

Purpose:

- 1 The purpose of this Policy is to establish standards for The City's Credit Management process while balancing financial risk to The City with the provision of customer service.

Policy Statements:

- 2 The City prefers to have up-front payment for all goods or services over the provision of Credit.
- 3 **Credit Granting Process**
 - (1) Any customer who wishes to obtain Credit from The City is required to:
 - (a) provide a Credit application completed to the satisfaction of The City; or
 - (b) enter a contract with The City.
 - (2) The City may consider the following when determining whether or not to grant Credit or if a security requirement is necessary:
 - (a) if there is an active business license with The City;
 - (b) the amount of Credit requested;
 - (c) the business history;
 - (d) the credit history of the person;
 - (e) the location of the business;
 - (f) financial statements (if required as a supplement to the Credit application);
 - (g) the legal form of business (corporation, partnership, sole proprietor, etc.);
 - (h) the level of risk to The City;
 - (i) ability of The City to require security;
 - (j) the proposed payment terms;
 - (k) if the Credit granted would be considered a Loan;
 - (l) any public records or other publicly available electronic information;
 - (m) Credit Bureau report;
 - (n) references; and
 - (o) the type of Credit requested.
- 4 The City reserves the right to rescind or reduce Credit at any time.
- 5 A form of security may be required when Credit is granted, or at any time thereafter, as deemed necessary by The City.
 - (1) A security requirement may take, but is not limited to, one of the following forms:
 - (a) security deposit;
 - (b) prepayment arrangement;
 - (c) irrevocable letter of credit; or
 - (d) personal guarantee.

- (2) Security requirements accrue interest as required by legislation or applicable bylaw.
 - (a) Where there is no existing legislation or bylaw that applies, interest will not accrue on security requirements.
 - (b) Where there is an existing bylaw that applies, this Policy assists in administrative decision making under such bylaw.
 - (3) Security requirements are held for two years of Good Payment History, unless:
 - (a) the account is closed by either The City or customer; or
 - (b) there are changes to the assessed Credit Capacity of the customer.
 - (4) If the account is closed by either The City or customer, The City will refund the security requirement three months after the customers' final invoice, net of all funds owed to The City whatsoever by the customer.
- 6 Based on the results of the Credit Adjudication process, The City will determine the Credit limit that The City is willing to extend in each situation.
- 7 City Invoice Processing**
- (1) Invoices must meet the Invoicing Financial Control Standards.
 - (2) Invoices will be provided to customers in a timely, accurate, and detailed manner.
- 8 Collection of Accounts Receivable**
- (1) The City's standard Credit term is net 30 days unless otherwise provided for.
 - (2) The City's standard late-payment fee is prescribed in the RAS Fees and Charges Bylaw.
 - (3) The City may transfer funds owing to a customer through Accounts Payable to the customer's outstanding Accounts Receivable account as a form of payment.
 - (4) The City may use a third-party collection agency to collect outstanding Accounts Receivable balances.
 - (5) The City may suspend the supply of goods and services to a customer who is exceeding their approved Credit limit or where, in the opinion of The City, there is a change in the assessed risk to The City.
 - (6) All debts owed to The City are deemed collectable where The City can provide reasonable proof of debt.
- 9 Write Off of Uncollectible Accounts Receivable**
- (1) Financial requirements are met to ensure appropriate reporting of uncollectible accounts.
 - (2) All Write Offs must be approved by the City Manager.
 - (3) The pursuit for recovery may continue beyond the Write Off.
- 10 Application**
- (1) This Policy applies to City accounts receivable including Utility accounts receivable. The Utility Bylaw takes precedence for any decision pertaining to Utility accounts receivable.
 - (2) This Policy does not apply to matters where there is a legislative framework that addresses issues of Credit including, but not limited to, taxes, Loans, and development agreements.

- (3) The City does not grant Credit for ambulance, Customer Call Outs, and motor vehicle accident charges.

Definitions:

- 11 **“Accounts Payable”** or **“AP”** means monies owed by The City for goods and/or services provided in advance of payment.
- 12 **“Accounts Receivable”** or **“AR”** means monies owed from a customer in exchange for goods and/or services rendered with the reasonable expectation of collection.
- 13 **“Credit”** means an agreement to obtain goods or services with the promise to pay later.
- 14 **“Credit Adjudication”** means the process of matching risk or potential loss to The City when issuing Credit with the requirement to provide a good or service.
- 15 **“Credit Capacity”** means a valuation performed by The City to determine the current and future possibility that a customer may default on their debt obligation.
- 16 **“Credit Management”** means the process of controlling and granting Credit, and collecting payments from customers.
- 17 **“Customer Call Outs”** means any type of request from a customer where City employees are summoned to deal with an emergency or complete a specific activity or repair.
- 18 **“Good Payment History”** means a consistent record of paid payments made on a Credit account within the Credit terms assigned by The City. Standard terms are 30 days unless otherwise stated for the customer.
- 19 **“Invoicing Financial Control Standards”** means a set of unique characteristics that identify and track amounts owing to The City. These include a unique identification number, the invoiced company name and address, The City’s name and address, description of the goods or service, invoice date, due date, amount(s) being charged, all applicable taxes, and the total amount owed. All invoices are completed in The City’s designated financial system.
- 20 **“Loan”** means a receivable of a long-term nature due in more than one year. Only Council can authorize a Loan as outlined in the *Municipal Government Act*.
- 21 **“Write Off”** means all accounts deemed to be non-collectable will be recorded as a bad debt expense according to GAAP accounting standards.

References/Links:

- I Utility Bylaw 3606/2018
- 2 Associated Policies and Procedures:
 - (1) 5405-CP Credit Management
 - (2) 5412-CP Accounts Receivable Adjustments
 - (3) 4703-CP Utility Billing Adjustments
 - (4) 5406-CP Transfer to the Tax Roll
 - (5) 5409-DP Corporate Appeals – Internal Review

Scope/Application:

- I This Policy applies to City departments that collect payments from customers.

Authority/Responsibility to Implement:

- I The Revenue & Assessment Manager has the authority to develop and update this Policy as necessary and any associated Procedures.

Inquiries/Contact Person:

- I Corporate Controller, Revenue and Collections, Revenue & Assessment Services

Policy Monitoring and Evaluation:

- I This Policy will be reviewed every three years with revisions made as required.

Document History:

Date:	Approved/Reviewed By:	Title:
Approved: November 20, 2015	“Craig Curtis”	City Manager
Revised: June 20, 2017	“Craig Curtis”	City Manager
Revised: July 14, 2022	“Lisa Perkins”	Acting City Manager