

August 30, 2016

To: Accounts Review Panel, City of Philadelphia

From: James M. Gilbert, Revenue Accounting Manager, Water Revenue Bureau

Subject: Accounts Review Panel Agenda for the Fiscal Year Ending June 30, 2016

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling \$27,423,997 to the Accounts Review Panel for exclusion from Water Fund financial statements.

The categories of accounts requested to be charged-off, are within the attached detailed summary.

CC: Frank Breslin, Revenue Commissioner  
Debra McCarty, Water Commissioner  
Michelle Bethel, Deputy Revenue Commissioner, Water Revenue Bureau  
Melissa LaBuda, Deputy Water Commissioner  
Mark D. Harvey, Director of Operations  
Tom Wismer, Director of Accounting Operations

**CITY OF PHILADELPHIA  
WATER FUND  
ACCOUNTS REVIEW PANEL REQUEST FOR  
CHARGE-OFF OF  
WATER AND SEWER ACCOUNTS RECEIVABLE  
FISCAL YEAR ENDING JUNE 30, 2016**

The Water Revenue Bureau, on behalf of the Water Fund, submits accounts receivable balances totaling **\$ 27,423,997** (see-attached schedule titled “**Summary of Water Fund - Water and Sewer Account Proposed Charge-offs**”) to the Accounts Review Panel for exclusion from the accounts receivables of the Water Fund financial statements. These account balances are no longer considered valid assets reasonably expected to be collected during the normal operating business period.

The criteria for charge-off includes the age of the account balances, the condition under which they accrued, the condition of the property, the financial condition and present employment of the debtor, the liability of others for payment of debtor’s account, debtor’s estate; and all other matters relevant to the collection of the receivable.

The following is a detailed description of the categories Water and Billing Accounts Receivable that the Accounts Review Panel is being asked to consider for charge-off.

**1. Pre-Petition Bankruptcy Balances - \$6,824,089**

Submitted for consideration are pre-petition bankruptcies receivable balances of the Water Revenue Bureau accounts where the Bureau was certified by the Federal bankruptcy court as a customer’s creditor during fiscal year 2016. The balances are deemed uncollectible because of the Water Revenue Bureau's legal limitation to collect the pre-petition accounts receivable while before the court, and because the proceeds the City of Philadelphia receives after the Court rules the bankruptcy cases are a small percentage of the original arrearage that was submitted.

Under Water Revenue Bureau bankruptcy procedures, pre-petition balances are charged-off the accounts receivables balance of the financial statements after the Water Revenue Bureau is identified by the Federal Bankruptcy court as a customer's creditor in bankruptcy proceedings. These balances remain on the database until the court rules on a settlement amount. Removal of abated balances then occurs at that time. Remaining balances are subject to enforcement if not paid. The account is paid at the transfer of ownership occurs when proceeds are available.

**2. Low Income Process**

The following account balances to be charged off are the result of the Low-Income customer process of the Water Revenue Bureau.

### **Low Income Arrearages - \$2,613,088**

For the Fiscal year ending June 30, 2016, these account balances placed in deferment after customers had applied for assistance using the several grant sources available. The eligibility requirements to have the balances suspended in the low-income program are:

- The customer must complete a detailed application and submit supporting financial documentation.
- The customer's income falls below the poverty level, established under Federal Government guidelines.
- They must maintain their required payment agreements.
- Submit to an annual review of their income eligibility.

To qualify for a Low Income Agreement, a customer must:

- Live in the property for which the application is being made.
- Verify that their total household income is within Federal low-income guidelines.
- Submit Social Security numbers for each person who lives in the property.
- Provide evidence of all expenses such as utility bills, gas bills, and mortgage payments.
- Provide or allow a current meter reading.
- Must have an operating automatically read meter (AMR) installed.
- Apply for all available grants

The level of assistance is based on the following:

- Water usage
- The ability to pay current water and sewer bills
- The status as a property owner, tenant or occupant

The Water Revenue Bureau retains records of accounts receivable balances (including lien charges) for fifteen (15) years after they have been removed from the financial statements. If transfer of ownership occurs and proceeds are available, the seller will pay off the balance owed.

**3. Delinquent Accounts (Over 1-year-old) - \$17,986,820**

These account balances represent delinquent customer account balances that are more than 1-year-old, despite various collection efforts.

	<u>FY 16</u>	<u>FY 15</u>	<u>FY 14</u>
<b>Pre-Petition Bankruptcy Balances</b>	<b>\$6,824,089</b>	<b>\$4,219,292</b>	<b>\$3,094,426</b>
<b>Low Income Arrearages</b>	<b>\$2,613,088</b>	<b>\$2,630,581</b>	<b>\$2,319,535</b>
<b>Delinquent Accounts (Over 1- year- old)</b>	<b><u>\$17,986,820</u></b>	<b><u>\$33,644,769</u></b>	<b><u>\$27,865,600</u></b>
<b>Total</b>	<b>\$27,423,997</b>	<b>\$40,494,642</b>	<b>\$33,279,561</b>

August 30, 2017

To: Accounts Review Panel, City of Philadelphia

From: James M. Gilbert, Revenue Accounting Manager, Water Revenue Bureau

Subject: Accounts Review Panel Agenda for the Fiscal Year Ending June 30, 2017

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling \$23,633,691 to the Accounts Review Panel for exclusion from Water Fund financial statements.

