



REPORT FOR ACTION

Use of Province of Ontario Vendor of Record for the Delivery of Services Relating to the Purchasing Card (PCard) Program

Date: August 30, 2017

To: Government Management Committee

From: Treasurer and Director, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to seek City Council authority to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and the Bank of Montreal (BMO); and enter into a separate agreement with the Province of Ontario's Vendor of Record (VOR): Bank of Montreal (BMO), for the delivery of services relating to the Purchasing Card (PCard) Program, from the date of approval to March 31, 2023, with two 2-year extension options. There is no charge for this service. The City will receive rebates based on the consolidated spend of the Province of Ontario, the Province of Ontario Publically Funded Organizations (PFO) Consortium and the City of Toronto. BMO was selected as the VOR as it was the highest scoring proponent from the Province's competitive call process.

Leveraging the Provincial VOR will also reduce procurement timelines, including overhead costs for all activities related to obtaining a new contract.

RECOMMENDATIONS

The Treasurer and the Director of Purchasing & Materials Management Division recommend that:

1. City Council grant authority for the Treasurer to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and the Bank of Montreal (BMO) for the use of Vendor of Record Agreement (#OSS-00559105).
2. City Council grant authority for the Treasurer to enter into an agreement with the Bank of Montreal (BMO): the Province of Ontario's Vendor of Record (VOR), for the delivery of services relating to the Purchasing Card (PCard) Program from the date of approval to March 31, 2023, with two 2-year extension options, on the same terms and conditions as the Province of Ontario's Agreement, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

There are no additional costs as a result of the City entering into this agreement.

A net financial benefit of approximately \$70,000 per year is anticipated by the City entering into this agreement. This is based on additional rebate revenues of \$50,000 and cost avoidance of \$20,000.

The City receives rebates from the PCard provider once a year, based on the value charged to the PCards used by the City for the previous year. The PCard Program is a cost-efficient method of payment for low cost supplies and services, mandated items identified on the Business Expense Policy and Schedule A of the Financial Control By-Law. The program also allows for the purchase of goods and services under events deemed as a city emergency. Excluded from the PCard Program are goods and services under established contracts. Operationally, each cardholder may utilize the PCard up to standard transaction limits and monthly maximums, which are approved by the Division and Accounting Services. Under the proposed contract, the rebate percentage received by the City will increase in value over the current provider rebate rate. It is anticipated that rebate returns could increase by \$50,000, based on 2016 PCard spend amounts. In addition, there will be no annual fees for issued PCards that have limited or no use, potentially saving the City an additional \$20,000 per year.

Table 1 summarizes the number of PCard transactions and the value of those transactions for the last six (6) years, 2011 to 2016, as well as the rebates received and "Inactive" card fees paid each year.

Table 1: Summary of PCard Transactions

| YEAR | TRANSACTION VALUE (\$) | TRANSACTIONS (#) | REBATE (\$) | FEES (\$) |
|------|------------------------|------------------|-------------|-----------|
| 2011 | 7,645,950 | 41,023 | 61,932 | 6,860 |
| 2012 | 7,473,036 | 39,084 | 63,521 | 17,010 |
| 2013 | 7,289,048 | 40,211 | 61,957 | 15,225 |
| 2014 | 9,399,316 | 44,166 | 79,894 | 15,610 |
| 2015 | 12,374,505 | 51,057 | 105,183 | 18,340 |
| 2016 | 13,897,299 | 51,694 | 118,127 | 17,850 |

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

DECISION HISTORY

At its meeting held on April 14, 15 and 16, 2003, City Council adopted a number of recommendations from the Auditor General with respect to the City's procurement processes, including a recommendation to implement purchasing cards in City operations using a phased-in approach (re: Audit Committee Report 1, Clause 8 "[Procurement Processes Review – City of Toronto](#)").

At its meeting held on July 20, 21 and 22, 2004, City Council authorized staff to negotiate and enter into a five year agreement with the National Bank of Canada for the provision and implementation of a Purchasing Card program (re: Administration Committee Report 5, Clause 6 "[Provision and Implementation of a Purchasing Card Program – Request for Proposal No. 9172-04-7024](#)").

At its meeting held on September 30, 2009, City Council authorized staff to exercise the option within the agreement to extend the contract with the National Bank of Canada to August 23, 2011, under the current terms and conditions (re: Government Management Committee Report 24, Clause 41 "[Purchasing Card Services Contract - Purchase Order No. 6016467 - Request for Extension](#)").

At its meeting held on May 17, 18 and 19, 2011, City Council authorized the Bid Committee to award a new contract for Purchasing Card (PCard) services to the National Bank of Canada for five (5) years, ending in 2016 under the terms and conditions stipulated in the contract. Council further authorized the Bid Committee to award all future contracts for PCard services, provided that the contract is awarded to

the highest ranking proponent (re: Government Management Committee Report 3, Clause 11 "[Authority to Award Contract for Purchasing Card Services](#)").

At its meeting held on October 5, 6 and 7, 2016, City Council authorized staff to exercise the option within the agreement to extend the contract with the National Bank of Canada to December 19, 2017, under the current terms and conditions (re: Government Management Committee Report 14, Clause 5 "[Contract Extension for the Provision of the PCard Program Services](#)"). The additional one-year extension provided the City the opportunity to review the Provincial contract being finalized with BMO and determine any benefits available to the City through participation in this vendor arrangement.

COMMENTS

The City's Purchasing Card (PCard) Program Services contract extension with the National Bank of Canada (NBC) will expire on December 19, 2017. The City met with the Province of Ontario (Ministry of Government and Consumer Services [MGCS]) about the potential of piggybacking on the Province's new procurement arrangement for PCard Services.

MGCS issued its Request for Bids (RFB) for a new provider of PCard Services on April 14, 2016 with a closing date of June 14, 2016. MGCS awarded the new contract in October 2016, which would allow sufficient time to transition to a new provider by April 1, 2017, if their current provider was not the successful proponent.

In order for the City to consider piggybacking on the MGCS agreement, the City requested a one-year extension of the contract with National Bank of Canada (NBC) to allow sufficient time for MGCS to complete its procurement process and award a new contract to the successful proponent. This one-year extension would allow the City sufficient time to transition to a new provider, with appropriate approval, if the City is satisfied with the results of the MGCS call.

Some of the City's Agencies and Corporations, such as the TTC, Toronto Public Library (TPL) and Toronto Parking Authority (TPA) currently participate in the City's NBC contract. TTC, TPL and TPA have agreed to continue their PCard relationship with the City and are in favour of a partnership with MGCS. The MGCS agreement allows City's agencies to join the provincial consortium. As a result, each agency has been provided with all relevant information, allowing them to also deal directly with BMO.

City of Toronto staff have reviewed the BMO deliverables, which are found to meet City requirements, and have conferred with the PMMD to ensure that the decision to piggyback on the BMO contract met City procurement requirements.

The recommended participation in the provincial consortium and use of BMO as a PCard services provider produces a number of financial and technological benefits to the City.

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SIGNATURE

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