



# AGENDA REPORT

**TO:** Elizabeth Lake  
Acting City Administrator

**FROM:** Bradley Johnson  
Finance Director

**SUBJECT:** Informational Report on the  
Implementation and Performance of  
the City of Oakland's Prompt Payment  
Policy

**DATE:** May 18, 2026

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City Administrator Approval

  
Betsy Lake (May 28, 2026 13:57:49 PDT)

Date: May 28, 2026

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## **RECOMMENDATION**

**Staff Recommends That The City Council Receive An Informational Report On The Implementation And Performance Of The City's Prompt Payment Policy.**

## **EXECUTIVE SUMMARY**

This report was prepared in response to a request from Councilmember Janani Ramachandran regarding the implementation and performance of the City's Prompt Payment Policy. The City is required under Chapter 2.06 of the Oakland Municipal Code (*Prompt Payment*) to compensate local vendors and grantees who do not receive payment, for undisputed invoices, within 20 business days of receipt by the City. The calculation of the penalties is performed in the City's financial system at the time the payment is issued.

## **BACKGROUND / LEGISLATIVE HISTORY**

Council [Ordinance No. 12857 C.M.S.](#) was established on January 15, 2008, and codified as Chapter 2.06 of the Oakland Municipal Code (OMC). The purpose of the Prompt Payment Ordinance is to establish policies and procedures to assure that local vendors receive prompt payment and to increase local business contracting opportunities with the City of Oakland.

On November 19, 2014, Council [Ordinance 13269 C.M.S.](#) amended OMC Chapter 2.06 to expand eligibility for this program to local grant recipients.

## **ANALYSIS AND POLICY ALTERNATIVES**

OMC 2.06 establishes an interest penalty on valid invoices that remain unpaid for more than 20 business days, which is equivalent to a 30 calendar day month in the Oracle Financial System. The penalty is calculated at an interest rate of 10% annually and paid monthly. Thus, the

Finance & Management Committee  
June 9, 2026

interest compounds at each 30-day period. Interest calculation is automated and is applied to invoices from Oakland vendors and grantees when payments on valid invoices have not been completed within 30 calendar days.

Payment of prompt payment penalty interest is a relatively rare occurrence. As shown in **Table 1**, approximately ninety six percent (96.0%) of all payments made to vendors covered by the Prompt Payment Policy were issued within the required timeline.

**Table 1: Five-Year History of Prompt Payment Penalties**

	Fiscal Year					Total
	2022	2023	2024	2025	2026 year-to-date*	
<b>Number of Interest Payments</b>	167	343	158	282	231	1,181
<b>Total Number of Payments</b>	6,776	6,414	6,416	5,801	4,311	29,718
<b>% of Payments made within required timeline</b>	97.5%	94.7%	97.6%	95.1%	94.6%	96.0%

\*Reflects payments processed through May 11, 2026.

The citywide compliance rate provides an overall view of prompt payment performance, but compliance can differ across operational areas. While the City does not currently track a standardized metric for average invoice processing time across departments, a review of payment workflows provides insight into the factors that influence processing timelines. Once a complete payment request is submitted to Accounts Payable (AP), the Controller's Office typically processes and issues payment within approximately 7 to 10 calendar days. Most delays occur prior to AP submission and are related to departmental approval workflows, incomplete or incorrect invoices, contract compliance checks, funding issues, or vendor documentation issues. Although average processing time across departments is not available, the number of interest-bearing payments provides a useful indicator of where delays are occurring. **Table 2** summarizes each department's five-year totals for payments, interest-bearing payments, and the resulting compliance rate.

**Table 2: Five-Year Departmental Prompt Payment Compliance Summary**

	Number of Interest Payments	Total Number of Payments	Compliance Rate
Animal Services	6	216	97%
Capital Improvement Projects- Citywide	79	172	54%
City Administrator	26	424	94%
City Attorney	5	80	94%

**Table 2: Five-Year Departmental Prompt Payment Compliance Summary (Continued)**

	<b>Number of Interest Payments</b>	<b>Total Number of Payments</b>	<b>Compliance Rate</b>
City Auditor	-	10	100%
City Clerk	5	76	93%
City Council	6	94	94%
Department of Transportation	56	1,697	97%
Department of Violence Prevention	48	1,120	96%
Department of Workplace and Employment Standard	9	94	90%
Economic and Workforce Development Department	211	1,713	88%
Finance Department	15	824	98%
Fire Department	41	1,526	97%
Housing and Community Development Department	30	1,239	98%
Human Resources Management Department	9	582	98%
Human Services Department	364	5,481	93%
Information Technology Department	6	266	98%
Mayor	4	29	86%
Non Departmental and Port	53	1,550	97%
Oakland Parks and Recreation Department	5	416	99%
Oakland Public Library Department	8	1,040	99%
Oakland Public Works Department	119	8,303	99%
Planning and Building Department	40	514	92%

**Table 2: Five-Year Departmental Prompt Payment Compliance Summary (Continued)**

	Number of Interest Payments	Total Number of Payments	Compliance Rate
Police Commission	-	47	100%
Police Department	72	1,441	95%
Public Ethics Commission	-	51	100%
Race and Equity Department	2	9	78%

The City continues to monitor the circumstances that lead to interest-bearing payments. When late payments occur, AP reviews the underlying workflow to identify whether delays were caused by incomplete invoices, departmental approval bottlenecks, or contract compliance issues. Corrective actions typically include additional staff training, clarifying documentation requirements, and reinforcing departmental approval timelines.

To further strengthen prompt payment performance, the City could expand vendor participation in the centralized invoice submission portal, which would reduce manual processing, improve invoice accuracy, and shorten intake timelines. The City is also in the process of implementing a virtual pay system with its banking partner, which is expected to streamline payment issuance and reduce reliance on printed checks. In addition, enhancing departmental accountability for timely invoice approvals and expanding training on invoice completeness and coding requirements would help reduce avoidable delays and improve overall compliance with the Prompt Payment Policy.

### **RELATED PLANNING EFFORTS**

This agenda item is a routine item and does not relate to any Oakland strategic planning efforts.

### **FISCAL IMPACT**

As shown in **Table 3**, the financial impact of prompt payment penalties is minimal relative to total City payments of nearly \$1.8 billion over a five-year period. Although individual penalties may be meaningful to affected vendors, the overall financial impact to the City remains very small. Expenses for prompt payment penalties represented approximately 0.02% of total payment expenses over this period, indicating that the cost of interest penalties is immaterial in the context of overall City spending.

**Table 3: Five-Year Financial Impacts of Prompt Payment Penalties**

	Fiscal Year					Total
	2022	2023	2024	2025	2026 year-to-date*	
Interest Payments	\$56,805	\$111,289	\$39,829	\$119,228	\$66,444	\$393,595
Total Payments	\$345,961,202	\$326,802,355	\$354,836,852	\$423,533,792	\$311,530,037	\$1,762,664,238
Interest Cost as % of Total Payments	0.02%	0.03%	0.01%	0.03%	0.02%	0.02%

\*Reflects payments processed through May 11, 2026.

Most City departments were responsible for less than \$20,000 in prompt payment interest over this five-year period. Departments with total interest payments in excess of this threshold are presented in **Table 4** and tended to be the departments with substantial overall payment activity. A five-year history of prompt payment penalties for all departments and vendors is included as **Attachment A**.

**Table 4: Five-Year Financial Impacts of Prompt Payment Penalties by Major Department**

	Fiscal Year					Total
	2022	2023	2024	2025	2026 year-to-date*	
Human Services Department	\$35,162	\$40,998	\$9,875	\$45,125	\$16,684	\$147,844
Economic and Workforce Development Department	\$2,936	\$14,561	\$13,881	-	\$13,409	\$44,787
Planning and Building Department	\$12,050	\$26,449	\$517	\$469	\$340	\$39,825
Capital Improvement Projects- City wide	\$324	\$2,775	\$5,709	\$3,084	\$17,704	\$29,596
Department of Workplace and Employment Standard	\$4	\$716	-	\$28,223	-	\$28,943

\*Reflects payments processed through May 11, 2026.

## **PUBLIC OUTREACH / INTEREST**

No outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures because this report is for informational purposes only.

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**COORDINATION**

This report was prepared by the Controller's Bureau.

**RACE AND EQUITY**

This report supports the City's equity goals through documentation of payments made to local Oakland vendors and grantees that provide services to the City. OMC 2.06 seeks to assure that local Oakland vendors and grantees are paid promptly and establishes a mechanism for their additional compensation when this does not occur. This report documents the payment of such additional compensation.

The Prompt Payment Policy is intended to support small local business enterprises, which often have limited cash flow and rely on timely payments to sustain operations. The City's overall compliance rate of approximately 96 percent helps reduce financial strain on these vendors by ensuring that most invoices are paid within the required timeframe. Continued expansion of the City's invoice submission portal and the planned implementation of a virtual pay system are expected to further benefit small and disadvantaged local businesses by reducing processing times, improving payment predictability, and minimizing administrative burdens.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive An Informational Report On The Implementation And Performance Of The City's Prompt Payment Policy.

For questions regarding this report, please contact POOJA SHRESTHA, CONTROLLER, at 510-238-6776.

Respectfully submitted,

  
Bradley Johnson (May 27, 2026 11:25:50 PDT)

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Prepared by:  
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Controller's Bureau

Attachments (1):

***Attachment A: Five-Year History of Prompt Payment Penalties by Department and Vendor***