

**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: SEPTEMBER 20, 2006

SUBJECT: Procurement Authorization – Purchasing Card Program

RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order to the National Bank of Canada in the total upset limit amount of \$3,350,000 for the supply of a purchasing card program for the approximately three year period commencing November 1, 2006 to August 24, 2009.

FUNDING

Sufficient funds are included in the 2006 TTC Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

The Commission's current contract with U.S. Bank National Association Canada (U.S. Bank) for the Purchasing Card program is set to expire on October 31, 2006. The contract is to allow cardholders to directly purchase and receive non repetitive, low dollar value, non-stock, goods and services. The program is governed by management controls such as transaction limits and Merchant Category Codes which restrict purchases made at certain suppliers. TTC's single transaction limit is \$500 and any exceptions (i.e. vehicle licensing) are approved by the Chief General Manager.

Toronto City Council, at its meeting in July 2004, adopted City Staff's recommendation to enter into an agreement with the National Bank of Canada (National Bank) for the provision and implementation of a Pcard (Purchasing Card) program for a period of up to five years. The City entered into this agreement on August 24, 2004. The recommendation was made on the basis of the National Bank receiving the highest ranked proposal submission of a total of seven submissions received. They offered significant rebate incentives and additionally waived all fees normally associated with Purchasing Cards based on the City's \$7,500 single transaction limit and estimated annual expenditure of up to \$70,000,000.

The National Bank's offer to the City was also extended to the City's Agencies, Boards and Commission's (ABC's) who have the opportunity to participate in the City's Pcard program under the same financial terms that were offered to the City. The interested ABC's are responsible to enter into supplemental agreements directly with the National Bank based on the terms and conditions of the master agreement with the City.

TTC staff signed a confidentiality agreement regarding the details in the contract with the National Bank and the City and therefore can not indicate the actual rebates. However the table below illustrates the rebates compared to TTC's current contract with U.S. Bank:

Total Annual Purchase Volume	Rebate compared to TTC's current Contract
\$0 - \$10,000,000	35% lower
\$10,000,001 - \$20,000,000	65% higher
\$20,000,001 - \$70,000,000	103% higher

\$70,000,001 +	128% higher
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Although the City originally estimated an annual expenditure of \$70M they have yet to fully roll out their program and their expenditure level is currently under \$10M and therefore their rebate is currently 35% lower than the rebate TTC is currently receiving.

DISCUSSION

Under TTC’s current contract, a prompt payment discount is offered by U.S. Bank, whereby TTC receives a rebate on total expenditures, and no additional fees apply. Based on the Commission’s previous Request for Proposal, for the Purchasing Card program, U.S. Bank was the only financial institution to offer a rebate based on TTC’s annual expenditures of under \$1M. Also during the current contract term, staff canvassed the market place to determine the potential financial conditions for Purchasing Card programs and found that based on TTC’s current annual expenditures, it is unlikely TTC would receive a rebate and in fact may be subject to card usage fees such as; annual card fees, transaction fees, card programming fees, fraud insurance fee, etc.

TTC’s intent was to join the City’s contract once expenditures exceeded \$10M and would take advantage of the higher rebate. However in August, 2006 U.S. Bank informed TTC that any extensions to the contract cannot be accommodated under the same terms and conditions and that U.S. Bank will either: apply user fees or will eliminate the rebate.

It is therefore recommended that TTC enter into an approximately three year agreement with National Bank to join the City’s program in order to receive the same rebate as the City’s, and potential larger rebates, once the City (and affiliates) fully roll out their programs.

The Purchasing Card program offered by National Bank provides the required safeguards (i.e. spending/transaction limits), as well as management reporting software, and service and is considered acceptable by TTC Staff. The City’s agreement contains an optional 1 year extension period which can be exercised at the City’s and TTC’s sole discretion. In the event TTC exercises this option, the appropriate purchase authorization will be obtained at that time.

The National Bank of Canada has provided a Purchasing Card Agreement for execution by TTC. This Agreement has been reviewed by Legal and is considered acceptable.

The recommended \$3,350,000 upset limit amount is based on historical monthly expenditures and includes an allowance of approximately 20% to allow for fluctuations in usage over the contract term.

JUSTIFICATION

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

September 5, 2006
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