1 **2018-40 (2ND READING):   AN ORDINANCE TO AMEND CHAPTER 21,**
2 **ARTICLE I, SECTION 21-7(J) TO CHANGE THE METHOD OF CREDITING AND**
3 **PAYING SIMPLE INTEREST ON A UTILITY DEPOSIT THAT IS REQUIRED TO**
4 **BE HELD BY THE CITY.**

5 **Applicant/Purpose:** Staff/ to provide that customer deposits will receive accumulated
6 interest at the time of refund rather than being paid or credited annually to the
7 customer's bill.
8
9 **Brief:**
10 • Current practice is to pay interest annually on utility customer deposits by issuing
11   a credit on the utility bill.
12 • Especially in the current rate environment, this usually results in the City's
13   spending more to process the interest credit than the amount credited.
14 • This alternative is presented as a productivity improvement.
15 • No changes since 1st reading.
16
17 **Issues:**
18 • The largest possible deposit the City requires is $2,000 for a renter's deposit on
19   a 6" meter.
20 • The average earning paid out annually is estimated to be < 10 cents/account.
21
22 **Public Notification:** Normal meeting notification.
23
24 **Alternatives:** Deny ordinance & continue current practice.
25
26 **Financial Impact:** Customer will receive accumulated interest at the time the deposit
27 is refunded instead of receiving annual payments.
28
29 **Manager's Recommendation:**
30 • I recommend 1st reading (6/12/18).
31 • I recommend 2nd reading & adoption (6/26/18)
32
33 **Attachment(s):** Proposed ordinance.

CITY OF MYRTLE BEACH
COUNTY OF HORRY
STATE OF SOUTH CAROLINA

AN ORDINANCE TO AMEND CHAPTER 21, ARTICLE I, SECTION 21-7(j) TO CHANGE THE METHOD OF CREDITING AND PAYING SIMPLE INTEREST ON A UTILITY DEPOSIT THAT IS REQUIRED TO BE HELD BY THE CITY.

WHEREAS, the City's Waterworks and Sewer System (the "System") pays simple interest at passbook rates on customer deposits held under the Utility's fiduciary responsibility; and

WHEREAS, the System requires that customers make deposits to be held in the City's care until such time as the deposit is refunded; and

WHEREAS, the System allows refunds of deposits, together with accrued interest,

> (a) at the end of three years from the date of deposit, for the customer who is an owner-occupant of a single-family residence and has established a credit history with 24 consecutive months of timely payment, or

> (b) at the time of termination of service for the customer who is not an owner-occupant of a single-family residence; and

WHEREAS, the current code provides for the payment of the interest earned on each account annually until the deposit is refunded to the customer; and

WHEREAS, the costs of paying the interest allocations to the customers annually may exceed the total interest allocations themselves; and

WHEREAS, it is in the City's interests to establish a more cost effective method of operation, crediting the interest allocation to each deposit account annually and paying the deposit with accrued interest at the time the deposit is refunded to the customer;

NOW THEREFORE, the City Council of the City of Myrtle Beach, in Council duly assembled, hereby amends Chapter 21, Article I, Section 21-7 as follows:

Sec. 1. All references to "owner of a single family residence" are hereby changed to "owner-occupant of a single family residence".

Sec. 2. Subsection (j) is hereby amended to read in its entirety as follows:

> (j) Simple interest on utility deposits at the current passbook rate shall be credited to each customer required to make such deposit during the time it is held by the city, provided that no interest need be accrued unless the deposit is held longer than six months. The accrual of interest shall be credited to each customer's deposit account annually and shall accumulate until the deposit is refunded to the customer.

This ordinance shall become effective on July 1, 2018.

43
44   BRENDA BETHUNE, MAYOR
45
46   ATTEST:
47   _____
48   JENNIFER STANFORD, INTERIM CITY CLERK
49
50   1ST READING:
51   2ND READING: