



CITY OF OAKLAND

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OAKLAND

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AGENDA REPORT

TO: HENRY L. GARDNER
INTERIM CITY ADMINISTRATOR

FROM: Deborah Barnes

SUBJECT: Supplemental Report
To Prompt Payment Amendment

DATE: October 17, 2014

City Administrator
Approval

Date

10/21/14

COUNCIL DISTRICT: # or City-Wide

REASON FOR SUPPLEMENTAL OR REPLACEMENT

This supplemental report serves to provide the actual rate for charging Prompt Payment interest when calculating simply daily interest. In the report to the Finance Committee of October 28, 2014, the Prompt Payment interest rate in the example was shown as 6.5%. This figure was used to demonstrate the mechanics of the calculation. The actual Prompt Payment interest rate is 10%. Therefore, the example for calculating simple daily interest is as follows:

Simple Daily Interest

The following formula can be used to determine simple daily interest:
 $P(r/360*d)$

- P is the amount of principal or invoice amount;
- r equals the Prompt Payment interest rate; and
- d equals the number of days for which interest is being calculated

For example, if payment is due on April 1 and the payment is not made until April 11, a simple interest calculation will determine the amount of interest owed to the vendor for the late payment. Using the formula above, an invoice in the amount of \$1,500 paid 10 days late and at an interest rate of 10% would be calculated as follows:

$$\$1,500 (.10/360*10) = \$4.17$$

Item: _____
Finance Committee
October 28, 2014

For questions regarding this report, please contact Deborah Lusk-Barnes (510) 238-6270 or dbarnes@oaklandnet.com.

Respectfully submitted,



Deborah Barnes, Director
Contracts and Compliance
City Administrator's Office

Item: _____
Finance Committee
October 28, 2014