

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AMENDING METRO) ORDINANCE NO. 90-350
CODE SECTION 5.02.060 TO UPDATE THE)
CREDIT POLICY.) Introduced by Rena Cusma,
) Executive Officer

WHEREAS, The Metropolitan Service District's credit policy has been established by ordinance in Metro Code 5.02.060 providing the terms of credit for commercial haulers using Metro solid waste disposal facilities; and

WHEREAS, To efficiently conduct solid waste services it is necessary to delegate customary and prudent credit management authority for timely decision making; now therefore,

THE COUNCIL OF THE METROPOLITAN SERVICE DISTRICT HEREBY ORDAINS:

Metro Code Section 5.02.060 is amended to read as follows:

5.02.060 Payment of Disposal Charges and Surcharges;
Credit Policy:

(a) Disposal charges and out-of-state surcharges established pursuant to Sections 5.02.020, 5.02.025 and 5.02.055 of this chapter may be paid in cash or check at the time of disposal, or may be paid pursuant to the credit policy established in this section.

(b) For purposes of this section, the following definitions shall apply:

(1) Account charges are "due" on or before the last day of the Month billed and are "past due" thereafter.

(2) Account charges are "30 days past due" on the first day of the month following billing.

(3) Account charges are "45" days past due" on the fifteenth day of the month following billing.

(4) Account charges are "60 days past due" on the first day of the second month following billing.

(c) Persons wishing to dispose of solid waste at Metro disposal facilities on a credit basis shall be required to first submit and have approved an application for credit on a form provided by Metro. That application shall include such provisions as the Metro [~~Director of Solid Waste~~] Executive Officer deems necessary to secure prompt payment. Approval shall be [~~by the Director, and approval shall be granted unless good cause is shown for denial of credit~~] consistent with prudent credit practices.

(d) A finance charge of one and one-half (1-1/2) percent per month (18 percent per annum), computed from the date an account becomes thirty (30) days past due, will be assessed on all accounts which become sixty (60) days past due and will be added to the oldest months charges past due. Finance charges will continue to be assessed on negotiated repayment schedules.

(e) Accounts 45 days past due may be placed on a "cash only" basis until the account is paid in full or brought to within 30 days past due. If an account is allowed to become 60 days past due, permission to dispose of waste at the facility may be denied until the account and finance charges are paid in full.

(f) If, pursuant to subsection (e) of this section, an account is placed on a "cash only" basis more than once during any consecutive 12-month period, or if service is denied because the account is allowed to become 60 days past due, the account may be required to submit a new application for credit. Such new application must be accompanied by a satisfactory payment guarantee bond, or other payment guarantee acceptable to the [~~Director of Solid Waste~~] Executive Officer, which is:

- (1) Effective for one year; and
- (2) Collectable if the account again becomes 60 days overdue during the period of the bond; and
- (3) In an amount equal to 150 percent of the amount due when credit was last suspended or service was denied, whichever is greater.

(g) If a credit customer sells, terminates, or makes substantial changes in the scope of their business after their application for credit was approved, they must notify Metro of this sale,

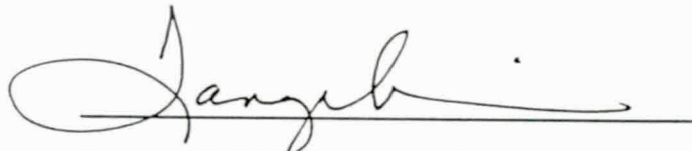
termination, or substantial change immediately. Credit may be discontinued until and unless an application containing the new information is approved.

(h) Adjustment of accounts receivable and reversing of finance charges will follow prudent credit practices; adjustments over \$500 will be reported to the Council in writing on a monthly basis, and adjustments over \$10,000 will require Council approval.

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

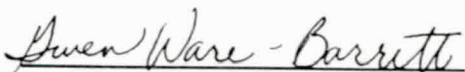
ADOPTED by the Council of the Metropolitan Service

District this 23rd day of August, 1990.



