



<b>Standard Operating Procedure – Name : DEPOSIT POLICY</b>	<b>Corresponding Requirements:</b>
Prepared By: Loria Potter, Billing and Collections Manager	Revision #: 3 Revision Date: 12/14/16
Approved By:  Signature:	Effective Date: 4/9/2014

## DEPOSIT POLICY

**1.0 PURPOSE** – To establish a standard set of procedures for accessing and collecting utility deposits from customers as a guarantee of the payment for utilities used when establishing new service or when having service reconnected after a disconnection for non-payment.

### 2.0 DEPOSIT REQUIREMENTS

**Ordinance 1.6 Initial Fees.** Cape Fear Public Utility Authority (CFPUA) may require the customer to make an initial deposit, based on the current [Rates and Fee Schedule](#), as an assurance of payment for utilities used. In some cases, the Authority will allow customers to provide proof of credit worthiness in lieu of a deposit.

### 3.0 RESIDENTIAL CUSTOMER DEPOSITS REQUIREMENTS

#### 3.1 New CFPUA Residential Customers

New CFPUA Residential Customers are required to pay an initial cash deposit per the [Rates and Fee Schedule](#). Opportunities are available that will allow CFPUA to remove the requirement for a Deposit or reduce the amount required. Those options follow:

#### TENANTS

**In order for the deposit to be waived:**

**3.1.1** The applicant must provide a letter of credit from another utility company, on the company’s letterhead, showing past 12 months of history with no more than one (1) past due payment, no return checks and no delinquent turn-offs; or

**3.1.2** The applicant can provide a copy of a credit report, in the **first and last** name of the applicant, which shows a credit score of 700 or higher.

**In order to reduce the amount of the deposit:**

**3.1.3** Customers who choose to disclose their full social security number will cap their deposit at \$150.00. Social security numbers will be used to aide in the collection of debts owed to the Authority. The last four digits of the social security number will be used to verify the customer’s identity before disclosing account information in accordance with FTC Identity Theft Prevention and Detection regulations.

#### PROPERTY OWNERS

**3.1.4** If the customer(s) is the owner(s) of record for the premise to be serviced by the Authority, and can provide a legible copy of the current instrument of title (for example: a deed, proof of inheritance, the top portion of a dated and signed HUD closing statement), the customer may be exempt from paying a deposit. Property owners

who own multiple properties must show good payment history on all accounts. (see definition of good payment history under section 8.0 of this policy).

### 3.2 Existing CFPUA Residential Customers

3.2.1 Applicants, regardless if a tenant or property owner, who have/had an existing CFPUA account may be exempt from paying a deposit if their payment history on their CFPUA account(s) has no more than one (1) past due payment, no return checks and no delinquent turn-offs for the past 12 months of history.

3.2.2 Applicants, regardless if a tenant or property owner, who have/had an existing CFPUA account with more than one (1) delinquent turn-off within the past 12 months of history will be required to post a deposit as noted in Section 5.0.

## 4.0 NON-RESIDENTIAL CUSTOMERS

Persons requesting water and/or sewer service for non-residential property will be required to pay a deposit equivalent to 90 days of anticipated utility service as computed by Authority staff but no less than \$200. Deposits for non-residential customers will be reassessed six (6) months after the account is established to ensure the deposit is sufficient to protect the Authority from loss of revenue. In the event the deposit is deemed insufficient, the customer will be required to pay an additional deposit based on actual usage. Deposit will be billed and appear on the subsequent billing statement. Businesses with good credit (D&B rating) and/or good payment history with the Authority, as defined in Section 8 of this policy, may have the deposit waived when starting new service or when starting service at another location.

## 5.0 DEPOSITS AND SERVICE DISCONNECTION

ANY customer whose service is involuntarily terminated for non-payment two or more times in a 12 month rolling calendar year or who has tampered with their meter shall be required to have a deposit with the Authority that is the average of the previous six bill cycles but not less than \$200. This is to protect the Authority from loss of revenue. This deposit will be billed to the customer's account. These deposits shall be held and refunded only as stated in this policy.

