



## Re: Amendment to Section 705.100 – Utility Deposit Policy

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### Background

Section 705.100 of the City Code currently requires a utility deposit of \$100 for residential accounts and \$200 for business accounts. Under the existing ordinance, deposits are retained by the City until the utility account is closed, at which time the deposit is applied to the final bill and any remaining balance refunded.

The proposed ordinance modifies this approach by allowing deposits to be credited to a customer's utility account after twelve (12) consecutive, timely, and complete payments. The amendment further defines a "timely and complete payment" as payment in full on or before the due date. The assessment of any late fee, service disconnection for nonpayment, or entry into a payment agreement for delinquent charges constitutes a break in the required consecutive payment history and results in the twelve-month period restarting.

If a customer does not meet the twelve-consecutive-payment requirement, the deposit continues to be retained until the requirement is satisfied or the account is closed whichever comes first.

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### Recommendation and Rationale

It is recommended that the City adopt a policy limiting the retention of utility deposits to no more than twelve (12) consecutive months of demonstrated good payment history.

The current practice of holding deposits indefinitely places the City in the position of maintaining customer funds longer than is operationally necessary. Industry practice generally recognizes the first year of service as the period during which payment reliability is established. After that point, continued retention of deposits provides diminishing financial protection while increasing administrative responsibility and customer friction.

The proposed ordinance strikes a more appropriate balance by:

- Incentivizing consistent, on-time payment behavior
- Establishing a clear and objective standard for deposit return
- Maintaining protection during the highest-risk period of service
- Reducing the City's long-term responsibility for holding customer funds

# CITY OF WILLARD, MISSOURI

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This approach modernizes the City's policy while maintaining prudent financial safeguards.

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## Ordinance Options

Two versions of the ordinance are presented for consideration:

### Option 1 — Standard Deposit Return Framework

- Establishes the 12-month performance-based return of deposits
- Includes clear definitions and reset provisions for payment performance
- Reflects a straightforward, administratively simple approach

### Option 2 — Deposit Return with Letter of Credit Provision

- Includes all elements of Option 1
  - Allows applicants to request a deposit waiver by providing verification from their most recent utility provider demonstrating at least twelve (12) months of satisfactory payment history
  - Retains City discretion to require a deposit in cases involving prior adverse account history
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## Water Board Recommendation

The Water Board reviewed the draft ordinance, before I drafted the letter of credit provision, and voted to recommend approval of that version as presented.

During discussion, a question was raised regarding whether the City should consider a letter of credit option similar to those used by other utilities. This prompted me to draft the alternative version including that provision for your consideration.

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## Board Options

### 1. Approve as Written (Option 1)

Adopt the ordinance amendment as recommended by the Water Board.

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## 2. **Approve with Letter of Credit Provision (Option 2)**

Adopt the ordinance amendment with the added flexibility for deposit waiver based on demonstrated payment history from another utility provider.

## 3. **Approve with Modifications**

Provide direction for specific revisions prior to final adoption.

## 4. **Do Not Approve**

Maintain the current ordinance language, resulting in deposits continuing to be retained until account closure.

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## Conclusion

Both options represent a meaningful improvement over the current policy of indefinite deposit retention. The decision before the Board is whether to adopt a straightforward performance-based return structure, to include an additional pathway for qualified applicants to avoid the deposit requirement altogether, or to continue current operations.

Please let me know if additional information, including delinquency trends or fiscal impacts, would be helpful prior to consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Wesley Young', is written over a light blue circular stamp or watermark.

Wesley Young, MPA, CPM  
City Administrator  
City of Willard