

MEETING DATE: SEPTEMBER 25, 2001

SUBJECT: Procurement Authorization - Purchasing Card Program

RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order to the U.S. Bank National Association in the upset limit amount of \$2,500,000 for the provision of a Purchasing Card Program for the period November 1, 2001 to October 31, 2004.

FUNDING

There will be no additional cost to the Commission for the Purchasing Card program. Sufficient funds are included in the Commission's 2001 Operating Budget for 2001 expenditures and will be provided in future Operating Budgets as required.

BACKGROUND

In 1996 the Commission approved replacing the Departmental Purchase Order (DPO) process with the Purchasing Card Program. The DPO process was considered to be inefficient, time consuming, unproductive, outdated and expensive to monitor.

In September 1998, the Commission approved the issuance of a purchase order to the Toronto Dominion Bank for a Purchasing Card Program. The Purchasing Card is used to allow Commission authorized staff to purchase non-stock goods and services directly from vendors within a pre-determined upset limit without processing these purchases through the Materials and Procurement Department (M&P). Total annual expenditures through the Visa card are approximately \$750,000.

The Purchasing Card has proven to be a more streamlined process with reduced administrative costs and increased management controls. The controls implemented such as a more detailed Cardholder Agreement and Department Head's approval of all purchases prior to payment are considered very effective.

M&P is responsible for the management of the Purchasing Card Program including the monitoring of all purchases. Cardholders are restricted to the use of the Purchasing Card by a number of controls including a transaction limit of \$500 and monthly expenditure limits. In addition, the use of the cards is restricted by the use of Merchant Commodity Codes (MCC) which restricts the cardholders to purchases from specific groups of Merchants thereby preventing the card from being used for such expenses as travel and entertainment.

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DISCUSSION

Six companies were invited to submit proposals in addition to a public advertisement in the Globe and Mail on June 27,2001. A total of five companies submitted proposals.

The proposals were evaluated based on a predetermined weighted criteria and ranked accordingly as detailed on the attached Appendix 'A'. In addition, the proponents were also requested to identify any applicable fees (e.g. card fees, transaction fees, software subscription fees) associated with use of the cards.

An initial evaluation was performed on all five submissions and three of the five proponents were short-listed to deliver a presentation which included a demonstration of their on-line software reporting capabilities. The short-listed proponents were the Toronto-Dominion Bank, The Bank of Nova Scotia and U.S. Bank National Association (on May 1, 2000, U.S. Bank purchased the Royal Bank's Canadian Purchasing Card and Corporate Card Portfolio).

Following completion of the evaluation, the U.S. Bank National Association was ranked highest overall based on the evaluation criteria. The U.S. Bank National Association's submission did not include any fees, rather they included a rebate incentive, offering a prompt payment discount of 40 basis points (0.4%) on total Visa card expenditures. At current expenditure levels, rebates generated would amount to an estimated \$8,771.46 over the 3 year term of the contract. Their proposal included minor qualifications which are considered acceptable. The U.S. Bank National Association is the world's largest Visa commercial card issuer and is recommended for award.

The Bank of Nova Scotia also scored very high and were only marginally lower than the U.S. Bank National Association. The Bank of Nova Scotia indicated no applicable fees in their submission and offered revenue sharing of 10 basis points (0.1%) based on total annual Visa card expenditures exceeding \$5,000,000 which is unachievable based on current expenditure levels.

Based on a projection of expenditures using the Visa card program over the period of November 1, 2001 to October 31, 2004, an upset limit of \$2,500,000 is estimated to be required.

JUSTIFICATION

Award of this contract will ensure the uninterrupted supply of a purchasing card program for the Commission's on-going business requirements.

September 13, 2001

9-118-33

Attachment – Appendix 'A'

APPENDIX 'A'

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PURCHASING CARD PROGRAM

COMPANY	RANKING	ESTIMATED TOTAL FEES OR (SAVINGS) *
U.S. Bank National Association	1	(\$8,771.46)
The Bank of Nova Scotia	2	\$0

The Toronto Dominion Bank	3	\$4,920.00
CIBC	4	\$11,868.00
National Bank of Canada	5	\$15,017.27

* Estimated totals for the 3 year term of the contract are based on current Visa card expenditures for all 164 cards.

EVALUATION CRITERIA

- Corporate Qualifications
- Staff Qualifications
- Implementation Methodology
- Customized On-Line Reporting