

	Policy No. and Title:	1011-01 – Arrears Policy	
	Department:	Finance	Approved By: Council
	Approval Date:	January 10, 2023	Resolution No: 2023-013
	Revision Date:	N/A	Resolution No: N/A

**POLICY STATEMENT / PURPOSE**

This policy details the Arrears collection procedures and timelines. The process is intended to:

- Standardize and prescribe collection terms and conditions;
- Address all types of collections activities available on various types of receivables;

Although collection activities will be handled by a few people within the Finance Department, it is a best practice for all employees to understand this policy should they need to communicate the terms to Customers.

**DEFINITIONS**

“Accounts Receivable” means a receivable account set up for a Customer to pay for a service that is not associated with taxes and utilities. This account administers invoices for services such as Ice Rentals, Landing Fees, Fire Services, etc.

“Arrears” or “Overdue” means the account is past the date that the payment is due.

“Current” means the date the Accounts Receivable invoice was created, the due date of the tax statement or any date within 20 days of the Utility Statement date.

“Customer” means a person who has a tax, utility, or receivables account with the Town.

“CFO” means the Chief Financial Officer for the Town, or their duly appointed designate.

“Council” means the duly elected officers of the Town of La Ronge and the Chief Elected Officer or Mayor.

“Municipality”, “Municipal”, “Employer”, or “Town” means the Town of La Ronge located in the Province of Saskatchewan.

“Tax Account” means the receivable account set up for a Customer to pay property taxes.

“Utility Account” means an account set up for a Customer to provide water, sewer, and environmental fees associated with such services.

**POLICY STATEMENTS**

**1.0 Accounts Receivable**

1.1 Invoices shall be created for items owing to the Town in a timely manner. Any delay in invoicing caused by the Town will have no bearing on the value of the receivable or timeframe for remaining Current. In most cases, the original invoice will be considered Current on the date listed on the invoice (as opposed to the date the cost was incurred, such as the date of a landing

- fee). If the receivable references a future date, the invoice will not be considered Current until the date of the event (i.e., An invoice is sent out for a future dated ice rental).
- 1.2 30 days after the invoice is considered Current, the invoice will be considered due. Any invoices owing 31 days or later shall be considered Overdue. Overdue invoices (or Accounts Receivable) shall be mailed out monthly in order to keep the Customer aware of the receivable.
  - 1.3 91 days after the Accounts Receivable or invoice is considered Current, the invoice will have interest applied to it. The rate of interest shall be calculated at 2 (two) percent per month on the outstanding balance.
  - 1.4 Interest charges may be appealed in writing to the CFO, and will be reviewed on a case-by-case basis.
  - 1.5 6 months after the invoice is considered Current, the following actions will be taken on Overdue Accounts Receivable accounts:
    - a) If the Customer is a Town property owner, and provincial legislation allows, the entire balance of the Customer's Accounts Receivable account (including interest and any other incurred charges) will be transferred to the Customer's Tax Account. A letter explaining this will be sent to the property owner.
    - b) In all other cases, the Arrears will be forwarded to a collection agency chosen by the Town.
  - 1.6 After 2 years, the Overdue amounts shall no longer be considered receivable and shall be submitted to Council for write-off approval. Write-offs are typically presented to Council in November or December (if required). If an Accounts Receivable is written off, the Customer will no longer be eligible to have an Account Receivable account with the Town until their Overdue account is paid in full.
  - 1.7 At the time of drafting this policy, the Accounts Receivable listing includes multiple accounts from 2020/2021 that have been charged for business licenses. The invoices for these business licenses were automatically processed and no follow-up was conducted. As such, these accounts shall be exempted from collections activities and, as the 2-year timeframe expires, written off.

## **2.0 Utility Accounts**

- 2.1 Invoices shall be created on or around the 10<sup>th</sup> of each month for Town utility service (water/sewer/environment) fees owed to the Town. The invoices will then be sent to Customers and are due by the end of that month. Any Utility Accounts that are unpaid as of the first day of the following month will be considered Overdue.
- 2.2 Any Overdue Utility Accounts will be assessed an interest charge of two (2) percent per month on the outstanding balance.

- 2.3 Every December 1<sup>st</sup> and June 1<sup>st</sup>, the following action will take place on Utility Accounts with balances over 90 days in Arrears:
- a) If the Utility Account holder is a property owner, all balances over 90 days in arrears will be transferred to the Customer's property tax account in accordance with provincial legislation.
  - b) If the Utility Account holder is not a property owner, balances over 180 days in arrears will be applied to the Tax Account of the property owner in accordance with provincial legislation.
  - c) At any time, the Town, at its discretion, may disconnect utility services on Utility Accounts that are more than 90 days Overdue in accordance with provincial legislation.

### **3.0 Tax Accounts**

- 3.1 Tax Accounts will have applicable tax levies applied to them annually as per the applicable Town Bylaws and provincial legislation.
- 3.2 Tax Accounts have an annual payment deadline of December 31<sup>st</sup>. Any amounts unpaid by December 31<sup>st</sup> will be considered in Arrears. Tax Accounts with Arrears balances will be charged interest at five (5) percent on January 1<sup>st</sup> and July 1<sup>st</sup> of each year.
- 3.3 The Town may utilize services of a third party to help in Tax Account collections activities. The Town must engage in tax enforcement activities, in accordance with legislation, where the Arrears amount is above 50% of the previous year's applicable tax levy. Arrears that are less than 50% of the previous year's applicable tax levy may not be referred for enforcement activities.
- 3.4 If tax enforcement activities have been started on a Tax Account, a lien must be put on the property. Once the Arrears from a Tax Account have been paid, the lien must be removed.

## **TOWN OF LA RONGE**



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