



Purchasing Cards

Date: January 18, 2018
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to obtain authorization to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and the Bank of Montreal; and enter into a separate agreement with the Province of Ontario's Vendor of Record, the Bank of Montreal, for the delivery of services relating to the Purchasing Card (PCard) Program, for an approximate five year term, with two extension options each for an additional two years. The TTC will receive a rebate percentage level based upon the consolidated spend of the Province of Ontario, the Province of Ontario's Provincially Funded Organizations Consortium (which includes the TTC, the City of Toronto and its applicable Agencies, Boards, Commissions and Corporations).

The TTC operates a PCard program that enables TTC cardholders to purchase items for TTC related business only. The TTC receives annual rebates from the PCard provider, based on the aggregate value charged to the PCards used by the TTC during the previous year, and the only annual fees that apply are for "inactive" cards that have limited or no use. The program is intended to provide a more efficient and cost-effective means for TTC cardholders to directly purchase and receive non-repetitive, low dollar value, non-stock, goods and services valued at \$5,000 or less, including all applicable taxes. Excluded from the PCard program are goods and services provided under established contracts. The program is governed by management controls such as transaction limits and Merchant Category Codes (MCC's) which restrict purchases at certain suppliers. TTC's current maximum limit per single transaction is \$5,000 and any exceptions require approval by the Chief Executive Officer (CEO).

Recommendations

It is recommended that the Board authorize:

1. The TTC to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and the Bank of Montreal for the use of Ontario's Vendor of Record Agreement (#OSS-00559105); and

2. The TTC to enter into an agreement with the Bank of Montreal, the Province of Ontario's Vendor of Record, in the total upset limit amount of \$16,000,000 including applicable taxes for the delivery of services relating to the Purchasing Card Program for approximately five years (from the date of approval to March 31, 2023), with two extension options of two years each, on the same or similar terms and conditions as the Province of Ontario's Agreement, and in a form satisfactory to TTC's General Counsel.

Financial Summary

The total award value of \$16 million over a five-year period (\$14.41 million, net of HST rebate) reflects the upset limit amount for the Bank of Montreal (BMO) PCard contract for the purchase of non-repetitive, low dollar value, non-stock, goods and services by appropriate and authorized TTC staff.

Sufficient funding is included in the 2018 Operating Budget as approved by the TTC Board on November 28, 2017 to support eligible PCard purchases. Sufficient funding will also be incorporated into subsequent budgets as required.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity/Accessibility Matters

There are no accessibility or equity impacts associated with this report.

Decision History

At its meeting held on October 2, 2017, City Council authorized staff to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and BMO as well as an agreement with the BMO for the delivery of services relating to a PCard Program from the date of approval to March 31, 2023, with two 2-year extension options.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM22.16>

Issue Background

The current contract was established based on a joint purchasing venture with the City of Toronto (City) and its Agencies, Boards, Commissions and Corporations (ABC&C's), and the annual rebate percentages offered by the PCard provider are based on the aggregate TTC and City expenditures.

As such, the TTC receives a higher rebate percentage based on the combined volume of purchase expenditures compared to the rebate it would receive on its own. As a result of joint purchasing with the City, the TTC received rebates from the current PCard

provider totalling approximately \$77,000 from 2012 to 2016, and it is anticipated that the 2017 rebate will total approximately \$20,000.

The TTC has undertaken a review of joint purchasing/shared services programs to identify requirements (similar in nature) that would be potential candidates for a joint purchasing process involving public sector organizations (i.e. City of Toronto, Government of Ontario, etc.); partnering with the City provides benefits not available to TTC on its own. In addition, the City and TTC partner with the Province of Ontario to achieve improved discounts by leveraging larger purchasing volumes when applicable.

The Government of Ontario establishes Vendor of Record (VOR) arrangements, generally through an open and fair competitive RFP process, that authorize one or more vendors to offer specific goods or services to Ontario government ministries and other types of public sector organizations (i.e. “provincially funded organizations”). The City, its ABC&C’s, including the TTC are considered provincially funded organizations and qualify for access to VOR arrangements.

In April 2016, Ontario’s Ministry of Government and Consumer Services (MGCS) issued a competitive Request for Bids (RFB) for a new provider of PCard Services which resulted in the award of a contract to BMO as the new VOR for a period of 6 years, from April 1, 2017 to March 31, 2023, with two extension options of two-years each. The award to BMO was on the basis of highest scoring proponent from the MGCS’ competitive bid process.

The TTC along with the City, the Toronto Public Library and the Toronto Parking Authority all support utilizing the Provincial VOR agreement for PCard services under which each entity joins the provincial consortium and negotiates its own contract with BMO directly. The underlying principle of the VOR is each entity benefits from the large purchasing power of the consortium and receives the same discount/rebate based upon the aggregate expenditures of all consortium members.

Comments

The TTC’s current contract with National Bank is set to expire on April 30, 2018. The TTC in conjunction with the City identified an opportunity to piggyback onto the Province of Ontario’s VOR arrangement for PCard services as this strategy would provide the opportunity to receive greater rebates.

Under the proposed contract with BMO, based on the VOR, TTC’s rebate percentage will increase compared to the current PCard contract rebate rate. Based upon TTC’s 2016 PCard expenditures of \$1,957,168, under the proposed BMO contract, the TTC’s rebate will increase by approximately \$8,800 more than the TTC received under its current contract (this represents an approximate 56% increase in the rebate amount). Additionally, there will be no annual fees for PCards that have limited or no activity, potentially saving the TTC an additional \$1,200 per year. The improved rebates and lower card fees with BMO are projected to result in a financial benefit of approximately \$10,000 per year or \$50,000 over the five year contract term. Also, BMO offers a less stringent payment term of 1-14 days in order to achieve the highest rebate rate tier compared to the current provider’s 1 day requirement for the same.

The rebate returns are projected to increase as other Provincially Funded Organizations join the provincial consortium, resulting in greater combined expenditure amounts and higher tiered rebate percentage rates.

The PCard program offered by BMO provides the required internal control capabilities (i.e. spending/transaction limits, restricted purchase by MCC's) and management reporting software.

TTC Staff reviewed the possibility of proceeding with its own contract independent of the VOR and the City, however, TTC would not benefit financially as rebates would be based using TTC spend only, resulting in significantly lower rebates . Proceeding with a joint purchasing venture enables the TTC to achieve larger rebates based on accumulated total expenditures with the Province, the City and its ABC&C's, and other Provincially Funded Organizations.

It is therefore recommended that the TTC utilize the Provincial VOR and enter into the necessary agreements with the Province and BMO in order to receive the same rebate terms as the City and other Provincially Funded Organizations, and benefit from improved potential rebates.

The recommended total upset limit award amount of \$16,000,000 over an approximate five year term is based on historical monthly expenditures and includes a contingency of approximately 25% to allow for increased use of the PCard program over the contract term. By way of comparison, the City PCard expenditures in 2015 were \$12,374,505 and \$13,897,299 in 2016.

Contact

Ted Zlotnik, Head - Materials & Procurement
416-393-3113
ted.zlotnik@ttc.ca

Signature

Tara Bal
Chief Financial Officer