



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 26, 2024

SUBJECT: ESTABLISH 2024 ANNUAL INTEREST RATE OF 5.10% TO BE PAID ON CUSTOMER DEPOSITS

ISSUE:

Consider approving an annual interest rate on customer deposits for the calendar year 2024 at the rate of 5.10% per annum, as provided by Riverside Public Utilities' Electric and Water Rules.

RECOMMENDATION:

That the Board of Public Utilities approve the annual interest rate on customer deposits for the calendar year 2024 at the rate of 5.10% per annum, as provided by Riverside Public Utilities' Electric and Water Rules.

BACKGROUND:

Per Electric and Water Rules 4, deposits are collected from customers who wish to establish service that do not have a good credit history, based on review from a national credit bureau which evaluates the history of late payments and other negative events, or from customers who have been disconnected and want service to be reconnected. Approximately 14% of the Utilities' customers meet the criteria of this category, with combined deposits totaling just over \$5.8 million. Currently, 74% of that total represents commercial customers.

The minimum residential deposit is \$100 for electric and \$40 for water service. Commercial customers are charged a deposit equal to two months' service for the location. Interest is applied monthly to the deposits received. Deposits are held for one year or upon termination of services. If the customer account is in good standing, the deposit, plus interest, is applied to the customer's account to offset any outstanding balance or refunded to the customer if no balance is due. Electric and Water Rules 4 require the Board of Public Utilities to annually establish the interest rate for the held deposits.

DISCUSSION:

The methodology used to determine the amount of interest to record monthly to utility customer deposits is based on the one-year annual average Daily Treasury Yield rate. The use of the one-year average Treasury Yield for the allocation of interest to deposits is based

on the same type of short-term security the City acquires for use in the Citywide investment portfolio.

The average annual rate is obtained from the U.S. Department of the Treasury website. The rate calculated for 2024 is 5.10%.

STRATEGIC PLAN ALIGNMENT:

This item contributes to Strategic Priority No. 5 High Performing Government and Goal 5.3 – Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The Annual Customer Deposit Interest Rate approval is a transparent process that allows for the Board decision based on sound policy, with the actions serving the public interest.
2. **Equity** – The Annual Customer Deposit Interest Rate process allows for equitable treatment and equal access for all customers.
3. **Fiscal Responsibility** – The Annual Customer Deposit Interest Rate calculation is determined the by Rules set by the Board to be a prudent steward of public funds while providing quality public services to all.
4. **Innovation** – The Annual Customer Deposit Interest Rate calculation is timely in meeting the community's changing needs.
5. **Sustainability & Resiliency** – The Annual Customer Deposit Interest Rate calculation is a commitment to the needs of the present without compromising the needs of the future.

FISCAL IMPACT:

The fiscal impact to the Electric and Water Utility is minor. The deposits held as collateral are only returned if the customer account is in good standing after one year of service or upon termination of utility services. Deposits returned at the end of 12 months carry negligible interest cost to Riverside Public Utilities.

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Attachments:

1. Water Rule 4 – Deposits and Service Turn-On Charge
2. Electric Rule 4 – Deposits and Service Turn-On Charge
3. Presentation