



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE ISSUED: April 29, 2005 **Item 100**

REPORT NO: HCR 05-30
For the Agenda of May 6, 2005

SUBJECT: Housing Commission Credit Card Authority

SUMMARY

Issue: Should the Housing Commission authorize the Chief Executive Officer to obtain an Agency credit card with a maximum credit limit of \$5,000 for the purpose of facilitating payment for goods and services where conventional procurement methods are not practical?

Recommendation: That the Housing Commission authorize the CEO to obtain an Agency credit card with a maximum credit limit of \$5,000 to facilitate procurement of Housing Commission goods and services.

Fiscal Impact: The annual fee is \$55. Additional fees will apply to any unpaid balances within a billing cycle at a variable rate of 7.9% to 13.9%. The variable rate is based on the highest Prime Rate published on the last business day within the last three months. The intent would be to pay off the balance each month within the grace period thereby avoiding finance charges.

Environmental Impact: This activity and proposed action is “not a project” within the meaning of CEQA.

BACKGROUND

Certain authorized agency expenditures require prepayment. Examples of these types of expenditures include reserving hotel accommodations, making airline reservations and procuring items over the internet. In nearly all instances, obtaining items through these methods provides the Housing Commission with great efficiency and often the lowest cost for the items procured. These purchases are not conducive to the routine procurement methods used by the Commission. In these instances, staff will typically use a personal credit card to obtain the goods or services and will seek reimbursement from the Commission.

In 1986, a policy was adopted that established regulations specific to the possession and use of credit cards for employees conducting Housing Commission business. In 1992, this

policy was replaced by Administrative Regulation AR-109.000 that is still active today. This new regulation addresses gasoline card usage but no longer includes the use of credit cards for special purchase requirements.

DISCUSSION

The use of credit cards to pay for expenses has become common in the current business environment. Since certain procurements require payment in advance or as security to hold a reservation, credit cards are an essential component of business. Currently, staff will utilize a personal credit card to make Commission related reservations or purchases. This typically creates a hardship for staff, especially those who routinely carry balances on credit cards until reimbursed. Some staff may not even possess a credit card in which case attempts are made to issue agency checks manually or work out individual arrangements with vendors. These non-routine activities, often urgently needed, are extremely inefficient and disruptive to the work environment.

Policy PO203.100, Statement of Procurement Policy, Exhibit I, the Procurement Method states it is acceptable to use one quote for procurement of Goods and Services up to \$5,000. Under Approval Authority, the CEO has authority to approve up to \$100,000. Therefore, the use of an Agency credit card with a limit not to exceed \$5,000 to obtain goods and services is in conformance with current Housing Commission policy.

If approved, the Administrative Regulation will be revised to outline specific procedures and policies for the use of the Agency card. The card will be maintained by the Director of Finance and issued, as needed, to procure specific goods and services. By allowing the use of a single Agency card for non-standard transactions, the Housing Commission is able to effectively centralize and monitor the use of the credit card. Itemized statements are issued that clearly outline business related expenses and the use of the account.

ALTERNATIVE

Do not approve the use of an Agency credit card. This alternative is not recommended because it will require Housing Commission employees to continue to use personal credit cards when necessary and may be a significant financial burden on employees.

Submitted by,

**Signature on File
With Original Document**

Approved by,

Edward P. Mauk, CIA
Director of Financial Services

Elizabeth C. Morris
President & Chief Executive Officer