

REPORT OF GENERAL MANAGER

NO. 04-309

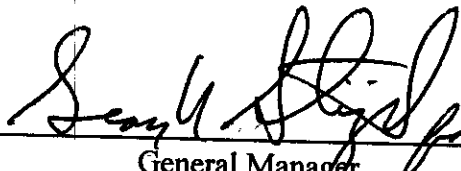
DATE October 20, 2004

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: AUTHORIZATION TO OPEN CREDIT AGREEMENT WITH SMART & FINAL STORES CORPORATION AND APPROVAL OF POLICY AND PROGRAM MANUAL FOR USE OF SMART AND FINAL CREDIT CARDS

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 General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve, subject to City Attorney approval as to form, the Department entering into a credit agreement with Smart & Final Stores Corporation for expenditures from the Municipal Recreation Program Account 0001B, Department 88, Fund 301;
2. Approve the Smart & Final Policy and Program Manual, substantially as attached, which establishes policies and procedures for use of Smart & Final credit in accordance with the policies of the City Controller for such activity; and,
3. Authorize the Department's Chief Financial Officer to sign a credit application to Smart & Final Stores Corporation for the Department.

SUMMARY:

On a regular basis, Department staff makes purchases of snacks, food, paper goods, and beverages in connection with programs at our recreation centers, child care sites, senior centers, and special facilities. The preponderance of these purchases are nutrition for youth during sports, day camp, and various activities, or for picnics and similar youth activities. Some such purchases are also for community events, such as holiday open houses or for volunteers. Funds for these purchases are included in registration fees for day camps, sports leagues, child care, and other use fees. Those fees are deposited into the Municipal Recreation Program (MRP) account for the facility where they were collected, to be available for use in purchasing snacks, food, beverages, and paper goods when the program activity calls for those items. The current expenditure for these items, fully funded by the MRP accounts, is at least \$500,000.00 annually.

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PAGE 2 NO. 04-309

For many years, the practice of the Department was that individual facility directors would visit a local grocery store, purchase needed items for the day or week, and submit a receipt to accounting for reimbursement from the MRP account. As costs have risen and programs expanded, this practice has placed unfair burdens on staff members and created a fuzzy accountability since purchases are not funneled through official Recreation and Parks accounts. The repetitious processing of tens of thousands of small transactions is inefficient. Over the last year, the Department has been responding to a Controller audit recommending changes in the overall MRP expenditure practices, with a conversion to use of existing City contracts, establishment of Department-specific agreements, and use of authorized credit accounts with vendor business units, managed at a Department-wide level, monitored by the Controller, and leveraged for volume discount.

The Department made contact with several major grocery suppliers in Southern California and discussed with the General Services Department purchasing section the potential use of existing City contractors. Smart & Final Stores Corporation was the only local vendor who could meet the product needs of the Department, would allow purchases in small enough quantities to store at facilities, and would extend credit terms acceptable to the City and practical for controlling credit use. Many recreation facilities already use Smart & Final for supplies and are satisfied with service and selection.

Smart & Final will issue a Smart & Final purchasing card for each authorized facility, and allow up to three authorized users per card (who must show identification). They will bill on a single combined monthly statement, with no finance charge for late payments, and a 2% discount for on-time payment. They offer web-based visibility of purchase receipts and will provide special information and data to the Department and Controller on request for the purpose of monitoring transactions and tracking purchase trends. The Department will provide a list of commodity types, such as equipment, which by City policy is inappropriate for purchase under the card, and Smart & Final will send an e-mail notification immediately upon a purchase of that commodity so that administrative staff can follow up. The Department plans to phase in the new credit account use by means of a pilot with about five locations so that we can verify that the new system works to the benefit of the field and meets accounting objectives.

To provide instruction and guidance to the field on use of the Smart & Final credit, staff has prepared a Manual with policies and procedures. This Manual is modeled after the City's procurement card handbook, and similarly conforms to City policy on use of City credit cards. The Manual establishes a \$1,000 limit per transaction, requires the purchase only of food and related supplies, stipulates rules for record-keeping, reconciliation, handling bill disputes, and mis-use that would result in cancellation of privileges, such as use for personal purchases or repeated purchase of non-authorized items. Adoption of the Manual as Department policy establishes that violations are subject to employee discipline procedures.

Transition to use of the Smart & Final cards for these Department purchases is an important step in improving our MRP expenditure practices in line with the Controller's recommendations.

Report was prepared by Linda Barth