City of Grand Island

Tuesday, July 1, 2014
Study Session

Item -1

City of Grand Island Credit Card Purchasing Program

Staff Contact: Jaye Monter, Finance Director

Council Agenda Memo

From: Jaye Monter, Finance Director

Meeting: July 1, 2014

Subject: RFP-Credit Card Purchasing Program

Item #'s: 1

Presenter(s): Jaye Monter, Finance Director
                   William Clingman, Senior Accountant

Background

In 2003, the City established its first City Credit Card Program for city purchases. The department issued credit cards were intended to be used for small purchases and convenience of employee required travel. The current credit card program has become cumbersome and obsolete. The current credit card program also does not utilize the spending power of the City or provide the City with a rebate that is commonplace with many large scale credit card programs.

A request for proposals (RFP) was sent out in March of this year in search of a new City of Grand Island Credit Card Program. The City received 10 responses and the selection committee invited three for in-depth demonstrations. The selection committee brought forward the recommendation to the department directors the Bank of America Credit Card Program.

Discussion

Every year the City of Grand Island pays over $100 million to outside vendors. By switching to the proposed credit card program and capturing even 10% of that spending would provide the City with an estimated $170,000 in rebate or cash back.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

It is the intent of City Administration to bring this issue to a future council meeting for Council consideration.

CITY OF GRAND ISLAND

REQUEST FOR PROPOSAL
FOR
CREDIT CARD SOLUTION

RFP DUE DATE:	**April 15, 2014 at 4:00 p.m.**
DEPARTMENT:	**Finance**
PUBLICATION DATE:	**March 26, 2014**
NO. POTENTIAL BIDDERS:	**10**

SUMMARY OF PROPOSALS RECEIVED

Wells Fargo Bank
Grand Island, NE

J.P. Morgan
Salt Lake City, UT

Union Bank & Trust Company
Lincoln, NE

Bank of America/Merrill Lynch
Huston, TX

Bank of the West
Sacramento, CA

BMO Treasury & Payment Solutions
Toronto, Canada

First National Bank
Grand Island, NE

Great Western Bank
Sioux Falls, SD

cc: Jaye Monter, Finance Director   Mary Lou Brown, City Administrator
      Stacy Nonhoff, Purchasing Agent   Billy Clingman, Sr. Accountant

P1726

FINANCE

City of Grand Island
Request for Proposals
Bank of America
Credit Card Program

William Clingman, CMA

Senior Accountant

What do these two things have in common?

6.86 Police Cruisers

1 Caterpillar 938K Loader

Answer

- Both items are similar to recent purchases the City has made

- Purchasing each would cost the city about $170,000

- They could potentially be purchased with

NO taxpayer dollars and

No Changes to City Procurement Rules

Spending Today

In 2013 The City of Grand Island spent roughly

$106.6 million

with outside vendors

Spending with New Credit Card Program

Our goal is to run $10 million per year thru the City of Grand Island credit card program by:

- **Making no changes to the existing procurement code**
- Increasing point of sale purchases
- Utilizing the ePayables solution offered by the bank

Procurement Code

- Purchases under $2,500 for materials and supplies or $7,500 for service contracts do not require 3 quotes

- Purchases up to $20,000 require 3 vendor quotes

- Purchases over $20,000 require formal bid process

- **No changes will be made to procurement rules with new credit card program**

Point of Sale Purchasing

- Allows vendor to receive immediate payment
- Will broaden scope of potential suppliers
  - Vendors will not have to take a PO and subsequently send an invoice
  - Vendors will not have to wait weeks for payment
- Tighter spending controls with limits on vendor purchasing categories

ePayables

- Bank of America will contact vendors directly for set up of Vendor ePayable payment process
- Allows vendors to receive faster payment
- Invoice approval by Supervisors/Directors and Payment of Claims process remain unchanged
- Vendors receive payment via credit card voucher after Council approval of Payment of Claims
- **No change to procurement code for purchasing**

Indirect Savings

- Staff time savings thru electronic workflow approval
- Reduction/Elimination of paper
  - All documentation will be scanned
  - Physical documentation will not be sent to Finance Dept.
- Elimination of records storage and retention
  - Elimination of physical (paper) record storage
  - Elimination of storing digital records on City servers

Increased Fraud Controls

- Ability to shut off a card without calling the bank
- Spending limits will be set for each card AND for a single transaction
- Restrict types of purchases
  - Limit the purchasing categories a card can be used for
  - Limits are created on a card by card basis
- Quicker management and accounting review
  - Set up notices for unreconciled transactions
  - Better transaction visibility

Bank of America Credit Card Program

- The City must spend at least $1,000,000 each year

- Rebate, or <u>CASH BACK</u>, is currently on track to pay out at 1.69%

- Rebate can increase based on total Cooperative spending – the next level will likely be achieved this year

- "Large Ticket" item rebate is 0.40%
  - Vendors must meet the Visa/MasterCard requirements in order to qualify as a large ticket vendor
  - Purchase must be over $7,250

- Digital document storage for 7 years, which meets IRS requirements

Rebate Distribution Example

Rebate will be paid out to each fund based upon their contribution to the total City of Grand Island credit card spending for the year.

Example			
Rebate Paid for the Year			$177,000
Fund	Spending*	% of Total Spending	Rebate paid to Fund
General Fund	$6,000,000	50%	$88,500
Landfill	$500,000	4%	$7,375
Golf Course	$100,000	1%	$1,475
IT	$200,000	2%	$2,950
Electic	$3,200,000	27%	$47,200
Water	$2,000,000	17%	$29,500
	$12,000,000	100%	$177,000

*Spending includes $10M of regular spend and $2M of large ticket spend

Why the City Needs this Change

Current
2003 Credit Card Program

- Current system provides NO cash back
- Current system is an <u>18</u> step process;
- Current system is a manual process requiring physical documents and approval
- Current system does not seamlessly integrate with City accounting software

Bank of America
Credit Card Program

- New system would provide robust cash back
- New system would be a <u>8</u> step process
- New system is entirely electronic after dept. scan of receipt/invoice
- New system integrates with City accounting software

Process Steps

	Current System	Bank of America
1	Finance downloads Transactions	Card user scans receipt/documentation
2	Finance sorts the transactions	Card user inputs account codes for the purchase via the online system
3	Finance saves a file for each card	Card user submits charges for approval
4	Finance emails files out to the appropriate people	Purchase is pushed thru the designated electronic approval workflow
5	Department matches receipts to transactions	Finance transfers approved/reconciled transactions to Munis
6	Department adds account code(s) to the file for each transaction	Finance posts the transactions in a credit card AP batch
7	Department approves transactions	Council approves the charges
8	Department emails electronic file to Finance	Finance remits payment to Bank of America
9	Department sends physical file (with all the receipts/documentation) to Finance	
10	Finance recombines the separate electronic files	
11	Finance recombines the physical files	
12	Finance reviews the physical files for unallowed items and verifies appropriate documentation is included	
13	Finance creates a TXT file for upload into Munis	
14	Finance uploads the TXT file	
15	Finance verifies the upload and corrects any errors	
16	Finance posts the credit card AP batch	
17	Council approves the charges	
18	Finance remits payment to the credit card company	

Thank You