Tanya Collier, Presiding Officer

ATTEST:



Clerk of the Council

RSR/gpwb
90350.ord
08-07-90

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METROPOLITAN SERVICE DISTRICT

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(c) Persons wishing to dispose of solid waste at Metro disposal facilities on a credit basis shall be required to first submit and have approved an application for credit on a form provided by Metro. That application shall include such provisions as the Metro ~~[Director of Solid Waste]~~ Executive Officer deems necessary to secure prompt payment. Approval shall be ~~[by the Director, and approval shall be granted unless good cause is shown for denial of credit]~~ consistent with prudent credit practices.

(d) A finance charge of one and one-half (1-1/2) percent per month (18 percent per annum), computed from the date an account becomes thirty (30) days past due, will be assessed on all accounts which become sixty (60) days past due and will be added to the oldest months charges past due.

(e) Accounts 45 days past due may be placed on a "cash only" basis until the account is paid in full or brought to within 30 days past due. If an account is allowed to become 60 days past due, permission to dispose of waste at the facility may be denied until the account and finance charges are paid in full.

(f) If, pursuant to subsection (e) of this section, an account is placed on a "cash only" basis more than once during any consecutive 12-month period, or if service is denied because the account is allowed to become 60 days past due, the account may be required to submit a new application for credit. Such new application must be accompanied by a satisfactory payment guarantee bond, or other payment guarantee acceptable to the ~~[Director of Solid Waste]~~ Executive Officer, which is:

(1) Effective for one year; and

(2) Collectable if the account again becomes 60 days overdue during the period of the bond; and

(3) In an amount equal to 150 percent of the amount due when credit was last suspended or service was denied, whichever is greater.

(g) If a credit customer sells, terminates, or makes substantial changes in the scope of their business after their application for credit was approved, they must notify Metro of this sale, termination, or substantial change immediately. Credit may be discontinued until and unless an application containing the new information is approved.

(h) The Executive Officer shall have the authority to reverse portions of the finance charge, negotiate repayment schedules, end pursuit of accounts receivable when the likelihood of collecting does not justify further collection efforts, and make minor adjustments to accounts receivable for administrative convenience, all consistent with prudent credit practices. Adjustments over \$10,000 will require Council approval.

ADOPTED by the Council of the Metropolitan Service

District this _____ day of _____, 1990.

Tanya Collier, Presiding Officer

ATTEST:

Clerk of the Council

STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 90-350 AMENDING METRO CODE SECTION 5.02.060 TO UPDATE THE CREDIT POLICY.

Date: July 2, 1990

Presented by: Bob Ricks

FACTUAL BACKGROUND AND ANALYSIS

The original credit policy was established by Ordinance No. 82-146 on November 4, 1982. Since that time, the dollar volume of activity has increased by thirty times and the Financial Services Division has hired a professional credit manager to manage the credit function for the Solid Waste Department. We currently manage over 800 active accounts with many accounts being added or closed each month. As with any organization managing credit, it is necessary to have flexibility in dealing with individual accounts in a timely manner in order to minimize credit losses while still allowing small businesses to participate.

This ordinance makes the following changes:

1. Approval Authority for Lines of Credit with Metro for Solid Waste Services

Persons wishing to dispose of solid waste at Metro disposal facilities on a credit basis are required to first submit and have approved an application for credit on a form provided by Metro. The current ordinance specifies the Director of Solid Waste as responsible for the approval. The proposed modification to Metro Code Section 5.02.060(c) would allow the Executive Officer to delegate the responsibility to the appropriate individuals. A similar modification to Section 5.02.060(f), from the Director of Solid Waste to the Executive officer, relates to reinstatement of credit after a customer has been placed on a cash only basis.

2. More Stringent Standards for Granting Credit

Section 5.02.060(c) is changed from ~~and approval shall be granted unless good cause is shown for denial of credit to~~ consistent with prudent credit practices.

