



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-22

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

July 13, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution authorizing the City Manager to execute a master agreement with US Bank National Association ND, of Fargo, ND, for a Commercial Credit Card Program, on the same terms and conditions afforded to the City of Los Angeles, pursuant to City Manager approval. (Citywide)

DISCUSSION

City Council approval is requested to authorize the City Manager to execute an agreement for providing purchasing card services to the City of Long Beach. On May 15, 2001, the City Council approved a contract with Bank One NA for purchasing card services. During the term of that contract, Bank One NA was purchased by JP Morgan Chase, which is the City's current provider for purchasing card services.

Participation in a purchasing card program provides a number of cost efficiencies and administrative benefits to the City, including:

- Reduces administrative costs to the City;
- Eliminates purchasing delays on small dollar transactions;
- Reduces the number of checks issued;
- Improves supplier relations;
- Improves transaction reporting while reducing the amount of paperwork; and,
- Accelerates rebates on paid transactions.

Purchasing card expenditures represent small dollar transactions and have proven to be a valuable tool reducing the amount of invoices and staff time in processing payments. The recommended program provides a number of internal control improvements and security that enhance accountability, improve best practices and increase program oversight. In addition to these benefits, the Purchasing Division will establish the following card controls and limits: 1) credit limits (dollar amount per cycle); 2) single amount limit (dollar amount per transaction); and, 3) Merchant Category Code (MCC) groups. It is the intent of the Purchasing Division to implement an effective purchasing card program which will encompass on-going training, approved Administrative Regulations, annual City Auditor review and reporting to maintain compliance.

On March 9, 2010, City Council recommended the City Manager explore opportunities to participate in contracts with other large government organizations, as permitted by section 1802 of the City Charter, to allow greater leverage and economy of scales in purchasing. The proposed recommendation to execute a master agreement with US Bank National Association ND (US Bank) provides benefits from a larger economy of scale. Specifically, by participating under the agreement established with the City of Los Angeles, the City of Long Beach's quarterly amounts spent will be combined with the City of Los Angeles in US Bank's rebate formula, thus providing Long Beach and the City of Los Angeles with a higher rebate amount.

The City Charter provides an alternative procurement method by permitting the City to purchase or otherwise obtain services, supplies, materials, equipment and labor with other governmental agencies by purchasing under their contracts on a voluntary and selective basis when authorized by a Resolution of the City Council.

The Department of Financial Management, Purchasing Division, investigated purchasing card program options and learned that the City of Los Angeles had completed a competitive bid process for a purchasing card program and has a contract with US Bank that better meets the City's needs. The City Auditor's Office participated in the review of this program and concurs with the recommendation. This cooperative purchase agreement will facilitate the timely implementation of an improved purchasing card program and provide immediate cost benefits to the City.

This matter was reviewed by Deputy City Attorney Amy R. Burton and Budget and Performance Management Bureau Manager David Wodynski on June 24, 2009.

TIMING CONSIDERATIONS

City Council action to adopt the attached Resolution is requested on July 13, 2010 to ensure that the contract is in place expeditiously to minimize disruption of service.

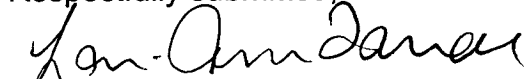
FISCAL IMPACT

There are no costs related to this contract; however, the increased controls provided by the contract are expected to improve operations and cost effectiveness through increased oversight of transactions.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:


PATRICK H. WEST
CITY MANAGER

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH AUTHORIZING THE CITY
MANAGER TO EXECUTE A MASTER AGREEMENT WITH
U.S. BANK NATIONAL ASSOCIATION ND FOR A
COMMERCIAL CREDIT CARD PROGRAM THROUGH THE
AGREEMENT WITH THE CITY OF LOS ANGELES,
CALIFORNIA

WHEREAS, the Charter of the City of Long Beach ("City"), Section 1802,
permits the City to purchase services, supplies, materials, equipment and labor with other
government agencies by purchasing under their contracts on a voluntary and selective
basis when authorized by resolution; and

WHEREAS, the City desires to execute a master agreement with U.S. Bank
National Association ND for a Commercial Credit Card Program; and

WHEREAS, the City of Los Angeles has a master agreement for a
commercial credit card program under Amendment No. 2 to the U.S. Bank Commercial
Card Master Agreement ("LA Agreement"); and

WHEREAS, the City's participation in the LA Agreement will facilitate
acquisition of the Commercial Credit Card Program as well as provide considerable cost
benefits to the City; and

WHEREAS, if the City had to go to formal bid rather than participate in the
LA Agreement, considerably more funds would be required;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as
follows:

Section 1. The above recitals are true and correct and are incorporated
hereby by this reference.

Section 2. The City Manager of the City is hereby authorized to enter a master agreement with U.S. Bank National Association ND for a Commercial Credit Card Program of substantially the same type and kind purchased by the City of Los Angeles, California pursuant to the LA Agreement except as modified by mutual agreement of the City and U.S. Bank National Association ND, and the purchase by the City shall be on the same terms and conditions afforded to the City of Los Angeles.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2010 by the following vote:

Absent: Councilmembers: _____

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