

The Corporation of the City of Kawartha Lakes

Council Report

Report Number CORP2017-009

Date: April 18, 2017
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier: All

Subject: Credit Granting Policy

Author/Title: Christine Norris
Manager, Revenue & Taxation/Deputy

Signature:



Recommendation(s):

RESOLVED THAT Report CORP2017-009, **Credit Granting Policy**, be received; and

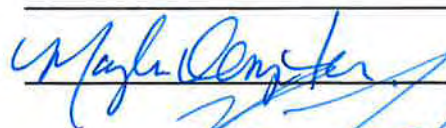
THAT the policy entitled **Credit Granting Policy** appended to Report CORP2017-009 be adopted, numbered and inserted in the Corporate Policy and Procedures Manual; and

THAT the following policies and appended forms be rescinded and removed from the policy manual:

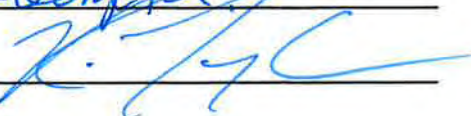
118 FD 013	Municipal Drainage Policy
120 FD 014	Municipal Debenture to Property Owners Policy
C-165 FIN 016	Credit Policy

Department Head:

Corporate Services Director / Other:



Chief Administrative Officer:



Background:

At the February 2, 2017 Executive Committee, the CAO and Director of Corporate Services requested a Council committee be established to review the existing Council Financial Policies.

The Committee was established with Councillor Dunn appointed as Chair and Councillor Elmslie, Councillor Junkin and Councillor Pollard were appointed as Committee members. The Committee commenced meetings on February 21, 2017.

On March 7, 2017 the Committee reviewed the attached Policy and recommended forwarding the Policy to Executive Committee for support.

The Executive Committee provided support and a recommendation to forward the policy to Council for consideration on April 6, 2017. This report is in support of the proposed Credit Granting Policy attached to the Report.

Rationale:

The attached policy is a consolidation of policies related to the granting of credit to both property owners and customers in the City.

Currently the City extends credit to property owners in relation to work on municipal drains and connections to water and/or wastewater services on either the public or private portion of land adjacent to their property. The Policy sets the criteria for the credit in regard to the minimum amount, the interest rate, and the timeframe to request the extended payment terms. These charges are recovered through the addition to the Tax Roll and are recovered over time through property tax bills.

The City also extends credit to customers by providing a service in advance of payment where, in most cases, there would not be a property tax account to attach a past due receivable to for recovery. The primary service where credit is extended is the use of City Landfills by companies. The Policy outlines a credit application is required along with a personal guarantee prior to credit being granted. It also provides options to customers wishing to have a charge account where there is insufficient credit history, where there is no credit application, or where there is a poor credit history to accommodate customers in regard to use of a City service.

Consolidation of the policies into one document provides clear direction.

Other Alternatives Considered:

Not applicable

Financial Considerations:

Not applicable

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

This report is in alignment with the City's strategic plan with respect to Responsible Fiscal Resource Management.

Review of Accessibility Implications of Any Development or Policy:

Not applicable

Servicing Comments:

Not applicable

Consultations:

Council Appointed Financial Policy Review Committee
Executive Committee

Attachments:

Recommended Policy



Credit Granting
Policy.docx

Policies to be Removed from the Policy Manual



118 FD 013 Municipal
Drainage Policy.doc



120 FD 014
Municipal Debenture I



C-165 FIN 016 Credit
Policy.doc

Phone: 705 324 9411 x1274

E-Mail: cnorris@city.kawarthalakes.on.ca

Department Head: Mary-Anne Dempster

Department File:



Council Policy

Council Policy #:	
Council Policy Name:	Credit Granting Policy
Date Approved by Council:	
Date revision approved by Council:	
Related SOP, Management Directive, Council Policy	

Policy Statement and Rationale:

Council wishes to have a policy that will allow the City to extend credit to customers within specific areas.

Scope:

This Policy will apply to all charges where the service is received in advance of payment and is not covered through an existing Agreement

Policy:

1.0 Charges Recovered through Property Tax Bills

- 1.1 Charges under the *Drainage Act*, and *O.Reg. 586/06 Local Improvements – Priority Lien Status* are priority liens to the municipality and can be recovered by adding the charges to the Property Tax Roll. This Policy provides the opportunity to extend repayment of capital costs over an extended timeframe when specific parameters are met.
- 1.2 The City shall allow for a debenture for a period of 10-years to be repaid through the annual property taxes for work under the *Drainage Act* or work on private property, under *O.Reg. 586/06 – Local Improvement Charges – Priority Lien Status*, dealing with water and or sewer connections if the amount due exceeds \$1,000.00.
- 1.3 The property owner shall notify the City of their interest to participate in the program within the timeframe provided in the initial correspondence.
- 1.4 Applications after the By-law has been passed shall not be considered.



Council Policy

- 1.5 Interest shall be charged at the lending rate charged by Infrastructure Ontario (or subsequent ministry or agency) to municipalities plus 2%.
- 1.6 Debentures shall be recovered through the annual tax bill.
- 1.7 An administration charge shall be collected in accordance with the Consolidated Fees By-law.
- 1.8 Additional penalty and interest charges shall be levied if the payments are not made on or before the installment due dates.
- 1.9 The debenture charge may be paid in full advance with penalty.

2.0 Credit for Services Received in Advance of Payment

- 2.1 Where a potential customer wishes to use a service of the City and be invoiced for the service a Credit Application shall be submitted.
- 2.2 A Personal Guarantee shall be included with the Credit Application.
- 2.3 Where there is no Credit Application filed, incomplete credit history, or a poor credit report, the customer shall be provided the opportunity to have an account as long as a deposit is placed with the City and the account remains in a credit balance.

Revision History:

Proposed Date of Review:

Revision	Date	Description of changes	Requested By
0.0	[Date]	Initial Release	



CORPORATE POLICY AND PROCEDURES MANUAL

Policy No:

118	FD	013
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Policy Name:

Municipal Drainage Projects

DEVELOPED BY:	Sara Beukeboom, CGA, Interim Manager of Budget and Financial Planning; Sandra Lloyd, Deputy Clerk; Paul Young, Drainage Superintendent & Ken Becking, Director Public Works	DATE:	March 23, 2005
DEPARTMENT:	Finance and Public Works		
REVIEWED BY:	Directors of Finance & Public Works	DATE:	March 24, 2005
APPROVED BY:	Chief Administrative Officer	DATE:	
	Council Resolution CR2005-869	DATE:	Aug 23, 2005

POLICY STATEMENT AND RATIONALE:

Council approved the establishment of a Drainage Board for the City of Kawartha Lakes by resolution on January 29th, 2001 and delegated to the Drainage Board all of the Council's powers and duties under the Drainage Act, except for the power to make by-laws and resolutions. It is understood that the policy and procedures herein shall establish good operating and fiscal responsibility in regards to the undertaking of capital work on municipal drains.

SCOPE: The *Municipal Drainage Projects* policy will apply to all municipal drain capital projects.

DEFINITIONS:

In reading and interpreting the *Municipal Drainage Projects* policy, the following definitions apply:

- a) "City" means The Corporation of the City of Kawartha Lakes.
- b) "Drainage Act" is provincial legislation that provides a legal procedure by which an area requiring drainage may have an outlet drain constructed to dispose of excess water.

POLICY, PROCEDURE AND IMPLEMENTATION:

1. Projects initiated under the Drainage Act shall follow three phases:
 - a) Preparation and filing of the Engineer's Report
 - b) Preparation and submission of the by-law to City Council for first and second reading
 - c) Tendering, construction and passage of the levying by-law by City Council

Note – an interim invoice may be considered if a project is delayed due to an appeal. All interim invoices are subject to review and approval by the Manager of Engineering.

2. Prior to the commencement of each phase of the project, the Drainage Engineer shall prepare a detailed work program. The work program shall lay out the major items of work, the resources to be employed and the associated costs. The work program shall be reviewed by the Drainage Superintendent and subsequently, the Drainage Board for approval.
3. A schedule of payments shall be determined prior to the commencement of each phase of the work and approved by the Board. Once approval has been obtained, a purchase order shall be established for the value of the work. According to City policy, a change order is required to amend the initial tender. No payments shall be made until the change order receives the appropriate approvals. City staff shall not proceed with a change order without an amendment to the Engineer's original report which shall be undertaken pursuant to the provisions of the Drainage Act.
4. Once an Engineer's report has been received, the cost of the works shall be built into the City's capital budget. If the construction is to cover multiple taxation years, the capital budget will also be planned for multiple years.
5. The Drainage Superintendent shall satisfy himself that invoice conforms to the schedule of payments and the work has been completed in accordance with the work program. When satisfied, the Drainage Superintendent shall recommend the invoice for payment. Final sign off shall be by the Director of Public Works or designate.
6. The Finance department shall prepare quarterly reports on all municipal drains for the Drainage board meetings that document the financial status of all active capital drainage projects.
7. The final step of the procedure is to set the levying by-law before Council for approval, and subsequently, issue invoices to the ratepayers. The Finance department shall confirm all expenses with the Engineer prior to setting the rate By Law.

CORPORATE POLICY AND PROCEDURES MANUAL

Policy No:

120

FD

014

Policy Name:

Revised - Municipal Debenture to Property Owners in regard to Capital Projects

DEVELOPED BY:

DATE:

Oct 25, 2005

DEPARTMENT:

Finance and Public Works

REVISED:

Revised – CR2007-544

DATE:

May 22, 2007

APPROVED BY:

Council

DATE:

Oct 25, 2005

CR2005-1153

POLICY STATEMENT AND RATIONALE:

Council approved the establishment of a Drainage Board for the City of Kawartha Lakes by resolution on January 29th, 2001 and delegated to the Drainage Board all of the Council's powers and duties under the Drainage Act, except for the power to make by-laws and resolutions. The Drainage Board members requested that in the future every effort be made by the City of Kawartha Lakes to arrange for the issue of debentures on its behalf for final assessments in regard to Municipal Drainage, although it is not mandatory that municipalities offer debenture to private property owners in regard to Municipal Drainage Projects. Previously By-laws have been prepared and passed with a cash only option by the City of Kawartha Lakes. An invoice is generated to property owner after the passing of the Final Assessment By-law requiring payment within 30 days. If payment has not been received by the due date the amount owing is added to the property owners tax bill and at this time penalty and interest is added monthly at a rate of 1 1/4% per month on the balance owing until amount has been paid in full.

Finance and Public Works staff were to investigate and prepare a report to allow for property owners to have the option to debenture. If the Municipality should decide to offer a property owner the option to debenture there should be guidelines established. Should the debenture option be offered, interest would be calculated on total amount to be debentured over the length of the debenture period, these amounts would be entered on the Tax Roll. Once the yearly debenture amount is entered on the Tax Roll this amount would appear on the Final Tax Bill with the yearly amount split equally between the two final tax installments. Penalty and interest would only be added to the yearly debenture amount due should property owner not pay taxes by the installment due date. This would mean that property owners could pay their share of the capital work in annual installments, rather than in one lump sum. Staff contacted various municipalities of which none of those were able to provide a written policy or documentation. Four of the seven municipalities contacted do not offer debenture options to property owners. During this process it was suggested that this policy could also deal with other capital projects initiated under the Special Services Section of the Municipal Act as there have been other occasions in which a debenture option was offered. It is understood that the policy and procedures herein shall

establish good operating and fiscal responsibility in regards to the undertaking of capital work requiring payment from property owners. Municipal Act, 2001 S.O. 2001,c.25 Section 391. (1) states - Despite any Act, a municipality and a local board may pass by-laws imposing fees or charges on any class of persons, a) for services or activities provided or done by or on behalf of it.

SCOPE: The *Municipal Debenture to Property Owners in regard to Capital Projects* - policy will apply to all capital projects in which payment is required from property owners.

DEFINITIONS:

In reading and interpreting the *Municipal Debenture to Property Owners in regard to Capital Projects Policy*, the following definitions apply:

- a) "City" means The Corporation of the City of Kawartha Lakes.
- b) "Drainage Act" is provincial legislation that provides a legal procedure by which an area requiring drainage may have an outlet drain constructed to dispose of excess water.
- c) "Municipal Act" is provincial legislation that provides a legal procedure for municipalities.

POLICY, PROCEDURE AND IMPLEMENTATION:

Debenture options will only be offered subject to the following conditions:

Term of debenture will be 10 years; property owners will be allowed to repay the balance of the debenture at any point in time based upon the principal and interest owing at the date of payment.

Amount to be debentured must exceed \$1,000.00 per individually assessed property requesting debenturing.

Interest rate to be charged at the rate posted by the Ontario Strategic Infrastructure Financing Authority + 2% or alternate as determined by the Director of Finance at the date of passing the final cost by-law.

Administration charge of \$150.00 to be charged per individually assessed property requesting debenturing.

