

**Indian River County, Florida
Department of Utility Services
Board Memorandum**

Date: September 21, 2022

To: Jason E. Brown, County Administrator

From: Sean C. Lieske, Director of Utility Services

Prepared By: Cindy Corrente, Utility Finance Manager

Subject: Utility Accounts Receivable Bad Debt Follow-Up and Potential Foreclosure Activity

Background and Analysis:

On March 9, 2021, a public hearing took place that resulted in modifications to County Code Section 201.22 that pertained to payment and collections of certain utility bills. These modifications set forth a specific time period during which staff was given authorization to waive some, or all, penalties and interest on certain past-due utility accounts and to make payment arrangements for settlement of said accounts. Modifications to code also included language that provided staff with the authorization to seek final settlement, or ultimately foreclosure, for any accounts that remained unsettled.

The most significant waivers went to owners who made settlement before June 14, 2021. The table below represents the information for those account holders. The amount of \$582,507.76 was written off to bad debt in the 2020-2021 fiscal year (FY).

Account Type	Number of Settlements	Total Cash Collected	Total Penalties & Interest Waived
Water & Sewer	48	\$120,751.14	\$483,239.40
Impact Fee Loans	5	\$ 22,353.66	\$ 19,491.63
Assessments	54	\$127,663.08	\$ 79,776.73
Totals	107	\$270,767.88	\$582,507.76

The second most significant waivers went to owners who signed payment agreements promising to settle their remaining balances by May 22, 2022. Twenty-seven owners signed agreements. Nine of those actually made payment ahead of time and before June 14, 2021, and thus are accounted for in last year's write off. Fifteen of them kept the agreements this fiscal year. The table below represents the breakdown of the agreements that owners kept. Although three agreements were broken, staff is continuing to work with those owners since ultimately the goal is to settle rather than foreclose. These three owners have been making progress towards settling their debt.

Account Type	Number of Accounts Settled	Total Cash Collected	Total Penalties & Interest Waived
Water & Sewer	6	\$27,255.16	\$ 86,953.65
Assessments	9	\$65,774.05	\$ 35,116.03
Totals	15	\$93,029.21	\$122,069.68

Additional write offs fall into one of two categories. The first is accounts with liens that are over twenty years old and are no longer enforceable. Therefore, the debt on those accounts will be written off. At this time, there are 83 accounts with unenforceable liens. It is noted that staff did attempt to settle all debts regardless of their age. Five debts over twenty years old were settled. Their numbers are reflected with the 15 accounts listed in the previous table. The information for accounts over twenty years old that were not settled is in the table below. For all accounts falling into the unenforceable lien category, a “Notice of Potential Future Connections Charges” will be filed in the County Clerk’s records. Thus, before any service can be activated for those properties, any connection charges in effect at the time of connection including any impact fees will have to be paid. A sample notice is included with the agenda.

Account Type	Number of Accounts	Total Outstanding Debt
Water & Sewer	10	\$169,838.10
Impact Fee Loans	1	\$ 1,464.25
Assessments	72	\$309,047.06
Totals	83	\$480,349.41

The last category consists of any remaining accounts for which there are enforceable liens. These are accounts wherein staff will work with the County attorney’s office or outside counsel to pursue foreclosure as is described in County Code Sections 202.22D and 202.22H.

Per code, the County is required to notify the property owner of the potential foreclosure and to allow them sixty days to arrive at a settlement agreement. To date, staff has sent 67 such letters via certified mail. Although staff has received several follow up calls in response to the letters, only six owners have made settlement so far. The table below represents those settlements.

Account Type	Number of Accounts Settled	Total Cash Collected	Total Penalties & Interest Waived
Water & Sewer	5	\$51,094.10	\$26,620.43
Assessments	1	\$13,000.00	\$ 3,565.28
Totals	6	\$64,094.10	\$30,185.71

Moving forward, the revised sections of County Code dictate that foreclosure notices are to be processed after 24 months of past due utility bills, or 48 months of delinquent loans or assessments. Staff has already been reaching out to customers falling into these categories. So far, there has been more success in settling these accounts rather than the accounts that were left to accrue fees and penalties for well beyond the 24-month and 48-month timeframe.

Summary of Bad Debt & Associated Costs			
Account Type	# of Accounts Settled	Total Cash Collected	Total Penalties & Interest Waived/ Outstanding Debt
Water & Sewer	21	\$ 78,349.26	\$283,412.18
Impact Fee Loans	1	n/a	\$ 1,464.25
Assessments	82	\$ 78,774.05	\$347,728.37
<i>Total</i>	<i>104</i>	<i>\$157,123.31</i>	<i>\$632,604.80</i>
Attorney Fees			\$100,000.00
Grand Total			\$732,604.80

Funding:

Funds in the total amount of \$732,604.80 to cover the expenses for this project will come from the Utilities/Cust Svc/Bad Debt-Water/Sewer (FY 21/22) account, number 47126536-036510, in the amount of \$632,604.80, and the Utilities/Gen & Eng/Legal Services (FY 22/23) account, number 47123536-033110, in the amount of \$100,000.00, both of which are in the Utilities operating fund. Utilities operating funds are derived from water and sewer sales. A budget amendment will be required to cover the \$632,604.80 bad debt amount for FY 21/22 from Utilities/Cash Forward-Oct 1st.

Account Name	Account Number	Amount
Utilities/Cust Svc/Bad Debt-Water/Sewer (FY 21/22)	47126536-036510	\$632,604.80
Utilities/Gen & Eng/Legal Services (FY 22/23)	47123536-033110	\$100,000.00

Recommendation:

Staff recommends that the Board of County Commissioners:

- Authorize staff to classify as bad debt expense the \$632,604.80 in penalties and interest that was waived;
- Authorize the Director of Management and Budget to process a budget amendment from the Utilities operating fund balance (cash) to cover the \$632,604.80 expense;
- Authorize staff to work with the County Attorney’s office to process any potential foreclosures; and,
- Authorize staff to seek outside counsel, if needed, in assisting with these foreclosures.

Attachment:

Notice of Future Potential Connection Charges