



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MARCH 8, 2021

SUBJECT: 2021 ANNUAL INTEREST RATE OF 0.37% TO BE PAID ON CUSTOMER DEPOSITS

ISSUE:

Approve the 2021 annual interest rate of 0.37% 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 0.37% for customer deposits.

BACKGROUND:

Electric and Water Rules 4 require the Board of Public Utilities to annually establish the interest rate for the held deposits.

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 Utilities' customers fit this category, with combined deposits totaling just over \$5.5 million. Currently, 63% 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.

DISCUSSION:

The methodology used to determine the amount of interest to record monthly to utility customer deposits is based on the 1-year annual average Daily Treasury Yield rate. The use of the 1-year average Treasury Yield for the allocation of interest to deposits is based on the fact that it is 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 2021 is 0.37%.

FISCAL IMPACT:

The fiscal impact to the 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.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Business and Customer Services

Approved by: Todd M. Corbin, Utilities General Manager

Approved by: Al Zelinka, FAICP, City Manager

Approved as to form: Kristi J. Smith, Interim City Attorney

Certifies availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer