



Debt Collection Policy

Overview

The purpose of this policy is to establish uniform guidelines for the determination and treatment of delinquent utility accounts considered as uncollectible debt, and to establish the proper authorization to remove such receivables via the write off process. The following procedures and definition are made in accordance with North Carolina General Statutes (NCGS 1-52 and 1-15).

Purpose

It is the policy of Town of Landis Utility Services to take all appropriate and cost-effective actions to aggressively collect all accounts receivable. Where not otherwise prohibited by law or ordinance, a negotiated settlement of the balance due may be offered to the debtor. Only after all available collection efforts have been exhausted without success may a debt be classified as uncollectible and written off.

The authority to approve negotiated debt settlements and write off uncollectible utility accounts is hereby vested in the Town Manager. This policy applies to all utility accounts receivable.

Definitions

Budget for Uncollectible Accounts - represents management's best estimate of the amount of accounts receivable that will not be paid by customers.

Amount Due Does Not Warrant Further Collection Efforts - the debtor has failed to respond to demand for payment and any further collection efforts would not be cost effective.

Bankruptcy Discharged - an account that has been discharged through bankruptcy court.

Court Refuses Judgment - the debt cannot be substantiated in court.

Statute of Limitations - the statute of limitations (3 years) has expired without payment or promise of payment since the last transaction.

Untraceable Debtor - a customer has provided false identification, left the country, or cannot otherwise be located.

Wrong Responsible Party - the account was referred in the name of an individual or company that cannot be held liable for the debt.

Payment Return – Returned Checks, Declined Card or ACH payments, fraudulent account activity.

Scope

Categories eligible for write-off procedures

The following Receivables are hereby eligible for write-off procedures at the close of each fiscal year:

❖ **Utility Payments**

Utility payments outstanding for 36 months or more have exceeded the statute of limitations for lawful collection. Accounts with outstanding balances exceeding 90 days will be reported to the state for the implementation of debt collection procedures. These are considered doubtful accounts according to Generally Accepted Accounting Principles and 25% of these receivables will be written off at the close of each fiscal year to preserve the integrity of Town Liquid Asset Balances.

❖ **General Billings**

Outstanding balances on accounts that go unpaid for 36 months have exceeded the statute of limitations for lawful collection.

Utility Services Responsibility

Some City services are provided and billed after the date of service. It is the responsibility of the department/division providing such services to coordinate with the Utility Billing Department, who will develop and implement procedures for:

- The collection of customer information to support the generation of customer billing and accounts receivable collections.
- Guidelines for the collection and application of customer deposits.
- Maintenance of customer information for billing.
- Monitoring the collection of accounts receivable.
- Utilization of all available tools and efforts to pursue the timely collection of account balances.
- The maintenance of documentation supporting collection efforts related to past due accounts.
- Any monies resulting in a credit where there is a debt owed to the city will be applied to a delinquent account.

Collection Process

Utility Billings

1. Customers are contacted to initiate the collections process.
2. 30-Day Collection letters are mailed.
3. Residential - At 30 days past due date of final bill, account is researched for current mailing address and copy of bill is included with the 30-day letter. If there is a guarantor, letter is mailed to guarantor. If there is an active account, the balance is moved to the active account. Balance transfer letter is mailed (may also receive a letter out of courtesy based on pay history)
4. Commercial- At 30 days past due date if account has a bond or Irrevocable Letter of Credit (ILOC) the draw is processed for the balance due.
 - If business owner has active account, no bond nor ILOC, confirm if the business is a Limited Liability Company (LLC) with the Secretary of State, a letter notifying the customer of the balance is sent to the active business owner account.
 - If there is no active account, submit to Debt Setoff Program (DSOP) in business owner name after 90 days past due.

All accounts follow the 30-day letter cycle unless guarantor is available, mail is returned (no forwarding/new mailing address located), or account owner is deceased. Pay arrangements are most times agreed upon prior to sending letters. If arrangement is not kept, debt is submitted to the Debt Set-Off program.

Payment Return

- a) Upon notice of a returned payment, the unpaid balance is returned to the customers account along with a \$30 payment return fee.
- b) Customers are contacted to initiate the collection process.
- c) Collection letters are mailed.
- d) Utilities on all accounts for each delinquent customer will be disconnected on the next disconnect day until the outstanding balance is paid in full or a payment plan is agreed upon between the Billing Director and the customer; whichever comes first.

General Billing

- The annual write off is processed in August or September of each year
- 30 days after the billing date of bill, customer will receive a letter requesting the balance of the bill and advised of alternative payment options, such as a payment plan.
- 90 days from the billing date of a delinquent bill, past due balance will be submitted to the Debt Setoff Program.