### **Example: Deposit determined by average previous six months bills**

- *Customer 'A' has water and sewer services and uses an average of 15k gallons of water. Their previous six bills are \$220, \$156, \$148, \$132, \$164 and \$140; totaling \$1,051. The average of those bills is \$175.16. This customer would need to pay a \$200 deposit since their average bill is less than the minimum deposit amount required.*
  - *If Customer "A" already had a deposit (\$200) on file with the Authority, they would not be required to pay any additional deposit.*

- *Customer 'B' has water and sewer services only and uses an average of 26K gallons of water. Their previous six bills are \$265, \$265, \$237, \$256, \$228 and \$256 totaling \$1,507. The average of those bills is \$251.16. This customer would need to pay a \$250 deposit.*
  - *If Customer "B" already had a deposit (\$200) on file with the Authority, they would be required to pay an additional \$50, increasing the full deposit on file to \$250.*

## 6.0 DEPOSITS AND BANKRUPTCY

The Authority will cease to bill any customer who files for any chapter of bankruptcy as of the bankruptcy date. A new account will be opened in the customer's name as of the bankruptcy date, as long as the customer still owns the property or is still a tenant at that location. The customer must then provide adequate assurance of payment in the form of a cash deposit within 30 days of notification by CFPUA, to avoid any service interruption. Deposit to be determined based on two (2) times the average of the previous six bill cycles but not less than \$200, to protect the Authority from loss of revenue. This must be paid as part of the reconnection of services process. These deposits shall be held and refunded only as stated in this policy.

***Example: Deposit determined by two times that average previous six months bills***

*Customer 'A' has water and sewer only services and uses an average of 15k gallons of water. Their previous six bills are \$220, \$156, \$148, \$132, \$164 and \$140; totaling \$1,051. The average of those bills is \$175.16. Two times the average would be  $(\$175.16 \times 2) = \$350.32$ . This customer would need to pay a \$350.00 deposit.*

## 7.0 DEPOSIT REFUNDS

*Deposits may be refunded under the following circumstances*

- 7.1** A deposit will be refunded promptly and automatically when service is voluntarily discontinued. All outstanding amounts on the final bill will be deducted from the deposit amount.
- 7.2** A deposit will not be refunded if the customer has another account with the Authority that has a past due balance. The remaining deposit credit on the account will be transferred to the account which has a past due balance.
- 7.3** No amounts may be used to offset a late payment or delinquency charges. If water service is discontinued for non-payment, the entire amount of past due charges and all reconnect fees are to be paid before service is reinstated and an additional deposit may be required if the service has been disconnected two or more times in a 12 month rolling calendar year.
- 7.4** No interest shall be paid to customers on amounts used as deposits.
- 7.5** Any increase in the computation of deposit amounts as set forth above must be based on the likelihood and magnitude of loss to the Authority from nonpayment. There will be no discrimination between customers based on age, gender, race, religion, income, or any other distinction prohibited by law.

**7.6** The Authority, upon written request of the customer, will apply the deposit to the customer’s account provided all bills have been paid on time and there have been no returned checks over the previous 12 months.

**7.7** Customers shall be given a copy of the deposit policy during the application process.

**8.0 DEFINITION OF GOOD CREDIT / PAYMENT HISTORY**

Good Credit is defined as a personal credit score greater than 700 for residential customers or a business credit rating (Dun and Bradstreet) of a 75 or higher for non-residential customers. Good Payment History is defined as having no late payments, no returned checks and no involuntary disconnections in the most recent 12-month period.

**9.0 RELATED DOCUMENTS**

- 9.1 [Rates and Fee Schedule](#),
- 9.2 CFPUA Regulations & General Provisions (Ordinance)
- 9.3 Bankruptcy Deposit Letter
- 9.4 Delinquent Turn-off Deposit Letter

**10.0 Deviations from this procedure must be documented by completing a Corrective / Preventative Action Form EMS-0005.453A**

**11.0 Revision History:**

Revision		C/PAR #	Reason for Revision	Description of Revision
Date	#			
11/25/13	2		Clarification of Social Security number use and deposit amount	Clarification of Social Security number use and deposit amount
4/9/14	3		Non-residential deposit amount may exceed estimate and may place a financial risk on Authority	Modifications to non-residential calculation of minimum deposit
12/14/16			Clarification of ability to waive a deposit	Clarification of ability to waive a deposit