Debenture amount will be collected in the following manner: the yearly debenture amount calculated using the above criteria shall be entered on the Tax Roll, this amount would appear on the Final Tax Bill with the yearly amount split equally between the two final tax installments. Penalty and interest would only be added to the yearly debenture amount due should property owner not pay taxes by the installment due date.

Capital Projects initiated under the Drainage Act

Drainage Act section 61(4) states "The assessments and rates imposed under this Act shall have priority lien status as described in Section 2.1 of the Municipal Act, 2001." The Municipal Act section 2.1 states- "If, under this or any other Act, an amount is given priority lien status, the amount may be added to the tax roll against the property in respect of which the amount was imposed or against any other property in respect of which the amount was authorized to be added by this or any other Act.

This section currently ensures the municipality is protected should a debenture amount not be paid by the property owner.

Property owners will be circulated this policy with the mandatory "Notice of Drainage Works" that is circulated to property owners involved. Property owners must notify in writing to the Finance Department of their request to debenture prior to the Final Cost Levy By-law. If property owners do not meet the criteria when the estimates are provided but are interested in the debenturing option should they meet the criteria once final costs are known they should still notify the Finance Department of their request.

Capital Projects initiated under the Special Services Section in the Municipal Act by private property owners .

Municipal Act, 2001 Ontario Regulation 586/06 – Local Improvement Charges – Priority Lien Status Section 2.(2) states " If a municipality undertakes a work as a local improvement, a special charge imposed with respect to the work in accordance with this Regulation has "priority lien status" as described in section 1 of the Act. O. Reg. 586/06, s. 2(2). The Municipal Act section 2.1 states- "If, under this or any other Act, an amount is given priority lien status, the amount may be added to the tax roll against the property in respect of which the amount was imposed or against any other property in respect of which the amount was authorized to be added by this or any other Act. This section currently ensures the municipality is protected should a debenture amount not be paid by the property owner.

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CORPORATE POLICY AND PROCEDURES MANUAL

Policy No:

120

FD

014

Policy Name:

Revised - Municipal Debenture to Property Owners in regard to Capital Projects

DEVELOPED BY:

DATE:

Oct 25, 2005

DEPARTMENT:

Finance and Public Works

REVISED:

Revised – CR2007-544

DATE:

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APPROVED BY:

Council

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	CORPORATE POLICY AND PROCEDURES MANUAL
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Policy No:

165	FIN	016
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Policy Name:

Credit Policy

DEVELOPED BY: Christine Norris **DATE:** Aug. 18/05
DEPARTMENT: Manager, Revenue & Taxation

REVIEWED BY: Directors **DATE:**
APPROVED BY: Chief Administrative Officer **DATE:**

RESOLUTION NUMBER: CR2005-1356 **EFFECTIVE:** Dec. 13/05

CROSS-REFERENCE: **REVISIONS:**

POLICY STATEMENT AND RATIONALE:

A credit granting policy will provide direction on the level of risk that the city of Kawartha Lakes is willing to accept by giving direction on the level of credit investigation and documentation required to approve credit applications.

SCOPE:

The credit granting policy will apply to all customers wishing to pay for a product or service after receiving the use of the product or service.

This policy does not apply to the following services provided by the City of Kawartha Lakes:

- ☐ Library fines
- ☐ One time invoices
- ☐ Government agencies
- ☐ Residents of Victoria Manor
- ☐ Property tax accounts
- ☐ Water and/or wastewater accounts.
- ☐ Social Services/Housing customers

DEFINITIONS:**Account definitions:**

Low risk	<ul style="list-style-type: none"> - excellent character - management stability - proven management capabilities - large equity position - high income and net worth - always pays to terms - right of offset exists
Regular risk	<ul style="list-style-type: none"> - good character - good management - good equity position - reasonable income and net worth - usually pays to terms or makes arrangements if late
Risky	<ul style="list-style-type: none"> - unknown or weak character - management problems/turnover - low equity - overextended financially - chronically overdue
High Risk	<ul style="list-style-type: none"> - dishonest - unsettled legal/collection actions

POLICY, PROCEDURE AND IMPLEMENTATION:**1.0 Responsibilities**

The Manager of Revenue and Taxation, under the guidance of the Director of Finance, has responsibility for the accounts receivable asset. This includes,

- ☐ protecting the corporate accounts receivable asset;
- ☐ providing effective customer service;
- ☐ adhering to the policies and procedures as established in the Credit Policy;
- ☐ minimizing bad debts and delinquent accounts at an acceptable level of risk;
- ☐ ensuring all departments have credit applications on hand;
- ☐ monitoring all accounts receivable and assisting when necessary in the collection of receivables; and
- ☐ reporting on the condition of the receivables on a quarterly basis.

