

Minutes of a Workshop of the Fort Pierce Utilities Authority Regarding Inactive Account Charges (IACs), August 25, 2008, 2:00 P.M., Administrative Conference Room, 206 S. 6<sup>th</sup> Street

Members Present: Chairman, Darrell Drummond; Vice Chairman, Pamela K. Cully, Secretary, Robert W. Summerhays, Jr.; Deputy Secretary, Thomas K. Perona; Mayor Robert J. Benton III.

Others Present: Director of Utilities, Murray Hamilton of PRMG; Director of Shared Services; Director of Finance; Director of Water/Wastewater Systems; Customer Service Manager; Risk Manager, Internal Auditor.

Chairman Drummond called the meeting to order.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

The following items were discussed.

1. Background for development and implementation of IACs
  - A presentation was given by Murray Hamilton on the background and rationale for charging inactive accounts and some discussion among Board and staff ensued.
2. Summary of IACs charged by other Florida water, wastewater and electric utilities
  - Presentation highlights:
    - \* Murray Hamilton provided a survey of 22 utilities that indicated 18 of those utilities charged inactive accounts where meters were in place and they typically charged the “base utility charge”.
    - \* FPUA’s Inactive Account Charges (IACs) are less than FPUA’s base meter charges and are less than the average charges on inactive accounts utilized by the 18 utilities.
    - \* FPUA’s IACs cover only a small fraction of the fixed charges for each utility.
    - \* Ten of the 22 utilities charge inactive accounts even when there is no meter in place.
  - Board and staff discussion
3. Status of IAC collection and revenues generated
  - Murray Hamilton presented a spreadsheet of projected IAC revenues based on inactive account data provided by FPUA staff
    - \* PRMG estimated \$675,000 per year revenue.
    - \* Amounts to 1% of total revenues across all four utilities.
  - Customer Service manager Bill Abramowicz presented a spreadsheet that summarized City of Fort Pierce, FPUA, commercial and residential accounts paying IACs for May 2007 through July 2008 (15 months).

- \* Total of \$740,942 billed for 15 months
  - \* \$326,207 uncollected to date (July uncollected amount is high because all payments not yet received).
  - \* Some of the uncollected amount will be recovered when the customer comes in to renew service and pays back IACs.
  - \* If properties owing back IACs change hands, there is no way to recover charges from past owners.
  - Board and staff discussion
4. Summary of customer complaints
- Bill Abramowicz summarized a memo that addressed customer complaints regarding IACs.
  - Chairman Darrell Drummond allowed public comment at this time. The following attendees from the public offered comments:
    - \* John Stallings
    - \* Pat Murphy
    - \* Cephus Cruikshank, Sr.
  - Board, staff and public discussion ensued.
5. Possible alternatives or adjustments to present policy
- Alternatives discussed included the following:
    - \* Eliminating IACs and increasing connection and disconnect charges (suggested in public comment by John Stallings).
      - Would require raising connect/disconnect fees by a combined \$100
      - Consensus of Board was that this was not fair or equitable, as it penalized connecting and disconnecting customers where the property owner is the one receiving benefit from “readiness to serve”.
      - Would also severely penalize those who have difficulty paying their bills and have their services cut.
    - \* Substitute Guaranteed Revenue Charges (GRCs) for IACs for long-term service interruptions.
      - Would result in lower charges for long-term lapses in service.
      - Consensus that charges should not be lowered since FPUA is well below average for charging inactive accounts.
      - Would also increase work load for Customer service, as they would have to track two separate processes for inactive accounts.
    - \* Provide the ability for FPUA to lien properties that do not pay IACs
      - Would eliminate the IAC write-offs associated with ownership changes.
      - Would not create immediate cash demands on property owners; liens would be settled at owners convenience or at sale of property.
      - Would eliminate the need for present practice of applying unpaid IACs to other accounts held by the property owners, which has resulted in a landlord’s power being cut at his personal residence because of IACs not paid on his rental properties.

- Board members expressed the desire to change policies regarding home demolitions in a manner that would encourage infill redevelopment in the City.
  - \* Would like to see IACs waived for a period of 3 to 5 years after the demolition.
  - \* Current policy on home demolitions as described by staff:
    - Credits are given for Capital Improvement Charges (CICs) if there is a record of a utility service (water, wastewater or electric) having occurred at that location.
    - If use intensifies in the replacement construction, CICs paid equal CICs for higher use less CIC credits for old use.
    - IACs are currently accumulated after demolition of structures.
  - \* Board consensus that all vacant properties that never had utility service should still pay full CICs.

## 6. Potential Economic Development Initiatives

- Capital Improvement Charge Discounts
  - \* Murray Hamilton presented “Capacity Reservation Analysis”
    - Stated that he knows of no utilities in state of Florida or among the out-of-state utilities he is familiar with that discount or waive CICs.
    - As a rate consultant, he would strongly discourage this practice.
      - It would create a disparity among customers (discounted and non-discounted).
      - Once you establish the precedent, it could have a snowballing effect.
- Economic Development Rates
  - \* Murray Hamilton gave a short presentation on Economic Development Rates (EDRs).
    - These are implemented at some utilities, but they are rarely adopted in water utilities.
    - If implemented, they should be part of a comprehensive, community-wide economic development plan.
    - If implemented, they should be short-term, with full rates in force after 2-3 years.
    - Some advantages, but many disadvantages.
    - A lot of work involved in setting up.

## 7. Workshop summary and FPUA Board direction to staff

- Inactive Account Charges
  - \* Change the current policy on IACs so that incentives are provided to demolish homes in the City and rebuild, as opposed to building on green sites outside of the City.
    - For demolished homes, remove IACs for a maximum 5-year period that would start with adoption of IACs in 2007.
    - If a home is not built on the lot within the 5-year grace period, owner requesting utility service at that time would pay full CICs and Accrued Guaranteed Revenue Charges (AGRCs).

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- \* With the exception of policy change for demolitions, maintain current IAC policy and current IAC fee structure.
  - Do not make any exceptions for different customer classes.
- \* Pursue ability to place liens on property for nonpayment of IACs.
- \* Discontinue present policy of transferring unpaid IACs from one account to another account in the same name.
  - Having the ability to place liens on property to collect unpaid fees will eliminate the need for this practice.
- Discounting CICs and implementing EDRs
  - \* Do not develop a program to discount or waive CICs as an economic development incentive.
    - Would probably violate FPUA Bond Covenants.
    - Requested opinion from FPUA attorney as to legality of doing this.
  - \* Do not pursue development of Economic Development Rates.

ATTEST:

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SECRETARY

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CHAIRMAN