



## Legislation Text

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AN ORDINANCE AMENDING CHAPTER 48 OF THE DULUTH CITY CODE, 1959, AS AMENDED TO ALLOW ALTERNATIVE FORMS OF SECURITY AND TO ALTER THE COMPUTATION OF SECURITY AMOUNTS, AMENDING SECTIONS 48-11 AND 48-12 THEREOF.

The city of Duluth does ordain:

Section 1. That Section 48-011 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

**Sec. 48-11. Security from applicants--when it may be required by department.**

The department, at any time and at its discretion, may require from an applicant reasonable security to safeguard itself against the loss of or damage to equipment and to insure prompt payment of all bills, subject to the following conditions:

(a) The department may, at its discretion, accept security in the form of:

(1) A contract executed by a third party guaranteeing payment by the applicant. Such guarantee contract shall be in a form acceptable to the department and be given by a person or entity acceptable to the department;

(2) An authorization by a residential heating applicant or a domestic applicant addressed to a banking institution where such applicant has an account with sufficient funds therein authorizing the city to draw directly on the funds in said account to pay any charges charged to said applicant's account;

(3) An authorization by a residential heating applicant or a domestic applicant addressed to nationally recognized credit card issuer which has issued a credit card which is current and has an available credit balance authorizing the city to charge to said credit card any charges charged to said applicant's account; or

(4) In the event that the security provided under this subsection (a) becomes invalid or ineffective for any reason, the department may immediately demand that the applicant provide a substituted form of security acceptable to the department except as otherwise provided for in this section;

(b) A security deposit shall not be required of:

(1) A residential heating or domestic applicant who has been an applicant of the department within the last one year at other premises within the city, or who has had like utility services outside the city within the last one year, and has promptly paid all service charges for the last 12 months at such other premises; ~~or~~

(2) An applicant, other than a residential heating or domestic applicant, who has been an applicant of the department within the last two years at other premises within the city, or who has had like utility services outside the city within the last two years, and has promptly paid all service charges for the last 24 months at such other premises; or

(3) An applicant who has continuously provided security meeting the requirements of subsection (1) or (2) above, as applicable, by the means provided for in subsection (a) above;

(c) The department shall not require a deposit or a guarantee of payment based upon source of income, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin or any other criteria which does not bear a reasonable relationship to the assurance of payment.

Section 2. : That Section 48-212 of the Duluth City Code, 1959, as amended, is hereby amended to read as follows:

**Sec. 48-12. Security from applicant--amount.**

The department, at any time and at its discretion, may require from an applicant reasonable security to safeguard itself against the loss of or damage to equipment and to insure prompt payment of all bills subject to the following conditions:

(a) The department shall establish by resolution in the schedule of other fines and penalties authorized by section 32-8(a) of this Code the amount of the security deposit which may be required for applicants for the following types of service:

- (1) New construction services;
- (2) Gas, water, sanitary sewer and, storm sewer services;
- (3) Mobile home service;
- (4) Water, sanitary sewer and storm sewer services;
- (5) Water only service;
- (6) Sanitary sewer only service;
- (7) Gas water heater or fireplace service;
- (8) Gas range or dryer service;
- (9) Gas only to multi-unit apartment service (20 or more units)-per unit;
- (10) Gas heat only service;

(b) If the department requires a greater deposit, it shall give written reasons for its requirement. A person aggrieved by the requirement of a deposit may have a hearing before the director of public works and utilities by requesting one in writing. If the applicant is a recipient for low income home energy assistance according to the criteria of the current Minnesota state plan for low income energy assistance, and also that the applicant's utility credit history shows that there is little risk of nonpayment to the department, then the director may reduce the deposit to any reasonable amount in excess of \$49;

(cb) The security deposit shall be in the form of a cash deposit;

(de) Any security deposit shall bear interest at a rate determined by state statute. The interest shall be credited to the customer's security deposit account;

(ed) The department shall keep records of persons from whom deposits are collected, and the amounts, interest paid and the distribution, if any, of such deposits. Receipts shall be issued to applicants for the deposits.

Section 3. . That this ordinance shall take effect 30 days after its passage and publication.

STATEMENT OF PURPOSE: The purpose of this ordinance is allow for required security for water and gas services to be provided by means of an automatic withdrawal from an applicant's bank account or by an automatic charge on an applicant's valid credit card account and to also revamp the determination of the

amount of any cash deposit required.

The Code currently requires the deposit to be determined based on the average two month usage at the subject property. This amendment would allow the deposit to be determined by the average usage of all similar properties for which deposits are required, which amount would be established as part of the fee schedule approved by the city council under Section 32-8 of the Code.