

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

Date: June 25, 2019

To: Jason E. Brown, County Administrator

From: Vincent Burke, PE, Director of Utility Services

Prepared By: Cindy Corrente, Utility Finance Manager

Subject: Update Regarding Amnesty, and Refund and Relinquishment of Reserve ERUs

Background:

On December 4, 2018, the Indian River County Board of County Commissioners (BCC) voted to approve language for an amendment to Section 201.08(J)(4) of the Indian River County Ordinance Code (Code) to establish a 90-day amnesty program. On December 18, 2018, a Public Hearing was held, and the BCC approved adoption of an amendment to Code to establish a 90-day Amnesty Program with respect to service availability charges, which are (i) based on the ownership of one or more ERUs that are reserved for future use but for which there has been no past or present consumption of services, and (ii) are unpaid as of December 18, 2018, such delinquency charges shall be waived if unpaid service availability charges are paid in full at any time between December 18, 2018, and March 18, 2019.

Also on December 4, 2018, the BCC voted to approve language for a modification to Section 201.09 of the Code to allow a customer who has a reserve account that is affiliated with an assessment paid in lieu of impact fees affiliated with certain voluntary assessments that were adopted by resolution between 1984 and 1989, and the reserve account is current, to apply to IRCDUS for a refund of the amount of the assessment paid, so long as the property is either undeveloped or located 200 or more feet from an existing water and/or sewer line, whichever is applicable.

On December 18, 2018, the BCC voted to approve language for an amendment to Section 201.08 of the Code to allow for release of charges for ERUs reserved for future use in development and delinquency charges. On the same date, they also voted to approve language for an amendment to section 201.09 E of the code to allow for the relinquishment of excessive ERUs reserved for future use if the account for such ERUs is current. On January 8, 2019, a public hearing was held, and the BCC approved of the amendments to code to accommodate the items described above.

Analysis:

June 21, 2019, several customers have taken advantage of one or more of the recently modified sections of Code that were described above. Two customers took advantage of amnesty. One customer did so for four different accounts. Total payments received were \$253,146.26. Penalties and interest of \$329,903.02 were written off and charged to bad debt expense.

Departmental Item

To date, two customers relinquished their reserves in exchange for paying 10% of their past due balance. One customer had two different accounts. Total payments received were \$466,835.52. Total penalties and interest written off and charged to bad debt expense were \$1,498,159.59. Six hundred and sixty water and six hundred and sixty sewer ERUs were relinquished as part of this process.

Five customers relinquished ERUs that they obtained through a voluntary assessment between 1984 and 1989. One customer had four accounts. Thirty-two water and one hundred and nineteen sewer ERUs were relinquished and refunds of \$130,950 were issued.

Although these activities had a significant impact on expenses for IRCDUS, it is important to note that the accounts receivable balance was reduced by \$2,548,044.39, and the water and sewer capacity being reserved by those account holders is now available for new growth in the system. However, that also means that there will be an annual revenue reduction of \$218,488.80. Staff has no concerns about the revenue reduction at this time since we are experiencing enough growth to compensate for the loss.

As of May 31, 2019 six reserve account holders remained whose past due balances exceeded \$14,000. The total amount outstanding for these six accounts, inclusive of penalties and interest is \$720,878.54. A letter reminding the account holders of the July 8, 2019, deadline was sent via certified mail in May. Two of the six account holders had discussions with staff and one of them indicated their intention to relinquish their reserves in exchange for paying 10% of their past due balance. The other account holder was still undecided as to any action on their part. As per Board direction, staff will work with the County Attorney to proceed with foreclosure as per Florida Statute 153.67, on any properties that remain past due after July 8, 2019.

Funding:

The write-off of bad debt is an expense to the operating fund. Operating funds are generated by water and sewer sales. The refunds for the ERUs that were obtained through a voluntary assessment program were covered by the Capital fund. Capital funds are derived from impact fees and used to fund expansion of the system as a result of growth in the customer base.

| Account Name | Account Number | Amount |
|-------------------|-----------------|-----------------|
| Bad Debt Expense | 47126536-036510 | \$ 1,828,062.61 |
| Water Impact Fees | 472034-343650 | \$ 130,950.00 |

Recommendation:

This item was provided for information only. There is no board action required at this time. Another update will be brought forward after the July 8, 2019, deadline for relinquishment of ERUs. If any accounts remain unpaid after that date, those will be recommended for the foreclosure process.

Attachment:

Summary of Reserve Account Activity