2.0 Credit Limits

2.01 Setting credit limits assists staff by:

- ☐ freeing valuable time for other collection activities;
- ☐ reduces the risk to the City;
- ☐ improves collection activity efforts; and
- ☐ is used as an account monitoring tool.

- 2.02 In determining credit limits the following information should be obtained:
- whether the municipality is a secured or unsecured creditor. In most circumstances, unless the invoice is for a charge that is given priority lien status under a provincial statute, (i.e. deemed to be taxes and therefore a lien against the land) the municipality will be an unsecured creditor.
 - the financial strength of the customer determined by various tests and information obtained through credit references:
 - Trade references – compare credit amounts provided by trade references and possibility average the credit limit
 - Bank references – determine the line of credit and if the loans or lines of credit are unsecured (if unsecured it is better for the municipality)
 - Credit reporting agencies – payment performance, the rating assigned by the credit reporting agency
 - Financial statement analysis such as – net working capital, net worth as compared to industry standards, debt to equity ratio, and quality of the company's receivables (DSO)
 - the number of years the customers has successfully operated the business
 - the customer's reputation in the marketplace (business and management wise)
- 2.03 Upon receipt and review of credit documents, credit exposure must be authorized as follows:
- | | |
|---------------------------|-----------------------------|
| □ Up to \$5,000 | Manager, Revenue & Taxation |
| □ \$5000.01 to \$20,000 | Director of Finance |
| □ \$20,000.01 to \$50,000 | CAO |
| □ Over \$50,000 | Council |

3.0 Credit Applications

- 3.03 The purpose of having a completed credit application on file serves a number of purposes:
- it formalizes an applicant's request for a credit account
 - provides a format for obtaining information on billing
 - provides sources of information on the applicant's credit history
 - provides information on the credit-worthiness of the applicant
 - provides a tool to obtain the applicant's authorization to complete a credit investigation, now and in the future.
- 3.02 The credit application attached as Appendix "A" to this policy will be the only authorized credit application for the City of Kawartha Lakes.
- 3.03 If a customer does not wish to provide information for the City to conduct a credit application, an alternative available to the customer would be to open a deposit account where a credit balance must be maintained in the account with invoices being deducted from the credit balance.

4.0 Credit Investigations

- 4.01 Credit granting is the review of the credit applicant's past history in order to predict future behaviour. The more information gathered about the applicant, the more accurately the trends will reflect their willingness and ability to pay outstanding invoices.
- 4.02 Attached as Appendix "C" is a Business Reference Letter to be sent to the trade references provided by the applicant.
- 4.03 Attached as Appendix "D" is a Banking Reference Letter to be sent to the applicant's bank requesting they provide the City with information in regard to the banking habits of the applicant.
- 4.04 Based upon the exposure related to the individual applicant, more information may be gathered on the applicant, to determine the applicant's strengths and weaknesses in relation to their character, capacity, capital and conditions.
- 4.05 The following information will be gathered on the following classes of customers for the purpose of evaluating the credit application:

Customer Type	Required Information
Consumers/People running unincorporated businesses	<ul style="list-style-type: none"> - credit application - credit bureau report - a financial institution reference - credit references - other information as required
Small Corporations	<ul style="list-style-type: none"> - credit application - credit information on the principals (as listed above) - business credit reports on the company - trade reference on the company - financial statements on the company - Personal Guarantee (Appendix "B")
Major corporations and institutions	<ul style="list-style-type: none"> - business credit reports on the company - trade references on the company - financial statements on the company - stock exchange and industry information - other information as needed

5.0 Financial Statement Analysis

A checklist that should be used to determine the financial stability of potential credit customers is attached as Appendix "E".

6.0 Terms of Sale

6.01 Based on the risk level assigned to the account, the terms of sale will be:

Account	Required
Low Risk	- net 30 days (from date of invoice)
Regular Risk	- net 30 days (from date of invoice)
Risky	- cash at time of transaction
High Risk	- cash at time of transaction

6.02 Attached as Appendix "F" are sample letters stating whether credit is being extended or not. If credit is not approved, there is the alternative of opening a deposit account.

