



Procurement Amendment Authorization – TTC Purchasing Card Program Contract

Date: December 3, 2024
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to obtain Board authorization to exercise the second and final two-year extension option with the Bank of Montreal (BMO), from March 31, 2025 to March 31, 2027 and increase the contract upset limit by \$12,732,000 for the continued delivery of the TTC's Purchasing Card (PCard) Program. This contract amendment report is before the TTC Board for approval as the amendment value exceeds the CEO's delegated authority threshold of \$2.5 million.

The PCard Program provides an efficient and cost-effective means for authorized TTC cardholders to directly purchase non-repetitive, low-dollar value, non-stock goods and services valued at \$5,000 or less. PCard users are prohibited from purchasing goods or services that are available through established TTC contracts.

Recommendations

It is recommended that the TTC Board:

1. Authorize a contract amendment with the Bank of Montreal to exercise the final two-year contract extension option from March 31, 2025 to March 31, 2027 and an increase to the contract upset limit amount by \$12,732,000 (inclusive of HST) to \$49,450,000 (inclusive of HST) from \$36,718,000 (inclusive of HST).

Financial Summary

As part of the TTC's continued shift toward more strategic procurement and category management practices, purchase orders have been replaced by the PCard Program as the primary method of procuring low-value goods and services.

Given the resultant increase of non-repetitive, low-value eligible purchases being processed on PCards, the recommended \$12,732,000 increase to the current contract upset limit is anticipated to cover the additional volume and growth of the program over the final two-year extension period. Table 1 below summarizes the actual and projected expenditures over the initial five-year term and the four additional option years:

Table 1: Summary of Actual and Projected Contract Term Expenditures

PCard Actual & Projected Expenditures (\$000s)				
Initial Fixed 5-year Contract Term				
Contract Year	Contract Period	Monthly Avg. Spending	Total Actual Spending	
Year-1	May 16, 2018 - Mar. 31, 2019	272	2,858	
Year-2	Apr. 1, 2019 - Mar. 31, 2020	281	3,372	
Year-3	Apr. 1, 2020 - Mar. 31, 2021	386	4,635	
Year-4	Apr. 1, 2021 - Mar. 31, 2022	473	5,672	
Year-5	Apr. 1, 2022 - Mar. 31, 2023	444	5,329	
Total 5-Year Actual Expenditures			21,866	
Optional Contract Extension Term (4-Year)				
Contract Year	Contract Period	Monthly Avg. Spend	Total Actual Spending	Total Projected Spending
Year-6	Apr. 1, 2023 - Mar. 31, 2024	507	6,087	N/A
Year-7	Apr. 1, 2024 - Mar. 31, 2025	529	TBD	6,349
Year-8	Apr. 1, 2025 - Mar. 31, 2026	582	TBD	6,984
Year-9	Apr. 1, 2026 - Mar. 31, 2027	640	TBD	7,682
Total 4-Year Actual & Projected Expenditures			27,102	
Notes 1. Projected Expenditures for Optional Contract Years 8 to 9 includes a 10% contingency 2. Projected Average Monthly Spending of \$529,000 for Year 7 is based on Actual Spending for the period of April 2024 to July 2024				

The PCard Program's annual spending has increased year-over-year from approximately \$2,858,000 in year one, to a projected of \$6,349,000 by year seven, resulting in a correlating decline in non-stock low-value purchase orders. During the first year of the contract, non-stock low-value purchase order spending totaled \$3,538,000 and is projected to decrease by 82.7% to \$611,000 by the seventh year of the contract (refer to Chart 1 for a comparison of the purchase order and PCard spending). Furthermore, projected PCard spending in the final two-year extension period is projected to be \$6,984,000 and \$7,682,000 in the eighth and ninth contract years, respectively.

Table 2 below summarizes the historical authorized and executed amendments and the recommended upset limit increase based on projected spending:

Table 2: Upset Limit Increase Summary

Contract Values (\$000s)	
Original contract upset limit	16,000
Total previously authorized amendments	20,718
Current contract upset limit inclusive of all amendments	36,718
Funds remaining (as of August 1, 2024)	6,167
Total funds required for period of August 1, 2024 to March 31, 2025	4,233
Projected funds remaining on March 31, 2025	1,934
Total funds required for recommended extension period (2-year extension)	14,666
Request upset limit increase (Total projected spend minus funds remaining)	12,732

Given that the TTC's contract was based on Ontario's Vendor of Record (VOR) Agreement with BMO, the annual rebate percentages offered by BMO on the TTC's expenditures are based on the aggregate spending of all participants in the Provincial VOR program with BMO, which includes the City of Toronto and its agencies and corporations. Presently, the TTC receives a rebate of 1.3% on its actual PCard annual spending.

As a direct result of the increased use of the PCard for small, non-repetitive transactions in place of purchase orders, the TTC has received incremental increases in annual PCard rebates. As shown in Table 3 below, the TTC received a total rebate of approximately \$34,000 in the first year of the contract and is projected to receive a rebate of approximately \$83,000 by the seventh year.

Table 3: PCard Spending and Rebates

PCard Spending and Rebate Metrics (\$000s)						
Contract Year	Contract Period	Total Active PCards	Total PCard Trans.	Total PCard Spending	Avg. Monthly PCard Spending	Financial Institution PCard Rebates
Year-1	May 16, 2018 - Mar. 31, 2019	200	5,724	2,858	272	34
Year-2	Apr. 1, 2019 - Mar. 31, 2020	237	5,933	3,372	281	39
Year-3	Apr. 1, 2020 - Mar. 31, 2021	284	6,283	4,635	386	60
Year-4	Apr. 1, 2021 - Mar. 31, 2022	296	6,519	5,672	473	77
Year-5	Apr. 1, 2022 - Mar. 31, 2023	310	7,453	5,329	444	69
Year-6	Apr. 1, 2023 - Mar. 31, 2024	362	6,638	6,087	507	64
Year-7	Apr. 1, 2024 - Mar. 31, 2025	381	7,034	6,349	529	83

Note: April 2024 – March 2025 are projected figures

Using the PCard procure-to-pay process for eligible, low value purchases has allowed staff to shift its focus away from non-value added tasks to more strategic procurement activities which has resulted in increased productivity.

Equity/Accessibility Matters

There are no equity or accessibility impacts.

Decision History

At its June 15, 2017 meeting, the Board considered a report from the City of Toronto Auditor General recommending various improvements to purchasing polices and practices, including the use of the PCard Program.
[Auditor General’s Report – Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Result in Significant Savings](#)

At its October 2, 2017 meeting, City Council authorized staff to enter into a Provincially Funded Organizations Consortium Agreement with the Province of Ontario and BMO as well as an agreement with BMO for the delivery of services relating to a PCard Program from the date of approval to March 31, 2023, with two, two-year extension options.

[GM22.16 – Use of Province of Ontario Vendor of Record for the Delivery of Services Relating to the Purchasing Card \(PCard\) Program](#)

The TTC's previous contract with National Bank for PCard services expired on April 30, 2018. In alignment with the City's strategy, the TTC sought to leverage the Provincial agreement with BMO for continued PCard services to benefit from greater rebates and lower fees. At its January 18, 2018 meeting, the TTC Board approved leveraging the Provincial agreement with BMO to provide PCard services in the upset limit amount of \$16,000,000 for the approximate five-year term ending March 31, 2023, with two extension options of two years each.

[Purchasing Cards](#)

At its February 10, 2022 meeting, the TTC Board authorized an amendment to the BMO PCard contract to increase the upset limit amount of the contract by \$7,368,000, from \$16,000,000 to \$23,368,000.

[TTC Purchasing Card Program Contract – Procurement Amendment Authorization](#)

On November 30, 2022, during the Board recess period and under TTC Board delegated authority, the CEO authorized an amendment to the BMO PCard contract to exercise the first two-year optional extension term, amending the contract expiry date to March 31, 2025, and increase the upset limit amount of the contract by \$13,350,000 from \$23,368,000 to \$36,718,000.

At its December 8, 2022 meeting, the Board received a report that included contract awards and amendments authorized by the CEO during the Board recess period.

[Delegation of Authority Exercised During the Election Recess](#)

Issue Background

PCards provide an organization with the ability to use credit cards for authorized users as a cost-efficient means to purchase and process low dollar value, non-stock, non-repetitive eligible expenses. The TTC's PCard program has evolved since its initiation in 2012, with a Pfocused effort on the program's expanded use since 2018. Up to 2017, the threshold for eligible purchases was set at \$250, and the use of PCards rather than purchase orders was optional, thereby resulting in its limited use, approximating \$1,900,000 in total spending activity. In 2017, the City's Auditor General reviewed the TTC's PCard Program and recommended the following actions be taken:

1. Review current methods of centrally procuring low-dollar purchases;
2. Expand the use of the PCard Program to improve the efficiency of purchasing functions;
3. Review the dollar thresholds of the PCard Program; and
4. Enhance the monitoring and controls of the PCard Program.

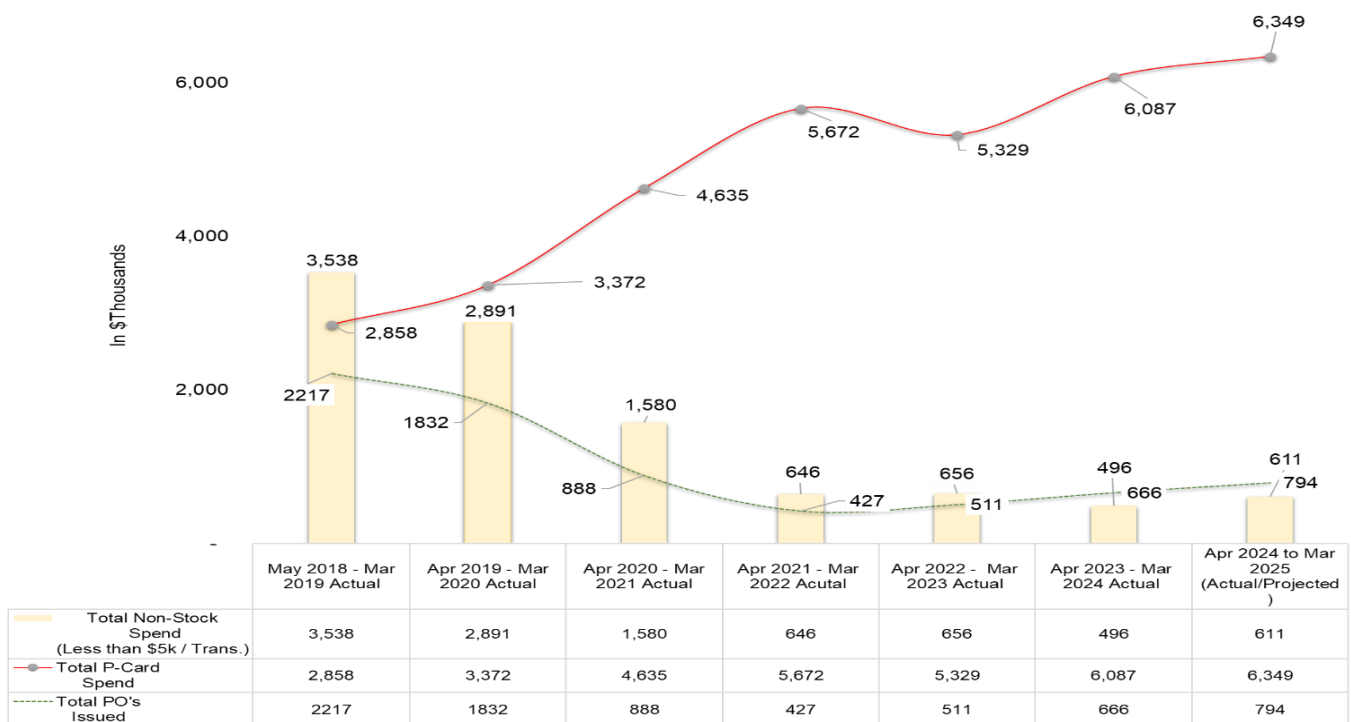
In response to the Auditor General's recommendations, the TTC increased the maximum value per transaction to \$5,000 from \$250 and made purchasing cards the mandatory method of processing all eligible transactions up to \$5,000.

TTC staff implemented a series of changes beginning in 2018 and throughout 2020 with the express intent to expand the use of the PCard Program. In July 2021, the Auditor General reviewed the changes made to the PCard Program and deemed the recommendations fully implemented as a result of the specific changes noted below:

- Awarded a new contract to the BMO for PCard services for a five-year term, that would increase rebates, lower fees and provide management controls and reporting;
- Updated PCard policies and procedures;
- Enhanced Training and Controls; and
- Strengthened Monitoring and Reporting.

Combined, the implemented actions have increased the total PCard purchase spending activity over the life of the contract, as noted in Chart 1 below which shows the correlation between the program and purchase orders valued at \$5,000 and below.

Chart 1: Purchase Order versus PCard Spending



To reflect this change, the contract’s upset limit needs to be increased to permit the program’s continuation to the recommended contract expiry date of March 31, 2027.

Comments

The TTC entered into an agreement with the Bank of Montreal, the Province of Ontario’s Vendor of Record, with a total upset limit amount of \$16,000,000 including applicable taxes for the delivery of services relating to the PCard Program for approximately five years (May 16, 2018 to March 31, 2023).

Over the six-and-a-half years of the contract, the TTC has observed the following PCard Program results:
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- A 122% increase in the annual transaction value or expenditure level, rising from \$2,858,000 in year one to a projected \$6,349,000 by March 2025;
- A 64% decrease in the number of purchase orders from 2,217 in year one to a projected 794 purchase orders by March 2025; and,
- An increase in Procurement staff's capacity to focus its efforts on strategic, value-added procurement and category management activities rather than the transactional tasks associated with the procurement of this category of expenses.

To accommodate the recommended two-year optional contract extension from March 31, 2025 to March 31, 2027, an increase to the contract upset limit is required. Staff reviewed year-over-year expenditures to determine that an increase of \$12,732,000 would be sufficient to cover costs during the two-year extension term ending March 31, 2027 and allow TTC personnel to continue utilizing the PCard Program as intended.

The PCard Program is also complemented by BMO data analytics and spending/transaction limit reports, inactive PCard reports, and restricted purchases by Merchant Category Code. This reporting supplements internal monitoring and reporting and controls and supports PCard audit activities, permitting the PCard Administrator to adjust and target audits, which align with reporting trends observed by staff.

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Signature

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