

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON FEBRUARY 2, 2016
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	CORPORATE CREDIT CARDS FOR COUNCIL MEMBERS

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, no action **BE TAKEN** to issue individual corporate credit cards to each Council Member, it being noted that the limited use of the additional cards would exceed any benefits.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

October 6, 2015 – Corporate Services Committee - Amendment to Council Policy 28(2) Council Members' Expense Account

August 25, 2015 – Corporate Services Committee - Amendment to Council Policy 28(2) Council Members' Expense Account

BACKGROUND

At its meeting held on September 1, 2015, Council requested that the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer report back on whether or not it would be advantageous to issue individual corporate credit cards to each Council Member.

The use of the Corporate Purchasing Card program (corporate credit card) does provide benefits for the Corporation by reducing the number of invoices and cheques processed, as well as the turnaround time for payment. These Purchasing Card benefits are already being realized by the Corporation through the use of a corporate credit card available in the Councillor's Office. Many of the Council Members' expenses, where possible, are currently charged to a corporate credit card issued to administrative staff in the Councillors' Office.

A review of the 2015 expenditures in the Councillor's Office was completed to identify the potential number of additional transactions that could be charged to an individual credit card held by each Council Member. A summary of the findings are shown in the table below:

Total Number of Transactions	580
Less: Credit Card Exempt (primarily contract assistant payments)	(153)
Vehicle Payments (now replaced by transportation allowance or mileage claims for 2016)	(129)
Councillors' Office Purchasing Card	(99)
Direct billing to the City (invoices)	(79)
Travel Expenses (includes expenses covered under per diem allowance which cannot be charged to a Purchasing Card)	(42)
Potential eligible transactions for Purchasing Card	78
Transactions Per Council Member	Less than 6
Monthly Reconciliation (approx. 15 minutes/card)	
- Collect receipts, forms, authorization, account distribution, description, system entry etc.	3.5 hrs/ month

Could be done with current administrative staff card.

Each corporate credit card issued is subject to the terms and conditions as set out in the approved Council Policy 21(1), "Procurement of Goods and Services". These terms include requirements for program administration, audit and monthly reconciliation as well as responsibilities and restrictions placed on each cardholder. A Purchasing Card is only issued once the employee has read, signed and submitted the Cardholder Agreement Form which sets out in writing the employee's responsibilities and restrictions regarding the use of the Purchasing Card. In many cases, the terms and conditions are too restrictive for Council Members' use.

The incremental administrative work (as identified in the chart above) as a result of the monthly reconciliation and authorization of the additional Purchasing Cards for each Council Member would likely exceed the benefit of the issuance of the cards. We anticipate that the usage of a Purchasing Card by each Council Member would be limited and as a result, it would not be advantageous to issue individual corporate credit cards. A more efficient approach would be to increase, where possible, use of the credit card issued to administrative staff in the Councillors' Office.

Procurement Card Policy

Purchasing Card guidelines, responsibilities and restrictions are outlined in Section 18 of the approved Council Policy 21(1) Procurement of Goods & Services. In the current policy, a Council Member is not eligible for a corporate credit card. In the event that it becomes advantageous to issue a Purchasing Card to a Council Member, Council Policy 21(1) Procurement of Goods & Services would need to be amended to take into consideration the status of a Council Member as they are not employees which is defined in the policy as a requirement.

Loyalty and Other Points Programs

Travel and business expense payments made using a personal credit card will be reimbursed in accordance with the Council Policy 28(1) Travel and Business Expenses or 28(2) Council Members' Expense Account policy. The use of a personal credit card based upon "air miles" or "reward points" that reward customers for purchases may have potential income tax implications as a taxable benefit in accordance with the regulations of the Canada Revenue Agency (CRA).

Information and guidance on the income tax treatment with respect to loyalty and other points programs is available on the CRA website and can be accessed at the following link:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/lylty/menu-eng.html>

Conclusion

The volume of transactions does not warrant the issuance of individual corporate credit cards to each individual Council Member. With respect to loyalty points earned on personal cards used for business expenses, the onus is on the individual to ensure the appropriate tax treatment in accordance with the regulations of the CRA.

PREPARED BY:	RECOMMENDED BY:
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