

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

**Date:** September 23, 2021

**To:** Jason E. Brown, County Administrator

**From:** Matthew Jordan, Interim Director of Utility Services

**Prepared By:** Cindy Corrente, Utility Finance Manager

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

**Background:**

On March 9, 2021, a public hearing took place that resulted in modifications to County Code that pertained to payment and collections of certain utility bills. These modifications set forth a specific time period during which staff was authorized to waive some, or all, penalties and interest on certain past due utility accounts and to make payment arrangements for settlement of said accounts. Modification 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 were given to owners who made settlement before June 14, 2021. Rather significant waivers were also given to owners who signed payment agreements promising to settle their remaining balances by May 22, 2022. Those waivers are contingent upon the owners completing their payment obligations on time.

Once the modifications were adopted, staff proceeded with various collections efforts. Key components of the effort were:

- Mailing approximately 410 certified letters to owners of properties/accounts, wherein there were over 24 months of past due water and/or sewer charges, past due impact fee loans, or past due assessment accounts.
- Calculating proposed settlements offers for any owners that responded to the letters.
- Following up via telephone with any customers for which a valid telephone number was available.

**Analysis:**

At the time of the Board of County Commissioners (BCC) presentation prior to the public hearing, there were 333 accounts that had charges over twenty-four months old, or delinquent loans; or assessment accounts. By the time the letters were actually mailed, there were 410 accounts that had exceeded the

24 months, or were close to exceeding it. A summary of the original 333 accounts is listed in the table below.

Of the original 333 accounts, 159 were water, sewer accounts, 15 were expired impact fee loans, and 159 were expired assessment accounts.

Account Type	Number of Accounts	Total Outstanding Debt	Principle or Service Availability	Penalties & Interest
Water & Sewer	159	\$2,092,000	\$590,000	\$1,502,000
Impact Fee Loans	15	\$ 140,000	\$ 57,000	\$ 83,000
Assessments	159	\$ 649,000	\$281,000	\$ 368,000
<b>Totals</b>	<b>333</b>	<b>\$2,881,000</b>	<b>\$928,000</b>	<b>\$1,953,000</b>

The next table represents the settlements that were made between March 15, 2021, and June 14, 2021.

Account Type	Number of Accounts Settled	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
<b>Totals</b>	<b>107</b>	<b>\$270,767.88</b>	<b>\$582,507.76</b>

The last table represents payment arrangements. These owners have until May 2022 to complete their agreements. Of the 22 account holders, nine have kept their agreements through September. Reminder calls are made monthly to those not keeping their agreements. All owners in this group have until May 22, 2022, to complete their agreements. Any customers who do not complete their agreements will be added to the potential foreclosure group.

Account Type	Number of Agreements
Water & Sewer	13
Impact Fee Loans	0
Assessments	9
<b>Totals</b>	<b>22</b>

There are a few items required in order to complete the initial phase of the Accounts Receivable collections project. First, the total penalties and interest that were waived will need to be recorded as Bad Debt Expense. Second, since the Fiscal Year 20/21 budget for the Indian River County Department of Utility Services (IRCDUS) did not include funding for the bad debt, a budget amendment will be required to cover the expense. Third, staff will work with the County Attorney's office to process any potential foreclosures. Due to the number of potential foreclosures, staff will be seeking permission to seek outside counsel, if needed, to assist with these foreclosures. It is noted that the foreclosure process will include another attempt to settle with the owners.

The second and final phase of the project will be to report all of the same steps for the 22 owners shown currently to have payment arrangements to settle their debt. These steps cannot take place until after the May 22, 2022, deadline.

**Funding:**

Total funds in the amount of \$682,507.76 to cover the expenses will come from the Bad Debt Expense and Other Professional Services accounts in the utilities operating budget. Utilities operating funds are derived from water and sewer sales. It will require a budget amendment to cover the expenses of \$582,507.76 for FY 20/21.

<b>Account Number</b>	<b>Account Name</b>	<b>Amount</b>
47126536-036510 (FY 20/21)	Bad Debt-Water/Sewer	\$582,507.76
47123536-033190 (FY 21/22)	Other Professional Services	\$100,000.00 <sup>a</sup>
<b>Total</b>		<b>\$682,507.76</b>

<sup>a</sup> If outside counsel is needed for assistance

**Recommendation:**

Staff recommends that the Board of County Commissioners:

- a) Authorize staff to classify the \$582,507.76 in penalties and interest that was written off as bad debt expense.
- b) Authorize the Director of Management and Budget to process a budget amendment from the operating fund balance (cash) to cover the \$582,507.76 expense.
- c) Authorize staff to work with the County Attorney's office to process any potential foreclosures.
- d) Authorize staff to seek outside counsel, if needed, to assist with these foreclosures.