

Effective date: September 20, 2016

Resolution No.: 402/2016

Subject: **Accounts Receivable Policy**

Goal

To provide clarity and consistency on the invoicing and collections of sundry Accounts Receivable.

Scope

To detail the policies surrounding invoicing and collecting of sundry Accounts Receivable.

Definitions

“Collector” means the municipal officer assigned responsibility as collector of taxes for the municipality, as defined by the *Community Charter*;

“Controller” means the manager of the accounting functions for all purposes within the City of Penticton;

“Fees and Charges Bylaw” means the City Fees and Charges Bylaw as amended from time to time; and

“Sundry Accounts Receivable” includes all invoices done through the Accounts Receivable department and excludes all other City billings for utilities (water, sewer and electric), property taxes, recreation, building & licensing, etc.

Policy

BILLING AND PAYMENT TERMS

1. The City issues invoices on a timely basis upon receipt of an invoice request with applicable supporting documentation.
2. The City has authority to charge interest on accounts in arrears as allowed by provincial legislation. A monthly interest rate as per the Fees and Charges bylaw will be applied to all overdue balances unless different payment terms have been stipulated in an official agreement with the City.
3. Payments may be applied first against the oldest outstanding invoice noted on the customer statement with any remaining amount being applied in order of oldest to most recent arrears at the City's discretion.

ACCOUNTS IN ARREARS

4. All collection tools available under the Community Charter and other applicable legislation are used to collect outstanding balances. For greater certainty, "collection tools" will include litigation where appropriate.

The Accounts Receivable staff conducts regular reviews on all overdue balances and follows the guidelines below:

- a) 30 days overdue – statement sent out
- b) 60 days overdue – statement resent with duplicate copy of invoice
- c) 90 days overdue – collections letter sent from Controller requesting payment within 10 days
- d) >100 days one (or more) of the following will apply:
 - a. The balance, including accumulated interest, will be transferred to property taxes providing the account meets the criteria outlined in the Community Charter
 - b. If City services are being provided to the customer in question, those services will be discontinued
 - c. A third party collection agency will be used to collect the balance
 - d. Outstanding accounts receivable invoices will be netted against payment of accounts payable invoices prior to issuance of any cheques

The City reserves the right to reject a customer initiated request for services should there be a balance outstanding on a customer account.

TRANSFER TO TAXES

5. Section 258 (1) & (2) of the Community Charter reads as follows:

Special fees may be collected as property taxes

- (1) *This section applies to the following:*
 - a. *Fees imposed under this Act or the Local Government Act, for work done or services provided to land or improvements;*
 - b. *Fees imposed under section 196 (1) (a) [fire and security systems]*
 - c. *Amounts that the municipality is entitled to recover for work done or services provided to land or improvements under any provision of this Act or the Local Government Act that authorizes the municipality to recover amounts in the event of default by a person.*
- (2) *An amount referred to in (1)*
 - a. *May be collected in the same manner and with the same remedies as property taxes and,*
 - b. *If it is due and payable by December 31 and unpaid on that date, is deemed to be taxes in arrears.*

6. The above quoted sections of the *Community Charter* empowers the Collector to transfer unpaid accounts receivable to taxes on the property to which the services were provided regardless of whose name the customer account was in.
7. Upon billing an accounts receivable invoice, when the billing is deemed transferrable to taxes a notation will be made upon the property tax account for conveyancing purposes.

8. This transfer to tax and any adjustments is performed within 60 days of December 31st. Payment received after December 31st but prior to the completion of the transfer will eliminate the need to transfer the account to taxes.
9. Should a purchaser of property become aware that an unpaid amount for a period of time that precedes their ownership is subject to a transfer to taxes, he/she must refer the matter to the legal firm that handled the conveyance on their behalf.

WRITE-OFFS

10. A balance may be written off in the normal course of business with the approval of the Chief Financial Officer for any of the following reasons:
 - a. The balance has been deemed uncollectable by a Collection Agency
 - b. The balance has been deemed uncollectable by the Controller or their appointed designate
 - c. The invoice requires voiding or changing due to an error made by the City
 - d. Upon direction by Mayor and Council by resolution

CREDIT BALANCES

11. The City may transfer a credit balance in the normal course of business with the approval of the Chief Financial Officer that has remained on a customer's account for 1 year to the City's General Government Revenues if either of the following applies:
 - a. The customer does not have any overdue balances with the City to which the credit can be applied and the customer has been notified in writing of the credit amount and time period in which the credit must be used.
 - b. The refund is less than \$5.00 after the application of the cheque issuance fee.

RETURNED CHEQUES

12. Returned cheques will be charged back to the customer account together with a returned cheque charge (as per the Fees & Charges bylaw). The returned cheque charge will not be applicable in cases where the City could have prevented the item from being returned (i.e. body & figures differ, stale or postdated, no signature, etc.).
13. Upon receipt of a third returned item from a customer on an account, the Controller may require all future payments to the City by that customer or on that account to be in guaranteed format such as cash, bank drafts, and money orders. Notice of this requirement will be sent to the customer in writing. The privilege of payment by non-guaranteed format may be restored after one year at the request of the customer and upon approval of the Controller.

Certified Correct:



Dana Schmidt, Corporate Officer