customers
- Estimate \$940,000 in non-residential deposits eligible for refund

# Proposed Changes: #4

- Allow for half cash deposit with AutoPay signup as deposit alternative for non-residential customers
  - In addition to current non-residential deposit options: full cash deposit, surety bond, letter of credit

# Proposed Changes: #5

- Currently requires 30 CW in SAP for account to be disconnected
- New accounts start with 0 CW and can result in an account going unpaid for 2-3 months before disconnection
- Add 30 CW to new accounts at creation to prevent non-payment of bills
  - Rolls off after 12 months
- Prevent non-payment of multiple bills prior to a full deposit being collected

# Summary

- 1: Change residential standard deposit from \$210 to \$270
- 2a: Change definition of satisfactory payment history to 24 months of service with  $\leq 3$  late payments in the last 12 months
- 2b: Add 5 CW in SAP for late payments
- 3: Refund non-residential deposits
- 4: Add half cash with AutoPay option for Non-residential deposits
- 5: Start new accounts with 30 CW

# Recommendation

- The City Commission adopt proposed changes
- Direct the City Attorney to draft and the City Clerk to advertise ordinance changes