

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

Date: February 10, 2021

To: Jason E. Brown, County Administrator

From: Vincent Burke, PE, Director of Utility Services

Prepared By: Cindy Corrente, Utility Finance Manager

Subject: Utility Accounts Receivable Bad Debt

Background:

On October 20, 2020, the Indian River County Department of Utility Services (IRCDUS) made a presentation to the Board of County Commissioners (BCC) regarding past-due balances related to various types of utility accounts. Staff received direction from the BCC and was asked to bring back an update that included a minor modification to staff recommendation along with the proposed Code modifications.

Analysis:

At the time of the previous BCC presentation, there were 295 past due accounts that had charges over twenty-four months old. Since the presentation, some accounts have been paid off while others have lapsed into the twenty-four month and older category. There are now 333 accounts that have charges over twenty-four months old.

Presently, 159 of the 333 accounts are water and sewer accounts. There are now 15 expired impact fee loans. Expired impact fee loans are those that were not paid in full prior to the expiration of their original five-year term. Despite nine of the original 150 assessment liens being paid in full since the previous presentation, there are now 159 expired assessment accounts. Expired assessment accounts are those that remain unpaid after their original ten-year term. The table below reflects the updated numbers:

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	\$ 367,000
Totals	333	\$2,881,000	\$928,000	\$1,953,000

In order to clean up the IRCDUS accounts receivables that are described herein, a four step process is recommended in each of the account type categories. There is a recommendation to offer two payment options in each category. There will be a recommendation to pursue foreclosure, where applicable, against any properties where one of the two payment options is not exercised. There is a fourth recommendation to update County Code so that the aged accounts receivable situations are addressed before loans are expired or more than twenty-four months of past-due charges accrue.

Funding:

Utility operating funds will be utilized when writing off most of the bad debt. However, any principle balance written off on impact fee loans will be assessed against the impact fee fund. An adjusting journal entry will record the bad debt expense for the amounts written off. More than likely, a budget amendment will be needed to cover this expense.

The worst-case scenario impact to the utility funds is \$2,881,000. This number will vary based upon which account holders decide to participate in the various settlement options that are presented in the recommendations.

Recommendation:

Staff recommends that the BCC either modify or accept the recommendations as listed. Staff also recommends that the BCC direct staff to come back with an ordinance at a public hearing so that the recommended code modifications can be adopted.

Water and Sewer Accounts

1. Establish a ninety-day time period during which the County will waive all penalties and interest on any water and sewer accounts that have accumulated over twenty-four consecutive months of charges. It is suggested that the time-period be determined based upon the BCC approval date at a future public hearing. The date will provide time to notify customers via certified mail as well as allow time for the customers to consider which settlement option they want to take, if any.
2. Establish a twelve-month period during which the County would waive ninety percent of all accumulated penalty and interest charges on any water and sewer accounts that have accumulated over 24 months of charges and fees. This may be a more viable option for customers who cannot afford to pay within the 90-day option.
3. Incorporate into County Code the directive to work with the County Attorney's office to pursue foreclosure, if applicable, on any properties that have owners who do not take advantage of any of the settlement options, and once this process is complete, write off the accounts receivable balance and release the lien on the property.
4. Establish a policy going forward to notify delinquent account owners that are approaching the 24-month deadline that they must bring their account current, or the county will pursue foreclosure, if applicable. Such policy shall include the directive for staff to work with the County Attorney's office to pursue foreclosure, when applicable, if such account balances are not otherwise settled.

Below is a table that reflects a delinquent water and sewer account and the two payment options.

Description	Service Availability Charges	Penalties & Interest	Total Owed
Current Balance Water and Sewer Account	\$3,906.89	\$10,317.74	\$14,224.63

Description	Service Availability Charges	Penalties & Interest	Potential Total Collected
Option 1 Payments – 90 days	\$3,906.89	\$ 0.00	\$ 3,906.89
Option 2 Payments – 12 Months	\$3,906.89	\$ 1,031.78	\$ 4,938.67

Impact Fee Loans

1. Establish a ninety-day time period during which the County will waive all penalties and interest on any expired impact fee loan accounts. Credit will be given for any principle payments made to date.
2. Establish a twelve-month period during which the County will waive ninety percent of all penalties and interest on any past-due impact fee loan accounts. The principle balance will stay intact. Credit will be given for any principle payments made to date.
3. Establish a policy going forward to avoid liens exceeding five years old, such that at the 48-month mark when a loan is delinquent, staff notifies the customer of the possibility of the pending foreclosure. The Director of Utility Services or his designee would then have authority to make a settlement offer. The settlement offer should never be for less than the remaining principle balance on the loan. If the customer does not take the settlement offer, the County will move forward to perfect the lien.
4. Direct staff to permanently disconnect any properties from the system if the impact fee loan is not settled and to work with the County Attorney's office to perfect the lien.

Assessments

1. Establish a ninety-day time period during which time only penalties and interest that have accrued beyond the original term of the assessment will be waived. This is to ensure that no one who has an expired assessment account pays less than those customers who made their assessment payments during the original assessment loan period. Credit will be given for any principle payments made to date.
2. Establish a twelve-month period during which time seventy-five percent of the penalties and interest that have accrued beyond the original term of the assessment will be waived. This is to ensure that no one who has an expired assessment account pays less than those customers who made their assessment payments during the original assessment loan period. Credit will be given for any principle payments made to date.

3. Establish a policy going forward to avoid past due assessments, such that at the 48 month mark when an assessment is delinquent, staff notifies the customer of the possibility of the pending foreclosure. The Director of Utility Services or his designee would then have authority to make a settlement offer. The settlement offer should never be for less than the total principle and interest that would have been collected if the original assessment payment schedule were followed. This assures that no one getting a settlement pays less than those customers who made their assessment payments during the original assessment period. If the customer does not take the settlement offer, the County will move forward to perfect the lien.
4. Direct staff to permanently disconnect any properties from the system if the impact fee loan is not settled and to work with the County Attorney's office to perfect the lien.
5. Establish a policy that directs staff to file a "Notice of Potential Future Utility Charges" with the Clerk of Court for any properties for which an assessment was not settled. This ensures that anyone connecting to previously assessed utility lines pays their fair share of the cost of the line. Attachment 1 contains the sample notice.

All Accounts

1. Direct staff to set a public hearing at which time the established policies will be set forth in County Code. Attachment 2 depicts the required code modifications.

Attachments:

- Attachment 1 - Draft Notice of Future Charges
- Attachment 2 - Proposed Code Modifications
- Attachment 3 - October 20, 2020 Agenda Item
- Attachment 4 - Minutes to the October 20, 2020 Agenda Item