



CITY COUNCIL AGENDA REPORT

MEETING DATE: NOVEMBER 16, 2010

ITEM NUMBER:

SUBJECT: RESOLUTION AUTHORIZING ACCOUNTS PAYABLE AGREEMENT WITH COMMERCE BANK, N.A.

DATE: OCTOBER 18, 2010

FROM: FINANCE DEPARTMENT, OPERATIONS DIVISION

PRESENTATION BY: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR, (714) 754-5219

RECOMMENDED ACTION:

Adopt resolution 10-XX authorizing the City to enter into an accounts payable agreement with Commerce Bank, N.A.

BACKGROUND:

The City processes approximately 1,500 vendor payments monthly. All vendor payments processed through our accounts payable unit are paid by check. Commerce Bank, N.A. offers a no cost Electronic payment program that allows the City to pay participating vendors through an unsecured line of credit and the City will receive monthly revenue share for the convenience.

ANALYSIS:

Finance staff met with Commerce Bank representatives back in March 2010 to learn about their accounts payable payment services offered by the Bank. This accounts payable program allows the City to pay participating vendors through electronic means instead of paying by check. Participating vendors, in turn for the convenience of having access to the funds immediately, will pay a fee which is already built into the cost of doing business.. The City will receive a revenue share of 80 bps (basis points) on the total transaction processed. The more vendor payment transactions processed through Commerce Bank the more revenue sharing the City will receive, up to 120 bps (see Revenue Sharing in the Agreement).

Commerce Bank reviewed a list of vendors the City paid during a twelve month period and they identified approximately twenty-five vendors that would likely participate in this program. Vendors wanting to participate in this payment program will be enrolled by Commerce Bank. The City will continue to process vendor payments through our accounts payable system but instead of generating a check, the City will create an output file that is electronically sent to Commerce Bank. The vendors paid electronically will still be listed on the check register that is sent to Council for approval. Additional benefits include: hard and soft dollar cost savings from eliminating check payment to select vendors, increased cash flow, mitigated risk, enrollment of vendors completed by Commerce Bank as well as all set up.

Other cities and districts participating in this accounts payable payment program are Fountain Valley, Pasadena, Upland, Rancho Cucamonga, Burlingame and the Orange County Sanitation District. Other Commerce Bank clients in California include numerous hospitals, school districts, and corporations.

ALTERNATIVES CONSIDERED

No other alternatives were considered.

FISCAL REVIEW

The City could potentially receive \$50,000 to \$250,000 in annual revenue sharing depending on the number of participating vendors and the volume of payment transactions through this payment system. There is no cost to the City.

LEGAL REVIEW

The City Attorney has reviewed and approved the agreement with Commerce Bank and attached resolution to form.

CONCLUSION:

Adopt the attached resolution to enter into an accounts payable agreement with Commerce Bank, N.A.

COLLEEN O'DONOGHUE
Assistant Finance Director

Attachment 1: [Resolution 10-XX](#)
Attachment 2: [Commerce Bank Agreement](#)