

PERSONNEL AND ANIMAL WELFARE COMMITTEE REPORT relative to the new electronic payment option for City vendors.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the Controller to:

- a. Establish a new fiduciary fund, titled E-Payables Disbursement Fund, for the purpose of recording payments which have been made to vendors but for which payment has not yet been made to US Bank.
- b. Establish a new Balance Sheet Account within the new E-Payables Disbursement Fund and transfer monies from the General Demand Fund into the new account upon notification from US Bank of completed payments.
- c. Establish a second new fund, titled E-Payables Rebate Fund, for the purpose of depositing e-payables rebate funds and providing resources for payment reconciliation, Department and vendor support, and future maintenance and improvements to the e-payables process and systems.
- d. Deposit e-payables rebate funds from US Bank into the new E-Payables Rebate Fund.
- e. Deposit up to 25 percent of total rebates received into a new account titled E-Payables Processing and Maintenance; and, transfer the balance of available rebate funds to the General Fund.

2. RESOLVE that one position of Senior Accountant I, (Class Code 1523-1) in the Controller's Office to perform payment reconciliations, provide support to vendors and departments, and process payment cancellations when necessary is APPROVED and CONFIRMED.

Fiscal Impact Statement: None submitted by the Controller. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Also referred to the Budget and Finance Committee)

Summary:

On January 16, 2019, your Committee considered an October 29, 2018 Controller report relative to the new electronic payment option for City vendors. According to the Controller, as part of the City's ongoing efforts to improve business processes and better support the vendors with whom the City does business with, the Controller, Office of Finance, Department of General Services (GSD), and the Information Technology Agency (ITA) have been working to improve the City's procurement process. These projects have included Supply Management System

(SMS) replacement, accounts payable enhancements streamlining the Automated Clearing House (ACH) and wire processes, and the Vendor Self-Service module.

The Controller is now ready to begin offering a new payment option to our vendors: E- payables. Through the City's purchasing card partner, US Bank, and in partnership with Visa, vendors who sign up for this option will be notified of payments by email, which will contain an individualized link where they can go claim their payment. The payment will then be immediately transferred to their bank account. These e-payments will be easier to process than paper checks, are less vulnerable to fraud than paper checks, and most importantly, will be available just one day after the City approves the payment. The City will also benefit from this new payment option in the form of rebates provided by the bank on each payment. Depending time and frequency of paying US Bank, the City will receive between 1.10 and 1.85 percent of the total amount paid per e-payable.

Assuming a phased roll-out and conservative estimates of vendor participation, the Controller estimates that the total rebate for the first year of full operation would be between \$1.0 million and \$1.5 million, potentially increasing in future years as the program expands. Additional staff will be required to reconcile payment reports, process cancellations, and fund future maintenance and upgrades. Up to 25 percent of this rebate will be required to cover the cost of new staff and future maintenance and improvements. However, the balance of the rebate proceeds will be recorded as additional General Fund revenue. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the October 29, 2018 Controller report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE



MEMBER VOTE

KORETZ: YES

SMITH: YES

PRICE: YES

ARL

1/16/19

-NOT OFFICIAL UNTIL COUNCIL ACTS-