



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2011-0351

TO: Mayor and City Council Members
FROM: Jean Farris, Supervisor of Procurement
DATE: September 19, 2011
SUBJECT: Purchasing Card Program

REQUEST:

City Council is requested to authorize the City's Purchasing Card Program and its administration by resolution to Fifth Third Bank, Southfield, Michigan

BACKGROUND:

As part of the City's Request for Proposals for Banking Services responders were requested to propose on Purchasing Cards, as an optional banking service. Proposals relative to the purchasing card program were reviewed by an evaluation team of Fiscal and Purchasing staff with Fifth Third Bank ranking as the best value for the City.

Currently, the City has about 150 active cards with an annual spend of \$600,000 and 3,300 transactions. Purchasing cards are designed primarily for low dollar procurements (under \$1,000). The program provides cost savings and efficiencies to transaction processing for the user departments, Purchasing and Accounting. It is the City's intent to continue to promote and increase the use of the purchasing card.

The Fifth Third program utilizes Mastercard's multi-card (purchasing, travel and fleet) services. The program includes web-based programs allowing real-time online maintenance, authorization control, transaction data within 24-48 hours, liability protection, 3-years of historical data, custom reporting and data integration with the City's financial system. The Fifth Third Program provides a strong customer service component, with local support, a crucial element for us to administer a responsible card program.

The City's current program requires a small fee for the administrative software. The new card program requires no administrative fee and will rebate initially .75% of the City's annual spend volumes (approximately \$5,000). Although rebates offered by banks ranged from 0 to approximately 1%, Fifth Third was the only proposer to identify a participation threshold of \$500,000, allowing the City, with its current spend, to immediately qualify for rebate.

During further discussions with Fifth Third Bank, the concept of developing a program for the MITN group was presented by the City. The City of Farmington Hills, with a similar purchasing card spend, had expressed interest in piggybacking on Rochester Hills contract. Fifth Third Bank, clearly understanding the financial structure and needs of local government, agreed to reduce the individual threshold for participation in the program to \$250,000. The bank is in the process of developing an aggregated spend program with graduated increases in the percentage of rebate for

the MITN cooperative group. This structure will provide the opportunity for Rochester Hills and all participating agencies to see an increase in the rebate percentage.

Once the City of Rochester Hills, as the lead city, awards the contract, the City of Farmington Hills will have the ability to also participate in the program and the bank can proceed with extending the program to the MITN group.

RECOMMENDATION:

It is recommended that the Rochester Hills City Council authorize the City’s purchasing Card program and its administration by resolution to Fifth Third Bank, Southfield, Michigan.

| APPROVALS: | SIGNATURE | DATE |
|----------------------|-----------|------|
| Department Review | | |
| Department Director | | |
| Mayor | | |
| City Council Liaison | | |