TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER    DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JULY 19, 2004    CMR: 356:04

SUBJECT: IMPLEMENTATION OF THE PILOT CAL-CARD PROGRAM

This is an informational report and no Council action is required.

BACKGROUND
The existing Bank of America procurement card program, although successful, is not compatible with SAP. The procurement card is used for small, routine purchases under $5000. A manual approval and review process is conducted monthly of all procurement card transactions and a journal is done to apply the cost of these charges to a single cost assignment in participating workgroups. Although a rolled-up summary of these transactions is available in SAP, the detail for analysis by Purchasing and the rest of the organization is not.

The State of California implemented the CAL-Card Procurement Card program statewide in July 1994. The City of Santa Rosa, one of the first local municipalities to implement the program, is reporting a savings of approximately $6,250 a month in reduced processing time for purchases in its first year of the program. The cities of San Diego, San Jose, San Rafael, Chula Vista and Richmond are also using the CAL-Card program, as are many other governmental agencies in the State of California, and all agencies report excellent results with the program.

DISCUSSION
The City of Richmond has designed and built a software program that transmits CAL-Card transaction information to SAP on a weekly basis. This program has proven to be fully compatible with SAP. The City of Richmond is willing to provide the software program to the City of Palo Alto free of charge. Using the software and Cal-Card program together creates a more streamlined review and approval process. In addition, all transactions will be recorded individually for further review and analysis.
The key benefits of the program will be: 1) reduced staff time to complete the purchasing and payment process for smaller purchases; and, 2) allow Purchasing to concentrate on large dollar purchases and contracts as part of the Contract Streamlining efforts. It is also anticipated that the program will increase the City’s vendor database and, in particular, increase the participation of small businesses. By eliminating delays in payments to suppliers, which are typically 30 to 60 days or more from receipt and invoicing of goods or services. For small businesses, where access to cash is often limited, the value of this goes beyond the 2% cash float calculation. With CAL-Card, payment can be received in 1 to 3 days.

The ability to misuse the CAL-Card is reduced by the restrictions applied to the card for the type of items that can be purchased as well as by the reports sent to various levels of management. The ability to view purchases across all Departments could provide new procurement opportunities and savings that have not been available to date.

**Implementation**

In August, Purchasing will begin a pilot program with selected volunteers who are current procurement card users. These volunteers from Utilities, Public Works, Police, Fire, Administrative Services, and Community Services will test the CAL-Card program for approximately 90 days. The volunteers have been selected based on their varied activities and their need for off-the-shelf type purchases, as well as their willingness to adhere to strict testing procedures.

The pilot program will also allow Purchasing to fully test citywide control procedures for the Auditor’s review before issuing cards to all departments. Staff will provide Council with a report at the end of the limited pilot program. Once the pilot program has been completed and procedures fully developed, Purchasing will begin a training program for individual departments to cover all the procedures. The Bank of America program will phase out as soon as all users are trained in the new program.

**RESOURCE IMPACT**

The use of the proposed CAL-Card will drastically streamline the procurement, receiving and payment cycle for the organization. An average savings of $100 per transaction is expected. In addition, the CAL-Card program will provide a prompt payment rebate up to .62% of monthly charges.

**POLICY IMPLICATIONS**

The recommendation is consistent with existing City policies.

**ENVIRONMENTAL REVIEW**

This is not a project under the California Environmental Quality Act (CEQA).