7.0 Reporting

7.01 On a quarterly basis, the Manager of Revenue and Taxation will report on the following information:

- ☐ days sales outstanding
- ☐ overdue accounts
- ☐ number of credit applications and results
- ☐ dollar amounts written off as uncollectible
- ☐ account number write off charge to

Appendix "A"

	<p>Credit Application</p>
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Firm Name: _____

Contact Name: _____

Address: _____

City: _____ Province: _____ Postal Code: _____

Kind of Business: _____ In Business Since: _____

Telephone: _____ Fax: _____

Email: _____

Corporation: _____ Partnership: _____ Sole Owner: _____

Principals: President: _____

Vice President: _____

Secretary: _____

Bank Reference:

Name: _____ Account #: _____

Address: _____

City: _____ Province: _____ Postal Code: _____

Contact: _____ Telephone: _____

Banked Here Since: _____

Trade References:

Firm Name: _____ Telephone: _____

Address: _____

City: _____ Province: _____ Postal Code: _____

Contact: _____

Firm Name: _____ Telephone: _____

Address: _____

City: _____ Province: _____ Postal Code: _____

Contact: _____

Firm Name: _____ Telephone: _____

Address: _____

City: _____ Province: _____ Postal Code: _____

Contact: _____

The undersigned hereby agrees that should a credit account be opened, and in the event of default in payment of any amount due, and if such account is submitted to a collection authority, to pay any additional charges as a result of the cost of collection, include court costs.

Applicant Company: _____ Date: _____

Signature: _____ Title: _____

Full Name of Signator (please print): _____

The undersigned acknowledges and agrees that personal information contained in this credit application or provided subsequently, and personal information obtained from a credit/consumer reporting agency and/or financial institution, as described below, may be used by, collected by and/or disclosed to the City of Kawartha Lakes (including agents of the City of Kawartha Lakes) for the following purposes:

- ☐ evaluating the credit application and the undersigned's eligibility for credit,
- ☐ contract management and administration, including for credit, billing, collection, and lien registration, and
- ☐ as reasonably necessary to protect the business interests of the City of Kawartha Lakes and its customers.

Applicant Company: _____ Date: _____

Signature: _____ Title: _____

Full Name of Signator (please print): _____

The undersigned further acknowledges and agrees, in connection with the City of Kawartha Lakes making a determination in respect of this credit application, that

- (a) all information provided in this application is for the purpose of securing credit and warrants that it is true, correct and complete,
- (b) a credit/consumer report and other credit information containing personal information may be requested from a credit/consumer reporting agency and financial institution,
- (c) the City of Kawartha Lakes is authorized to exchange with any credit/consumer reporting agency and financial institution credit information covering this application and details of any credit granted (including, without limitation, payment history relating to the credit granted) for the purposes of the City of Kawartha Lakes determining creditworthiness and for the purposes of permitting other credit grantors to do the same.

Applicant Company: _____ Date: _____

Signature: _____ Title: _____

Full Name of Signator (please print): _____

The undersigned may request the City of Kawartha Lakes to inform the undersigned whether or not a credit/consumer report has been or may be referred to in connection with this transaction, and the undersigned may request the name and address of the credit/consumer reporting agency supplying the credit/consumer report.

Applicant Company: _____ Date: _____

Signature: _____ Title: _____

Full Name of Signator (please print): _____

It is the express wish of the parties that this form and any related documents be drawn up and executed in English.

Appendix B

Personal Guarantee

THIS GUARANTEE dated this ____ day of _____, 20

From: _____ of _____
(the "Guarantor")

To: The Corporation of the City of Kawartha Lakes
(the "Lender")

Re: _____
(the "Debtor")

IN CONSIDERATION OF the Lender extending future credit from time to time to the Debtor, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantor, personally guarantees the prompt, full and complete performance of any and all present and future duties, obligations and indebtedness (the "Debt") due to the Lender by the Debtor, up to a limit of \$ _____, under the terms of certain debt agreements (the "Agreement") and under the following terms and conditions:

1. The Guarantor guarantees that the Debtor will promptly pay the full amount of principal and interest of the Debt as and when the same will in any manner be or become due, either according to the terms and conditions provided by the Agreement or upon acceleration of the payment under the Agreement by reason of a default.
2. The Guarantor agrees not to pledge, hypothecate, mortgage, sell or otherwise transfer any of the Guarantors assets without the prior written consent of the Lender.
3. To the extent permitted by law, the Guarantor waives all defenses, counterclaims or offsets that are legally available to the Guarantor with respect to the payment of the Debt of the Debtor.
4. The Lender is hereby authorized at any time, in its sole discretion and without notice, to take, change, release or in any way deal with any security securing the Debt without in any way impairing the obligation of the Guarantor.
5. The Lender will be under no obligation to collect or to protect any such security or the Debt, and its neglect or failure to collect or protect the security or the Debt is excused. Acceptance of the Guarantee is waived.
6. The Lender may grant extensions of time or other indulgences and otherwise deal with the Debtor and with other parties and securities as the Lender may see fit without in any way limiting or lessening the liability of the Guarantor under this Agreement.
7. Any impairment of the security, which the Lender may from time to time hold as security for the Debt, will in no way operate to discharge the Guarantor in whole or in part, it being specifically agreed that the Lender is not required to exercise diligence to enforce its rights against the Debtor.
8. The Lender may release, surrender, exchange, modify, impair or extend the periods of duration or the time for performance or payment of any collateral securing the obligations of the Debtor to the Lender, and may also settle or compromise any claim of the Lender against the Debtor or against any other person or corporation whose obligation is held by the Lender as collateral security for any obligation of the Debtor or the Lender.

9. This Guarantee is for the use and benefit of the Lender, and will also be for the use and benefit of any subsequent Lender to whom the Lender may assign this Guarantee.
10. The liability of the Guarantor will continue until payment is made of every obligation of the Debtor now or later incurred in connection with the Debt and until payment is made of any loss or damage incurred by the Lender with respect to any matter covered by this Guarantee or any of the Agreement.
11. The Guarantor further waives all rights, by statute or otherwise, to require the Lender to institute suit against the Debtor, and to exercise diligence in enforcing this Guarantee or any other instrument.
12. All present and future indebtedness of the Debtor to the Guarantor is hereby assigned to the Lender. All monies received by the Guarantor from the Debtor will be received in trust for the Lender and upon receipt are to be paid over to the Lender until such time as the Debt owed by the Debtor has been fully paid and satisfied.
13. The Guarantor represents that at the time of the execution and delivery of this Guarantee nothing exists to impair the effectiveness of this Guarantee.
14. All of the Lender's rights, powers and remedies available under this Guarantee and under any other agreement in force now or anytime later between the Lender and the Guarantor will be cumulative and not alternative, and will be in addition to all rights, powers and remedies given to the Lender by law or in equity.
15. The Lender may, at its option, proceed in the first instance against the Guarantor to collect the obligations covered by this Guarantee without first proceeding against any other person, firm or corporation and without resorting to any property held by the Lender as collateral security.
16. All pronouns will include masculine, feminine and/or neuter gender, single or plural number, as the context of this Guarantee may require.
17. This Guarantee is made pursuant to the laws of the Province of Ontario. In the event that this Guarantee must be enforced by the Lender, all reasonable costs and expenses, including attorney's fees, incurred by the Lender will be paid by the Guarantor.
18. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Guarantee will not affect the validity or enforceability of the remaining portions of this Guarantee or any part of this Guarantee.
19. No alteration or waiver of this Guarantee or of any of its terms, provisions or conditions will be binding upon the Lender unless made in writing over the signature of the Lender or its representative.
20. Words of "Guarantee" contained in this Guarantee in no way diminish or impair the absolute liability created in this Guarantee.
21. Any notice to be given to the Guarantor may be sent by mail, telephone, fax, email or otherwise delivered to the address provided below.

Phone: _____

Fax: _____

E-mail: _____

IN WITNESS WHEREOF the Guarantor has duly affixed its signature under hand and seal on this _____ day of _____, 20__.

SIGNED, SEALED OR ATTESTED
in the presence of:

Notary Public for the Province of Ontario

Guarantor

CERTIFICATE OF NOTARY PUBLIC

I, _____, a Notary Public in and for the said Province of Ontario, DO HEREBY CERTIFY that _____, personally known to me (or satisfactorily proven) to be the same person whose name is subscribed to the foregoing Guarantee, appeared before me this day in person, and acknowledged that he/she signed, sealed and delivered the said instrument as his/her free and voluntary act, for the uses and purposes set forth in this Guarantee.

