

NLC Procurement Card Program

Program Description: This program, which is offered in cooperation with PFM Financial Services LLC (PFM), provides governments and other organizations with procurement cards, or P-Cards. P-Cards are specialized credit cards that are issued to employees responsible for purchasing materials and services. An important difference is the cards do not carry a revolving line of credit. P-Cards streamline the purchasing process, offer internal controls, which allow governments and other users to track and place limits on purchases, prevent fraud and abuse, and earn cash rebates for communities. Governments of all sizes can benefit from this approach to payments.

Program Benefits: The benefits of P-Cards for cities, non profits, and other governments and their employees are as follows:

1. They are a cost-free payment mechanism. There are no invoice, postage, envelope, toner, equipment, and check expenses. The program can be set up for automatic payment from a designated account so that it is not necessary to even write a check. This means that the organization is not writing small checks to its vendors (or its staff for reimbursements) on an ongoing basis. Time is saved on data entry, bank reconciliation, and lost checks.
2. The cards are issued in the name of the cardholder and are billed to the entity. Employees do not have to pay with cash or with a personal credit card and seek reimbursement.
3. The government has the ability to restrict merchant category codes and impose spending limits for each cardholder. Individual card limits can be established per transaction, per day or month, and by vendor.
4. The government receives comprehensive online management reports. Usage and authorization parameters can be reviewed and managed online. There is online access to all cardholders' accounts 24/7. It is possible to receive and integrate transaction data into the organization's accounting system. There is no charge for the system integration if the organization's annual spend is greater than \$10 million.
5. P-Cards improve access to suppliers and materials—employees can make walk-in purchases and order by telephone and over the Internet. Goods and services can be obtained when needed. It may be possible to negotiate savings from suppliers because of improved payment processing.
6. Rebates are paid on 100 percent of the annual net purchasing volume, which is defined as the total of purchases less purchase credits and fraud charges. There is a minimum spend requirement of \$50,000 annually to receive a rebate but the rebate is calculated on the first dollar spent. (A rebate schedule is attached.)

7. Misuse insurance for losses of \$100,000 per cardholder, per incident is provided if the government distributes a minimum of five cards. (There is coverage for a \$25,000 loss if there are fewer than five cards.) This protects the organization from fraud and unauthorized purchases. An employee must be fired in order to collect on the policy.
8. There are immediate charge-backs for disputed charges.
9. There are no charges for the software used to obtain and review reports online.
10. Smaller organizations that make a large number of large purchases may qualify for a higher spending limit on the P-Card compared to a standard credit card because the spending limit is based on the government's purchase history rather than its creditworthiness.
11. It may be possible for the government to negotiate discounts from suppliers if they use a P-Card since supplier costs are reduced – collections are simplified.
12. Used in combination with purchase made through the U.S. Communities Government Purchasing Alliance, cities save two ways.

Program Partner: The Enterprise Program partner, PFM Financial Services, is a wholly owned subsidiary of The PFM Group, a leading independent financial and investment advisor to state and local governments and not-for-profit institutions with approximately \$38 billion of assets under management. The PFM Group, formed in 1975, has 400 employees located in 33 offices in 22 states in every region of the country. These employees serve 7500 clients—75percent of these clients are local governments.

PFM Financial Services has three program staff located in New York and Missouri and 12 sales staff dedicated to the P-Card program. The P-Cards will be issued by a national bank. The issuing bank provides staffing support by signing up clients and doing the necessary credit checks.

NLC's Role: NLC's role in providing this program is to:

1. Work with PFM initially to launch the program.
2. Sponsor the program to members, other governments, state leagues, other nonprofit organizations.

Note: Cities in Pennsylvania are not eligible for this program. PFM already offers a P-Card in Pennsylvania through the state municipal league.

Attachments: Rebate Schedule
Sample Article

**NLC PROCUREMENT CARD
PROGRAM**

REBATE SCHEDULE

Annual Net Purchasing Volume *	Rebate Percentage	Rebate Dollars
\$50,000 - \$99,999	0.25%	\$125 - \$250
\$100,000 - \$299,999	0.40%	\$400 - \$1,200
\$300,000 - \$799,999	0.45%	\$1,350 - \$3,600
\$800,000 - \$1,499,999	0.50%	\$4,000 - \$7,500
\$1,500,000 - \$3,499,999	0.60%	\$9,000 - \$21,000
\$3,500,000 - \$5,499,999	0.65%	\$22,750 - \$35,750
\$5,500,000 - \$7,499,999	0.70%	\$38,750 - \$52,500
\$7,500,000 – \$9,999,999	0.75%	\$56,250 - \$75,000
Over \$10,000,000	0.80%	\$80,000+

* Annual Net Purchasing Volume is defined as the total of purchases less purchase credits and fraud charges.

Sample P-Card Article

Cities Save Two Ways with New NLC P-Card Program

A new payment solution offered by the National League of Cities (NLC), in cooperation with PFM Financial Services LLC, makes it easier for cities to pay for their purchases more efficiently using procurement cards (P-Cards) rather than writing checks. In addition, the use of these cards produces cash rebates on purchases. If purchases are made through the low-cost U.S. Communities Government Purchasing Alliance, the savings are even greater.

P-Cards are specialized credit cards that are issued for official authorized purchases of products and services. P-Cards streamline the acquisition process by eliminating paperwork burdens, enhance internal controls, protect against fraud and misuse, and expedite payments to vendors. The cards are provided at no cost.

On an annual basis, NLC's P-Card users receive a rebate on their purchases if their annual "spend" is \$50,000 or above. The rebate calculation includes every dollar spent up to \$50,000 as well as those dollars above that amount. As spend levels increase, the rebate percentage increases. The \$50,000 minimum threshold is significantly less than many other programs and there are no exclusions or large-ticket discounts that exceed a specific dollar amount.

With declining revenues and tight budgets, this is an ideal time to consider using the NLC P-Card. If there are concerns about distributing cards to employees, keep in mind that an in-house program administrator controls card usage by imposing spending limits, blocking access to merchants, and even limiting the amount charged per transaction. Cities that already have P-Cards might want to switch to the NLC program or at least consider using the card for transactions that are not currently put on a credit card by the finance department or are excluded or discounted under another competing program.

For more information about the program, go to www.nlc.org/enterpriseprograms or contact Denise Belser at NLC at (202) 626-3028 or belser@nlc.org.