

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF OBTAINING)
THE APPROVAL OF THE METRO)
COUNCIL TO WRITE OFF CERTAIN)
ACCOUNTS RECEIVABLE)

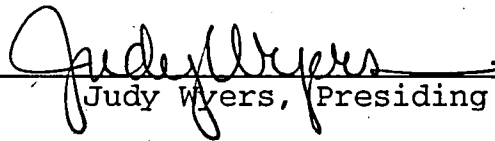
RESOLUTION NO. 93-1822
Introduced by Rena Cusma,
Executive Officer

WHEREAS, The Metro Code, Section 5.02.060 (i), provides that the Executive Officer may end pursuit of accounts receivable consistent with prudent credit practices, when the likelihood of collection does not justify future collection costs. Such actions will be reported to Council in writing on a monthly basis when the amount exceeds \$500, and amounts over \$10,000 will require Council approval.

WHEREAS, The following account, SUNFLOWER RECYCLING, is over \$10,000 dollars and does not justify future collection efforts or cost.

BE IT RESOLVED, That account number 5083, Sunflower Recycling, in the amount of \$13,661.77 is approved for an accounting write-off as a bad debt.

ADOPTED by the Metro Council of this 22nd day of July, 1993.



Judy Myers, Presiding Officer

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STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 93-1822 FOR THE PURPOSE OF RECOGNIZING A BAD DEBT WRITE-OFF RELATED TO ACCOUNT NO 5083--SUNFLOWER RECYCLING.

Date: June 17, 1993

Presented by: Karen Feher

PURPOSE OF REPORT

The Solid Waste Department operations produce accounts receivable from charge customers using Metro's facilities. It is necessary and appropriate to recognize some of these balances as a bad debt expense when there is no financial justification for keeping them on the books. This recognition involves charging these balances to the allowance for uncollectible accounts. Metro calculates a percentage of its accounts receivable at year end and allows that percentage for bad debts. The allowance for bad debts this year is \$28,998.23. This percentage is calculated based upon historic bad debt experience adjusted for current activity. In the past bad debts have represented .56 of year end receivable balance. Intensified and consistent collection activity's reduced that allowance percentage to .50 this year.

As required by generally accepted accounting principles, it is necessary to periodically review the overdue accounts to identify those for which there is no likelihood of recovery. The accounts so identified are then "written off" or removed as accounts receivable, and the allowance for bad debt is reduced accordingly.

CODE REQUIREMENTS

Metro Code 5.002.060(h)/(i) states that adjustments and charges to bad debt expenses will follow prudent credit practices. Amounts over \$500 will be reported to the Council and amounts over \$10,000 will require Council approval.

BACKGROUND

<u>TIP FEE</u>	<u>FINANCE CHARGES</u>	<u>TOTAL</u>
\$13,263.87	\$397.90	\$13,661.77

The purpose of this report is to request approval to write-off Sunflower Recycling. On January 15, 1993, Sunflower went out of business. Sunflower was a long-time Metro account. The approved credit application dates back to

April 30, 1980. Early in 1992 Sunflower began developing delinquency problems. The company had expanded its operations to take advantage of the large demand for recycling. The company requested that they be allowed to suspend payments in May 1992 for several months to help them through a cash flow shortage period. At the time of this request they were thirty days past due. They were not allowed to suspend payments but rather a payment plan was agreed upon requiring that they pay the current month billing plus \$800 a month. They failed to make the full payments in September 1992 so were placed cash only and a negotiated repayment plan of \$1,700 was agreed upon. They made these payments until a month prior to going out of business. On January 6, 1993, the company was notified they would be denied access to the facilities effective January 19, 1993. That action was taken. The company notified Metro by phone, January 20, 1992, that they had gone out of business January 15.

Sunflower indicates they have no assets and in excess of \$200,000 in unsecured debt. Todd Sadlo has verified this information. High unsecured debt coupled with no assets makes legal action useless. Sunflower has been advised by their attorney's that there is no necessity to file bankruptcy proceedings as there are no assets for creditors to pursue. The initiation of legal action would increase our loss through court costs.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Resolution No 93-1822 for the purpose of recognizing the write off of account receivable number 5083, Sunflower Recycling.

FINANCE COMMITTEE REPORT

RESOLUTION NO. 93-1822 OBTAINING APPROVAL OF THE METRO COUNCIL TO WRITE OFF CERTAIN ACCOUNTS RECEIVABLE

Date: July 15, 1993

Presented By: Councilor Monroe

COMMITTEE RECOMMENDATION: At its July 14, 1993 meeting the Committee voted unanimously to recommend Council adoption of Resolution No. 93-1822. All Committee members were present and voting.

COMMITTEE DISCUSSION/ISSUES: Ms. Karen Feher, Credit Manager, gave the Staff Report. She pointed out that the Metro Code requires Council approval for the write-off of bad debts in excess of \$10,000. This specific resolution requests approval to write-off a debt of \$13,661.67 incurred by the Sunflower Recycling Co. which has gone out of business. She pointed out that since May of 1992 Metro had been working with the company to arrange debt payments which would meet its cash flow situation. The Company made part of its negotiated payments but in January 1993 was denied access to Metro facilities. Shortly thereafter, the Company notified Metro that it had gone out of business. Metro legal staff has verified that the Company has no assets and unsecured debt in excess of \$200,000. This situation makes legal action useless.

In response to a question from Councilor Devlin regarding keeping a record on individuals who are involved in a bad debt situation such as this, Ms. Feher pointed out that such action in this case would probably be to no avail since the credit was approved for a corporation or business and not an individual. She pointed out, however, that the next agenda item (Ordinance No. 93-504) contains a new provision to solve this problem by granting authority to require a personal guaranty of any stockholder who owns more than 10% of the company requesting credit.

Councilor Van Bergen recalled that Sunflower Recycling had received a 1% for Recycling grant from Metro for a bottle washing machine. He asked staff to find out what happened to the machine. Council Staff indicated it would do so and prepare a response to his request.