Given under my hand and notarial seal this ____ day of _____, 20__.

Notary Public

My Commission Expires: _____

Appendix "C"
Business Reference Letter



From the Office of:

Christine Norris,
CMO, CMTF, CMM III, CCP
Manager, Revenue and Taxation Division,
Finance Department
P.O. Box 696, 26 Francis Street
LINDSAY, ON K9V 4W9

Telephone (705) **324-9411**, Extension **1274**
e-mail **cnorris@city.kawarthalakes.on.ca**
Facsimile (705) 328-2620 - Toll Free 1-888-822-2225

<Date>

<Name>

<Address>

Dear

<Name of company> has applied for a credit account with the City of Kawartha Lakes and has listed your firm as a business reference. Please take the time to answer the following questions.

1. How long has this firm been doing business with you? _____
2. What are the terms of their relationship with you? (please check one)
 - a. Cash only ☐
 - b. Deposit with balance due paid on receipt ☐
 - c. Open account, billed monthly ☐
 - d. Other, please specify _____
3. Please describe the firm's payment history:

4. Please feel free to make any additional comments:

Name: _____ Title: _____

Signature: _____ Date: _____

Thank you very much for your time. An addressed, postage-paid envelope is enclosed for your convenience.

Yours truly,

Appendix "D"
Banking Reference Letter

Applicants letterhead

<Date>

<Name>

<Address>

Dear

I have applied for a credit account from the City of Kawartha Lakes, and they have requested a banking reference. Please send them a brief letter outlining the nature of my relationship with your institution.

Tell them how long I have been banking with you, and feel free to provide the average daily balances in my accounts.

Your letter should be addressed to:

Manager of Revenue & Taxation
P.O. Box 696
Lindsay, ON K9V 4W9

Thank you very much for your prompt attention to this matter.

Sincerely,

Appendix "E"

Corporate Financial Statement Checklist

1. Is it an audited statement? _____
2. Does it include:
 - a. A list of assets? _____
 - b. A list of all liabilities? _____
 - c. An income statement? _____

If any of the above is missing, request an amended, audited statement.

3. What is the Current Ratio

Current Assets / Current Liabilities = Current Ratio

_____ / _____ = _____
(rule of thumb – 2 to 1 is preferred)

4. What is the Quick Assets Ratio?

(Cash + Accounts Receivable) / Current Liabilities = Quick Asset Ratio

(_____ + _____) / _____ = _____
(rule of thumb – 1 to 1 is preferred)

5. What is Accounts Payable Days Over Sales Ratio

Accounts Payable x 360 / Cost of Sales

(_____ x 360) / _____ = _____
(rule of thumb – total should not exceed 1.5 times)

6. What is the Debt to Net Worth Ratio?

Total Liabilities/ Tangible Net Worth

_____ / _____ = _____
(rule of thumb – if low it is a strong company and easy for it to borrow while a high number will indicated it is highly leveraged)

7. What is the company's Profit on Sales

Net Income / Gross Sales

_____ / _____ = _____
(rule of thumb – if lower than industry average the performance may be poor – if higher than the industry average the better)

8. Do their long-term liabilities threaten their ability to meet their potential obligations to the City?

Appendix "F"
Letters for Extending or Denying Credit

(On City letterhead)

<Date>

<Name>

<Address>

Dear

It is with pleasure that I write to inform you that your application for credit with the City of Kawartha Lakes has been approved. We have opened a revolving account for you with a limit of \$XXXX.

You will be billed monthly for all outstanding balances with a due date a minimum of 21 days after the date of the invoice. We require payment in full of the invoiced amount by the due date. Late payment charges are levied at the rate of 1% per month on balances over 30 days old.

For your reference, I have enclosed a copy of our collection policy in regard to credit accounts.

If you have any questions, please feel free to contact me at the number above.

Yours truly,

Manager,
Revenue & Taxation

(On City letterhead)

<Date>

<Name>

<Address>

Dear

Thank you for your recent application for credit.

We reviewed your application, and supporting documentation, and regret to inform you that you do not qualify for a charge account at this time.

If you would like to initiate a deposit account with the City (an account is opened and you make a payment on the account to prepay for charges) this may be a viable option for you at the present time.

The City is prepared to review your credit application in one year if you would like.

Should you have any questions, please feel free to contact me at your convenience.

Yours truly,

Manager,
Revenue & Taxation