



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 12, 2018

ITEM NO: 10

SUBJECT: 2018 ANNUAL INTEREST RATE OF 0.02% TO BE PAID ON CUSTOMER DEPOSITS

ISSUE:

Approve the 2018 annual interest rate of 0.02% to be paid on customer deposits, as provided by Riverside Public Utilities' Electric and Water Rules.

RECOMMENDATION:

That the Board of Public Utilities approve the annual interest rate of 0.02% for customer deposits.

BACKGROUND:

Deposits are collected from customers who wish to establish service and do not have a good credit history, or from customers who have been disconnected and want service to be reconnected. Approximately 17% of the Utility's customers fit this category, with combined deposits totaling almost \$5.1 million. Currently, 57% 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 month's 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 an average annual percentage yield (APY) provided by local banks' on basic customer's savings accounts on deposit. The APY rates are obtained from four major banks' websites on a quarterly basis and an average of the rates is calculated annually. The rate calculated for 2018 is 0.02%.

FISCAL IMPACT:

Deposits held on customer accounts are credited with interest earnings at current market rates.

Prepared by: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance
Approved by: Todd Jorgenson, Interim Utilities General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance