



Denver City Council

Summary Finance Committee

Date: Thursday, June 8, 2006 1:30 PM Council Conference Room

Committee Members Present: Boigon, Chair, Lehmann, MacKenzie

Committee Members Absent: Brown, Faatz, Garcia, Wedgeworth

1. Contract with Maxor Plus

Committee Action

The Committee supported adding \$610,000 to the contract with Maxor Plus (for a total contract of \$1,090,000) for pharmacy benefits for the workers' compensation program through the end of 2007.

Summary of Discussion

Ray Sibley, Risk Management Department, explained that the contract with Maxor Plus provides pharmacy management services for the City's Workers' Compensation Program. The initial three year agreement was obtained through a competitive process and expires December 31, 2006.

Mr. Sibley estimated that the contract has saved the City about \$50,000 to \$60,000 savings per year in volume discounts and reduced handling and processing costs. He requested approval to extend the contract through 2007 and add \$250,000 in additional funds for the year 2006 and \$360,000 for 2007.

2. Prompt Payment Report

Summary of Discussion

Dr. Sharon Bailey & Julie Vlier, Auditor's Office, presented the Auditor's 2005 report on compliance with the City's prompt payment ordinance. Overall, the report indicates that the City paid 98.9% of its invoices on time and incurred a total of \$47,260.66 in interest payments. (See attached.) The lowest compliance rates were still above 90% for all agencies. Most lower performing agencies had problems associated with staff turnover that were expected to improve.

3. Supplemental request for agency prompt payments

Committee Action

The Committee supported appropriating \$56,000 from the contingency fund to the Budget and Management Office for cumulative prompt payment interest for all agencies for the first four

months of 2006 since delays resulted from problems with implementation of the PeopleSoft financial upgrade.

Summary of Discussion

Mel Thompson, Budget Director, explained that the City encountered difficulties in implementing the upgrade to the PeopleSoft financial system, resulting in numerous late payments to vendors. The prompt payment interest for January through April 2006 on these late payments totals \$56,000—more than all of 2005. The intent is to appropriate the entire amount for the first four months to Budget and Management and to make the payments from one source. Since the agencies had technical problems not of their making, the penalties will not be taken out of their own budgets as per the usual prompt payment protocol.