3. Negotiation of Repayment Schedules, Section 5.02.060(d)

The present code stipulates that an account 45 days past due may be placed on a "cash only" basis. At times companies have short-term cash flow problems where insistence of complete prompt payment could push them into bankruptcy. In some of those cases an extended repayment schedule, with payment exceeding the current month's new charges, provides

the probability of higher recovery than demanding all payment at one time. The proposed policy stipulates that finance charges will continue to be assessed even in the event of a negotiated repayment schedule.

4. No Transfer of Credit

To eliminate another potential credit abuse, the addition of Section 5.02.060(g) prevents credit approval from being transferred upon sale, termination, or substantial change in the scope of a business after their application for credit was approved. The customer is required to notify Metro of the change and credit may then be discontinued until and unless an application containing the new information is approved.

5. Adjusting Accounts Receivable for Administrative Convenience and Reversing Finance Charges, Section 5.02.060(h)

Discrepancies \$10 or less are routinely forgiven by the City of Portland and other governmental agencies when their credit managers do not see a pattern of abuse. This costs less than the necessary special account reconciliation and discussion with the customer to determine and demonstrate that the error is not the agency's.

The ability to negotiate a reversal of a portion of the finance charge is a standard tool in credit management. It will be used to achieve collections when disputes in amount due do not justify the time and expense of legal action and in some cases the cost of attempts to find attachable assets if legal action is successful.

6. Ending Pursuit of an Account Receivable, Section 5.02.060(i)

Some companies go out of business, enter bankruptcy with negligible assets, leave the state, etc. When the chance of achieving a collectable judgement of adequate size to economically compensate for the cost of collection efforts is low, it is proposed that the Executive Officer have the authority to end pursuit of the receivable. The credit manager can evaluate the economic merits of pursuit below the small claims court limit. Consultation with legal counsel is available concerning costs and likely results for cases that would require higher level legal pursuit.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Ordinance No. 90-350, updating the credit policy.

FINANCE COMMITTEE REPORT

REVISED

CONSIDERATION OF ORDINANCE NO. 90-350, AMENDING METRO
CODE SECTION 5.02.060 TO UPDATE THE CREDIT POLITY

Date: August 16, 1990

Presented by: Councilor Devlin

COMMITTEE RECOMMENDATION: The Committee considered the Ordinance at its June 7 and July 19, 1990 meetings. At the July 19 meeting, the Committee voted unanimously to recommend approval of Ordinance No. 90-350 as amended. Voting yes were Councilors Devlin, Gardner and Wyers. Councilors Collier and Van Bergen were excused.

COMMITTEE DISCUSSION/ISSUES: Bob Ricks, Senior Management Analyst, presented the staff report. He indicated that the purpose of the Ordinance is to update the Code to allow more flexibility to deal with individual credit accounts in a timely fashion to minimize credit losses. The need for an updated policy stems from the increase in the number of credit customers in the past four years.

Council staff suggested a change to the Ordinance requiring written notice to the Council of adjustments over \$500 to credit accounts (See Exhibit A). The Committee amended the Ordinance to require such reporting.

DEC:aeb
Attachment

A:\ORD-350.RPT

**METRO**2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646**Memorandum** (FIN. COMMITTEE REPORT/
ORD. 90-350)

DATE: June 7, 1990

TO: Finance Committee

FROM: Donald E. Carlson, ^{DE}Council Administrator

RE: Review of Ordinance No. 90-350

This ordinance amends the Metro Code to update the District's credit policies. The amendments appear to be appropriate in that they fix responsibilities on the Executive Officer to administer the policies rather than the Solid Waste Director and they authorize the Executive Officer flexibility to make certain adjustments to credit accounts consistent with prudent credit practices.

A possible addition to the ordinance would be language requiring the Executive Officer to report in writing to the Council when these adjustments are made. If the Committee is interested in pursuing this idea, then the following language could be inserted in subsection (h) after the word "practices" at the end of the first sentence:

"....The Executive Officer shall report any such action to the Council in writing within two weeks of taking the action."

