

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** JULY 9, 2009

**SUBJECT:** PROCUREMENT AUTHORIZATION – PURCHASE ORDER  
AMENDMENT - PURCHASING CARD PROGRAM

**ACTION ITEM:**

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## RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order amendment to the National Bank of Canada to extend the contract term by 28 months for the supply of a purchasing card program from the current expiry date of August 24, 2009 to December 31, 2011 and to increase the total upset limit by \$8,400,000 to a revised upset limit amount of \$13,400,000.

## FUNDING

Sufficient funds are included in the 2009 TTC Operating Budget and will be included in future Operating Budgets as required.

## BACKGROUND

The City of Toronto entered into an agreement on August 24, 2004 with the National Bank of Canada (NBC) for the provision of a Purchasing Card (Pcard) program for a period of up to five years with an option to extend the term of the contract for a minimum one year term. The NBC's offer was also extended to the City's Agencies, Boards and Commission's (A.B.C.'s) who have the opportunity to participate in the City's Pcard program under the same financial terms that were offered to the City. NBC's offered significant rebate incentives and additionally waived all fees normally associated with Purchasing Cards.

At its meeting of September 20, 2006 the Commission approved the award of a purchasing card program for an approximate three year period (35 months) from November 1, 2006 to August 24, 2009 in the upset limit amount of \$3,350,000 with NBC. Its purpose is to allow cardholders to directly purchase and receive non repetitive, non-stock, goods and services. The program is governed by management controls such as transaction limits and Merchant Category Codes (MCC) exclusions, which restrict purchases made at certain suppliers. TTC's single transaction limit, at the time of award of this contract, was \$500 and any exceptions (i.e. vehicle licensing) are approved by the Chief General Manager.

At its meeting of June 13, 2007, the Commission approved an increase of the purchasing card single transaction limit from \$500 to \$2,000 and at its meeting of December 17, 2008, the Commission approved a further increase from \$2,000 to \$5,000.

As a result of these changes usage has increased and on February 20, 2009 staff approved an increase to the upset limit by \$1,650,000 to a revised total of \$5,000,000.

**DISCUSSION**

The City's and TTC's agreement with NBC contains an option to extend the contract term for a minimum one year term which can be exercised at the City's and TTC's sole discretion.

Staff contacted City staff and was informed that they are proceeding to obtain approval for a contract extension with NBC to December 31, 2011.

Staff subsequently confirmed with NBC that they were willing to extend the current contract with the Commission to December 31, 2011 at the existing terms and conditions.

In addition, in the current contract NBC offers a prompt payment discount for payments received within 7 days of their invoice date. Under this contract to date, the Commission has received an annual rebate based on the total annual expenditures for meeting this target. It is estimated the Commission's expenditures for 2009 when combined with all the A.B.C.'s expenditures, will for the first time total more than \$10M and will double the current rebates paid to the Commission and all participating A.B.C.'s.

It has only been approximately 5 months since the transaction limit was increased to \$5000 and as a result, staff has limited experience on the levels of expenditures based on this recent change. In order to forecast the increase in the contract upset limit for the extension term, staff performed an analysis based on the last three months expenditures (February to April 2009), which would reflect the more accurate current usage based on the increase of the purchasing card single transaction of \$5000. As a result of this analysis, staff estimates an expenditure of approximately \$300,000 per month, which includes an approximate 20% allowance to cover variances in usage. Therefore, for the period commencing August 25, 2009 to December 31, 2011 (approximately 28 months) the recommended increase in the contact upset limit is \$8,400,000.

**JUSTIFICATION**

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

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June 10, 2009  
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