



ADMINISTRATIVE REGULATION

Office of the City Administrator

Number: AR 311
Sections: 1 - 6
Effective Date: 12/14/1998

SUBJECT: Creditworthiness Policy for Security Deposit
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1. **Purpose:** To establish a policy for defining creditworthiness as outlined in the Municipal Code Section 14.12.090 Water Service - Applications and the Public Utilities Code Section 10009.5.
2. **Authority:** Charter of the City of Huntington Beach, Section 401.
3. **Application:** The City Treasurer's Department and any other department which provides information on security deposits for water applications.
4. **Definitions:**
 - 4.1 New Residential Application: Any type of transaction that requires a new municipal services application to be completed for a residential address. Excludes commercial, industrial, irrigation, apartments or master-metered properties which require a deposit in all circumstances except when an irrigation meter is on a residential property.
 - 4.2 Security Deposit: To be based solely on the creditworthiness of the applicant as determined by the City of Huntington Beach.
5. **Policy:** To provide the City Treasurer's department with guidelines on defining the term "creditworthiness" to use when customers are signing up for water.
6. **Procedure:**
 - 6.1 Establishment of Credit: A new residential applicant will be determined to meet the City's creditworthiness policy and, thus, be relieved from posting a security deposit if the applicant currently (or within the last 90 days) has municipal services with the City of Huntington Beach and did not receive more than one (1) final notice count in the last 12 months (1 year). In addition, the City may waive the security deposit if the applicant provides a letter from the applicant's current utility that confirms no more than one late fee during the past one year. If this letter is not provided at the time of the application, the applicant will be required to pay the

deposit and, if within 10 days of application, the documentation is received and approved, the City will provide a billing credit in the amount of the deposit placed. An applicant will not meet the creditworthiness test if the applicant has ever had an account with the City of Huntington Beach which has been sent to collection or which has a delinquent balance owing to the City under any other account with the City of Huntington Beach. The City may charge a deposit under these circumstances.

An applicant who is required to place a security deposit must do so before water service will be connected.

The amount of the security deposit required is outlined in the municipal code.

- 6.2 Processing the Application: The Customer Service Representative (CSR) will review the application to ensure that it is properly completed. If the applicant is requesting a waiver of the deposit, the CSR will base the decision for a waiver on a review of the supporting documentation in the City's billing history files. If the applicant presents a letter of reference from the applicant's prior utility which meets the City's creditworthiness policy, the applicant will not pay a security deposit. If an applicant does not present a letter of reference, but provides one to the City within ten days of application and the letter of reference is approved by the City; the applicant will receive a billing credit on their next bill.
- 6.3 Refunding the Deposit: If a customer has received no more than one (1) final notice count over a 12-month period and no "tag" or shutoff notices during this period, the applicant will be eligible for a refund of the deposit as a credit on the account. Credits will be calculated and processed on a monthly basis; however, if the customer has other accounts with the City which are, or have been, delinquent; is a "cash only" customer; has been charged with tampering with meters; has had a "Returned Check"; has ever had an account with the City of Huntington Beach which has been sent to collection; or if the customer has a history of continual late payments; the City retains the right to continue to hold the deposit until the account is closed.
- 6.4 Re-establishment of Credit: A security deposit may be collected if an existing account is no longer creditworthy (i.e., having more than one late notice in any 12-month period) and does not currently have a security deposit on account. This may occur if an account has either received a "Tag" Notice for non-payment of fees, a Shutoff Notice for non-payment of fees or been terminated in accordance with proper procedures. The deposit is in addition to payment of delinquent fees. If it is determined that a deposit is required, and a payment is not received, the account will be terminated. If payment has not been received within 10 days of termination of service, the account will be closed and balance owing may be referred to a collection agency. If the account is an owner-occupied residential account, the City of Huntington Beach may place a lien on the property to collect the delinquent utility

bills.

If a deposit is required, the CSR will open a new account for the applicant in order to process the deposit and no application fee will be charged. This deposit may be refunded when the customer meets the criteria for establishment of credit described above.

Ray Silver, City Administrator