

**BEFORE THE PHILADELPHIA WATER, SEWER AND
STORM WATER RATE BOARD**

In the Matter of a Proposed Rate :
Increase in Water, Sewer and : **FY 2019-2021 Rates**
Storm Water Rates :

HEARING EXHIBIT 8

On Behalf of the Public Advocate

May 14, 2018



August 12, 2011

To: Accounts Review Panel, City of Philadelphia
From: Mark D. Harvey, Utility Accounting Manager, Water Revenue Bureau
Subject: Accounts Review Panel Agenda for the Fiscal Year Ending June 30, 2011

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling \$7,339,557.39 to the Accounts Review Panel for exclusion from Water Fund financial statements.

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

CC: Keith Richardson, Revenue Commissioner
Howard Neukrug, Water Commissioner
Michelle Bethel, Deputy Revenue Commissioner, Water Revenue Bureau
Joseph Clare, Deputy Water Commissioner
Robert De Paino, Director of Operations
Nancy McNulty, Revenue Collections Officer

**CITY OF PHILADELPHIA
WATER FUND
ACCOUNTS REVIEW PANEL REQUEST FOR
WRITE-OFF OF
WATER AND SEWER ACCOUNTS RECEIVABLE
FISCAL YEAR ENDING JUNE 30, 2011**

The Water Revenue Bureau, on behalf of the Water Fund, submits accounts receivable balances totaling **\$7,339,557.39** (see-attached schedule titled “**Summary of Water Fund - Water and Sewer Account Proposed Write-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 write-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 the Accounts Review Panel is being asked to consider for write-off.

1. Pre-Petition Bankruptcy Balances - \$1,891,744.96

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 2011. 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 written off the accounts receivables 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 written-off are the result of the Low-Income customer process of the Water Revenue Bureau.

A. Low Income Arrearages - \$3,219,883.77

For the Fiscal year ending June 30, 2011, 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.

B. Low Income Program Customer Assistance Adjustments for FY 2011 - \$2,027,256.65

The Water Revenue Bureau submits account balances abated by the Low-Income Assistance Program credit of \$200 or less during the fiscal year ending June 30, 2011.

The *Water Revenue Assistance Program* through the approval of the Water Revenue Bureau Conference Committee grants a credit of no greater than \$200 for those customers who have a total gross household income of 150% or below the Federal poverty level, and meet other requirements of the program.

3. Vacant Properties and Vacant Lots - \$200,672.01

These account balances represent hard-core delinquent balances of vacant properties and lots remaining despite various collection efforts over an extended period. Council Ordinance (§19-1601) (2) (a) (.1) states that the Department may discontinue water and sewer charges when properties are vacant and have been delinquent in the payment of water and sewer service charges for least one year or more.

As a result, the Water Revenue Bureau will discontinue billing of these vacant and abandoned properties and lots, and requests to have the accumulated accounts receivable written-off Water Fund financial statements.

Detail of these accounts will remain on the water and sewer database maintained by Water Department and the Water Revenue Bureau along with the lien. When transfer of ownership occurs and proceeds are available, payment will be collected.

	<u>FY 11</u>	<u>FY 10</u>	<u>FY 09</u>
Pre-Petition Bankruptcy Balances	\$1,891,744.96	\$1,538,136.43	\$ 586,363.03
Low Income Arrearages	\$3,219,883.77	\$5,997,082.06	\$2,595,135.95
Low Income Program Customer Assistance Adjustments	\$2,027,256.65	\$1,716,363.72	\$1,196,831.11
Vacant Properties and Vacant Lots	\$ 200,672.01	\$4,284,125.19	\$4,589,924.56