Another issue is the question of delegation of authority. It is unclear to Council staff whether or not this ordinance delegates responsibility to the appropriate department for the approval of credit for solid waste services. Also, is it the intent that authority to make the credit "adjustments" listed is to be delegated?

DEC:aeb
A:\90-350.MEM

STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 90-350 AMENDING METRO CODE SECTION 5.02.060 TO UPDATE THE CREDIT POLICY.

Date: May 15, 1990

Presented by: Bob Ricks

FACTUAL BACKGROUND AND ANALYSIS

The original credit policy was established by Ordinance No. 82-146 on November 4, 1982. Since that time, the dollar volume of activity has increased by over thirty times and the Financial Services Division is providing staff to manage the credit function for the Solid Waste Department. We manage over 800 active accounts currently with many accounts being added or closed each month. As with any organization managing credit, it is necessary to have flexibility in dealing with individual accounts in a timely manner in order to minimize credit losses while still allowing small businesses to participate.

This ordinance provides authorization for the Executive Officer and by delegation of the Executive Officer for subordinates to:

1. Open Lines of Credit with Metro for Solid Waste Services

Persons wishing to dispose of solid waste at Metro disposal facilities on a credit basis are required to first submit and have approved an application for credit on a form provided by Metro. The current ordinance specifies the Director of Solid Waste as responsible for the approval. In point of fact, Finance personnel perform the credit check and it is proposed to allow the Executive Officer to delegate the responsibility to the appropriate department.

2. Reverse Finance Charges

The ability to negotiate a reversal of a portion of the finance charge is a standard tool in credit management. Examples of its use include: inducing payment of bills when there is a disagreement about timing of receipt of payment and other forms of resolution are apt to cost more than warranted; inducing companies which have developed cash flow problems to pay their bill to us in a more timely manner which reduces our risk of bad debt; and as an alternative to small claims court when it is more cost effective.

3. Negotiate Repayment Schedules

The present code stipulates that an account 45 days past due may be placed on a "cash only" basis. At times companies have short-term cash flow problems where insistence of complete prompt payment could push them into bankruptcy. In

some of those cases an extended repayment schedule, with payment exceeding the current month's new charges, provides the probability of higher recovery than demanding all payment at one time.

4. Ending Pursuit of an Account Receivable

Some companies go out of business, enter bankruptcy with negligible assets, leave the state, etc. When the chance of achieving a collectable judgement of adequate size to economically compensate for the cost of collection efforts is low, it is proposed that the Executive Officer have the authority to end pursuit of the receivable.

5. Adjusting Accounts Receivable for Administrative Convenience

Discrepancies \$10 or less are routinely forgiven by the City of Portland and other governmental agencies when their credit managers do not see a pattern of abuse. This costs less than the necessary special account reconciliation and discussion with the customer to determine and demonstrate that the error is not the agency's.

6. Discontinuing Credit when a Customer Sells, Discontinues, or Substantially Changes their Business

Credit is granted based upon the facts at a given time. When the customer sells, discontinues, or substantially changes their business, this ordinance would provide the authority to discontinue credit. The customer would be able to apply for credit again using the new information in a new application.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Ordinance No. 90-350, updating the credit policy.



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Date: August 27, 1990
To: Rena Cusma, Executive Officer
From: Gwen Ware-Barrett, Clerk of the Council
Regarding: TRANSMITTAL OF ORDINANCE NO. 90-347-A
and 90-350

Attached for your consideration are a true copies of Ordinance Nos. 90-347-A and 90-350 adopted by the Council on August 23, 1990.

If you wish to veto these ordinances, I must receive a signed and dated written veto message from you no later than 5:00 p.m., Thursday August 30, 1990. The veto message, if submitted, will become part of the permanent record. If no veto message is received by the time and date stated above, this ordinance will be considered finally adopted.

I, Kathleen Suddell, received this memo and a true copy of Ordinance Nos. 90-347 and 90-350 from the Council Clerk on August 27, 1990.

GWPB:lc
\Mem.Ord.