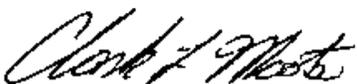


**MEMORANDUM**  
**COUNTY OF PLACER**  
**ADMINISTRATIVE SERVICES DEPARTMENT**

TO: Honorable Board of Supervisors

FROM: Clark L. Moots, Director of Administrative Services 

DATE: May 8, 2007

SUBJECT: Recommendation to Adopt a Resolution Amending the County's Invoice Payment Policy as Referenced in Sections 1.2(i) and 3.12(b) of the Purchasing Policy Manual

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**ACTION REQUESTED**

Adopt a resolution amending the County's Invoice Payment Policy, as referenced in Section 1.2(i) and 3.12(b) of the Purchasing Policy Manual. This change will enable discounts of less than \$2.50 to be taken, and for any time period offered, when processing invoices for payment.

**BACKGROUND**

On September 5, 2000 the Board of Supervisors passed Resolution No. 2000-195 to amend the Purchasing Policy Manual to add Section 1.2(i). This section specifies the County's invoice payment policy, including the calculation of prompt payment discounts. The policy provides that the County will not take discounts of less one-half percent (1/2%), or less than \$2.50, or within a discount period of 20 days from the date of the invoice. This addition to the Purchasing Policy Manual formalized a practice that had been in use for several years, under the guidance of the Auditor-Controller. In addition, it enabled Procurement and the Auditor to clearly communicate the County's payment policy to vendors who provide goods and services to the County.

The original practice was adopted prior to the implementation of the County's current financial system (PAS). At the time, it was determined that the amount of staff time involved in discounting payments outweighed the benefit, if the discount were less than one-half percent (1/2%) or less than \$2.50. The Auditor-Controller has recently advised Procurement that the PAS financial system is able to efficiently process discounts with minimal staff intervention. They also advised that processing times have greatly improved in recent years. The Auditor-Controller has requested that the restrictions in the County's payment policy be removed to enable all discounts to be considered, regardless of the amount or discount period.

Section 3.12(b) of the Purchasing Policy Manual enables the Procurement Services Division to consider prompt pay discounts when evaluating competitive bids, providing such discounts are within the guidelines of Section 1.2(i). Prompt pay discounts can sometimes affect the outcome of the award. However, it would not be reasonable to consider a discount during the bid evaluation process if the discount period was so short that the County would not likely be able to process payment quickly enough to take the discount. It is recommended that Section 3.12(b) be amended to enable the consideration of prompt pay discounts only if the discount period is 10 days or more. Prompt pay discounts of less than 10 days would still be recognized during the payment process, and the Auditor would endeavor to take such discounts whenever possible.

Honorable Board of Supervisors

May 8, 2007

Re: Resolution to Amend Secs. 1.2(i) and 3.12(b)  
of the Purchasing Policy Manual

Page 2 of 2

Amendments to the Purchasing Policy Manual require a resolution adopted by your Board. Attached is the resolution and the related changes to the affected sections of the manual, which will become effective upon adoption of the resolution.

**FISCAL IMPACT**

By enabling the Auditor to take more discounts, this resolution will reduce the County's total expenses. However, it is not possible to determine the overall impact at this time.

*Attachment: Resolution*

cc: Dave Seward, Purchasing Manager  
Kathy Martinis, Auditor-Controller

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF PLACER, STATE OF CALIFORNIA**

In the matter of:

Resolution No.: \_\_\_\_\_

Related to Ord. No: \_\_\_\_\_

A RESOLUTION AMENDING SECTIONS 1.2(i) AND 3.12(b) OF THE PURCHASING POLICY MANUAL, TO ENABLE DISCOUNTS OF LESS THAN \$2.50 TO BE TAKEN, AND FOR ANY TIME PERIOD OFFERED, WHEN PROCESSING INVOICES FOR PAYMENT

The following **RESOLUTION** was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held \_\_\_\_\_ by the following vote on roll call:

Ayes:

Noes:

Absent:

**Signed and approved by me after its passage.**

\_\_\_\_\_  
**Chairman, Board of Supervisors**

Attest:  
Clerk of said Board

\_\_\_\_\_

**BE IT HEREBY RESOLVED** by the Placer County Board of Supervisors that the Purchasing Policy Manual is amended as shown in Exhibit A, which is attached hereto.

Additions are shown in underlined text; deletions are shown with a strikethrough.

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**EXHIBIT A** to a Resolution Amending Sections 1.2(i) and 3.12(b) of the Purchasing Policy Manual, Allowing Discounts of Less Than \$2.50 to be Taken When Processing Invoices For Payment

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1.2 Competitive Procurement - General (Cont'd.)

- (i) Invoice Payment Policy. The County will make payment on a net 30-day basis unless a cash discount of ~~one-half percent (1/2%) or greater, which amounts to \$2.50 or more,~~ is allowed. ~~for payment within not less than twenty (20) days.~~ The payment term shall begin on the date the merchandise is inspected, delivered and accepted by the County, or on the date a correct invoice is received in the office specified in the order, whichever is later. Prompt payment discounts shall be considered earned if payment is postmarked or personally delivered within the prescribed term. For the purposes of this section, the beginning date described above shall be considered day zero for the purposes of counting days in the prescribed term.

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3.12 Bid Evaluation

Bids shall be evaluated based on the requirements set forth in the Invitation for Bids, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Those criteria affecting price shall be objectively measurable, such as discounts, transportation costs and life cycle or total ownership costs. The Invitation for Bids shall set forth the evaluation criteria to be used. No criteria may be used in a bid evaluation that are not set forth in the Invitation for Bids.

Examples of evaluation criteria that may be used include:

- (a) Adherence to all conditions and requirements of the bid specifications;
- (b) Total bid price (including any trade discounts, or prompt pay discount of ~~ten (10) twenty days or more and 1/2 percent or greater which amounts to \$2.50 or more,~~ unit price, or extended price;