The categories of accounts requested to be charged-off, are within the attached detailed summary.

CC: Frank Breslin, Revenue Commissioner  
Debra McCarty, Water Commissioner  
Michelle Bethel, Deputy Revenue Commissioner, Water Revenue Bureau  
Melissa LaBuda, Deputy Water Commissioner  
Mark D. Harvey, Director of Operations  
Tom Wismer, Director of Accounting Operations

**CITY OF PHILADELPHIA  
WATER FUND  
ACCOUNTS REVIEW PANEL REQUEST FOR  
CHARGE-OFF OF  
WATER AND SEWER ACCOUNTS RECEIVABLE  
FISCAL YEAR ENDING JUNE 30, 2017**

The Water Revenue Bureau, on behalf of the Water Fund, submits accounts receivable balances totaling **\$ 23,633,691** (see-attached schedule titled “**Summary of Water Fund - Water and Sewer Account Proposed Charge-offs**”) to the Accounts Review Panel for exclusion from the accounts receivables of the Water Fund financial statements. These account balances are no longer considered valid assets reasonably expected to be collected during the normal operating business period.

The criteria for charge-off includes the age of the account balances, the condition under which they accrued, the condition of the property, the financial condition and present employment of the debtor, the liability of others for payment of debtor’s account, debtor’s estate; and all other matters relevant to the collection of the receivable.

The following is a detailed description of the categories Water and Billing Accounts Receivable that the Accounts Review Panel is being asked to consider for charge-off.

**1. Pre-Petition Bankruptcy Balances - \$7,340,300**

Submitted for consideration are pre-petition bankruptcies receivable balances of the Water Revenue Bureau accounts where the Bureau was certified by the Federal bankruptcy court as a customer’s creditor during fiscal year 2016. The balances are deemed uncollectible because of the Water Revenue Bureau's legal limitation to collect the pre-petition accounts receivable while before the court, and because the proceeds the City of Philadelphia receives after the Court rules the bankruptcy cases are a small percentage of the original arrearage that was submitted.

Under Water Revenue Bureau bankruptcy procedures, pre-petition balances are charged-off the accounts receivables balance of the financial statements after the Water Revenue Bureau is identified by the Federal Bankruptcy court as a customer's creditor in bankruptcy proceedings. These balances remain on the database until the court rules on a settlement amount. Removal of abated balances then occurs at that time. Remaining balances are subject to enforcement if not paid. The account is paid at the transfer of ownership occurs when proceeds are available.

**2. Low Income Process**

The following account balances to be charged off are the result of the Low-Income customer process of the Water Revenue Bureau.

### **Low Income Arrearages - \$3,042,174**

For the Fiscal year ending June 30, 2017, these account balances placed in deferment after customers had applied for assistance using the several grant sources available. The eligibility requirements to have the balances suspended in the low-income program are:

- The customer must complete a detailed application and submit supporting financial documentation.
- The customer's income falls below the poverty level, established under Federal Government guidelines.
- They must maintain their required payment agreements.
- Submit to an annual review of their income eligibility.

To qualify for a Low Income Agreement, a customer must:

- Live in the property for which the application is being made.
- Verify that their total household income is within Federal low-income guidelines.
- Submit Social Security numbers for each person who lives in the property.
- Provide evidence of all expenses such as utility bills, gas bills, and mortgage payments.
- Provide or allow a current meter reading.
- Must have an operating automatically read meter (AMR) installed.
- Apply for all available grants

The level of assistance is based on the following:

- Water usage
- The ability to pay current water and sewer bills
- The status as a property owner, tenant or occupant

The Water Revenue Bureau retains records of accounts receivable balances (including lien charges) for fifteen (15) years after they have been removed from the financial statements. If transfer of ownership occurs and proceeds are available, the seller will pay off the balance owed.

**3. Delinquent Accounts (Over 1-year-old) - \$13,251,217**

These account balances represent delinquent customer account balances that are more than 1-year-old, despite various collection efforts.

	<u>FY 17</u>	<u>FY 16</u>	<u>FY 15</u>
<b>Pre-Petition Bankruptcy Balances</b>	<b>\$7,340,300</b>	<b>\$6,824,089</b>	<b>\$4,219,292</b>
<b>Low Income Arrearages</b>	<b>\$3,042,174</b>	<b>\$2,613,088</b>	<b>\$2,630,581</b>
<b>Delinquent Accounts (Over 1- year- old)</b>	<b><u>\$13,251,217</u></b>	<b><u>\$17,986,820</u></b>	<b><u>\$33,644,769</u></b>
<b>Total</b>	<b>\$23,633,691</b>	<b>\$27,423,997</b>	<b>\$40,494,642</b>