

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** May 1, 2012

**SUBJECT:** PROCUREMENT AUTHORIZATION - PURCHASING CARD  
PROGRAM

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Commission approve the issuance of a purchase order to NB Financial Group (National Bank) in the total upset limit amount of \$12,800,000 for the supply of a Purchasing Card program for approximately four years commencing July 1, 2012 (or earlier) to August 23, 2016.

### **FUNDING**

Sufficient funds are included in the 2012 TTC Operating Budget and will be included in future Operating Budgets as required.

### **BACKGROUND**

The Commission's current contract with National Bank for the Purchasing Card program is set to expire on June 30, 2012. 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 of this contract was \$5,000 and any exceptions (i.e. vehicle licensing) are approved by the Chief Executive Officer (CEO). The contract was established based on a joint purchasing venture with the City of Toronto (City) thereby achieving higher rebates based on aggregate volume expenditures.

As a result of joint purchasing with the City, the Commission received rebates from National Bank totalling approximately \$62,000 over the term of the Purchasing Card contract (2006 to 2011). The rebate obtained for the last year, in 2011, was approximately \$17,500.

The City's Bid Committee, at its meeting July 2011 approved City Staff's recommendation to enter into an agreement with National Bank for the provision of a Purchasing Card program for a period of five years. The City finalized and entered into this agreement in February 2012. The recommendation was made on the basis of National Bank receiving the highest ranked proposal submission of a total of 4 submissions received, as follows:

- NB Financial Group (National Bank)
- Bank of Nova Scotia
- BMO Financial Group
- US Bank National Association

National Bank 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 \$10,000,000.

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

As the details regarding the agreement with the City and National Bank are confidential, the actual rebates cannot be indicated. However, the table below illustrates the rebates compared to TTC's current contract with National Bank:

Current Total Volume	Annual Purchase	Contract Purchase	New Total Volume	Annual Purchase	Contract Purchase	Rebate Offered Compared to TTC's Current Contract
\$0 - \$10,000,000			\$5,000,000 - \$10,000,000			+ .29 percentage point *
\$10,000,000 - \$20,000,000			\$10,000,000 - \$25,000,000			+ .14 percentage point
\$20,000,000 - \$70,000,000			\$25,000,000 - \$50,000,000			+ .09 percentage point
\$70,000,000 +			\$50,000,000 +			+ .04 percentage point

\* Under the new contract there will be no rebate offered for total expenditures ranging from \$0 to under \$5,000,000.

National Bank has offered increased rebate rates and has decreased the Total Annual Purchase Volume Tier requirements compared to the current contract. This would allow the opportunity for the Commission to achieve larger rebates.

In 2011, aggregate expenditures between the City and its ABC's using the Purchasing Card amounted to approximately \$11,200,000.

**DISCUSSION**

Under the TTC's current contract, a prompt payment discount is offered by the purchasing card provider (National Bank), whereby TTC receives an annual rebate based on total expenditures per year, and no additional fees apply. The approach used by the City is similar to the process used by the Commission. As a result, it was decided not to proceed with a TTC RFP, rather staff recommends joining with the City whereby TTC would use the City's procurement process as the basis of award of a contract for the provisions of a Purchasing Card provider with National Bank.

The Purchasing Card offered by National Bank provides the required safeguards (i.e. spending/transaction limits, restricted purchase by Merchant Category Codes) as well as management reporting software, and service is considered acceptable by TTC staff.

TTC Staff reviewed the possibility of proceeding with its own contract and determined TTC would not benefit financially as no rebates would be acquired. Further, proceeding with a joint purchasing venture allows the opportunity for the Commission to achieve larger rebates based on accumulated total expenditures with the City and the ABC's.

It is therefore recommended that the TTC enter into an approximate four year agreement with National Bank and join the City's program in order to receive the same rebate terms as the City, and benefit from potential larger rebates the City and affiliates will receive.

Staff has contacted National Bank, the recommended company, and they have agreed to contract with the Commission for this service. National Bank has provided a Purchasing Card agreement for execution by TTC. Upon receiving Commission approval, staff will proceed to execute the contract.

Staff is recommending award of a contract to National Bank in the upset limit amount as stated in the Recommendation. The recommended \$12,800,000 upset limit amount is based on historical monthly expenditures and includes an allowance of 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 continued business requirements.

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April 27, 2012  
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