

Date: March 22, 2022

To: Chair and Members of General Committee

From: Shari Lichterman, CPA, CMA, Commissioner of  
Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:  
April 27, 2022

## **Subject**

**Authority for Single Source Procurements for Financial Services**

## **Recommendation**

1. That single source procurements for the supply of financial services from: (a) Canadian Imperial Bank of Commerce ("CIBC") for general banking services and (b) Global Payments Direct, Inc. ("Global") and its subsidiary Global Payments Canada ("GPC") for merchant acquiring and payment processing services, as outlined in the report from the Commissioner of Corporate Services and Chief Financial Officer, dated March 22, 2022, entitled, "Authority for Single Source Procurements for Financial Services", be approved.
2. That the Treasurer and the Chief Procurement Officer be authorised to execute service agreements, including any amendments or ancillary documents, for an initial term not exceeding 5 years for the supply of services, respectively, with (a) CIBC and (b) Global and its subsidiary GPC ("Global/GPC"), in accordance with the Procurement By-law 0013-2022, and contingent upon the approval of the Treasurer and, in a form, satisfactory to Legal Services.
3. That the Treasurer and the Chief Procurement Officer be authorised to extend the term of said service agreements outlined in Recommendation #2 beyond the initial term, for an additional term not to exceed 5 years, in accordance with the Procurement By-law 0013-2022, and contingent upon the approval of the Treasurer and, in a form, satisfactory to Legal Services.

## **Executive Summary**

- CIBC and Global/GPC provide financial services to the City which are embedded into many business and technology processes across various Divisional revenue collection areas.
- CIBC and Global/GPC respectively integrate, clear and settle financial transactions to City bank accounts.

- CIBC and Global/GPC, while distinct business entities, provide seamless transactional services whose productivity is highly beneficial to the City and whose removal from the City would undo current and future productivity initiatives.
- A migration would create unnecessary business continuity risk with no clear economic benefit and, by incurring unrecoverable dead-weight costs, would be economically harmful to the City.
- In light of the significant benefits, staff are requesting authority to negotiate and execute single source agreements for financial services with CIBC and Global/GPC in accordance with the Procurement By-law 0013-2022.

## Background

### General Banking Services

CIBC has been the City's Banker since May 1<sup>st</sup> 1991. During the period leading up to 2007, the City conducted numerous competitive RFP's which were awarded by CIBC each time. Since 2007, CIBC has become a valuable financial partner in the City's ongoing migration to greater electronic banking and automated banking processes.

Supplementing this banking service relationship is the financial benefits that accrue to the City, in the form of interest income from City balances, held on account. Accordingly, while City business and technical processes are benefiting from integration with the CIBC banking platform, leading to higher productivity and lower costs, the City has financially benefited and will continue to benefit from this banking partnership as a net income recipient.

Coincident with the increase in the business benefits from this banking partnership is an increase in service productivity from CIBC, and a decrease in actual costs, such that fees and charges associated with banking services have been declining for the last 10 years, while net income has been rising (Table1):

Table 1	2012	2015	2019
Service Costs	\$168,207	\$133,562	\$108,687
Interest Income	\$1,381,073	\$1,648,839	\$2,995,577
Net Income (Bank)	\$1,212,866	\$1,515,277	\$2,886,890

The productivity and efficiencies from integrating and automating banking processes has allowed both CIBC and the City to control and lower costs, even as demands for automation and transformation have increased. Moreover, while fee-based services have been declining, favourable interest terms against associated balances have risen.

Today, general banking services as provided by CIBC cover all sorts of financial transaction processing (and associated services) required to clear and settle all financial transactions to and from the City's accounts. This includes all forms of general payment management (electronic cash payments and/or revenues, cheques and cash) to and from the City.

Specific services provided by CIBC and covered under General Banking Agreements include:

- "Cash Management Online" (CMO) – online portal for City daily banking
- EFT Direct Deposit Payment Service - used by Accounts Payable to make daily payments, and by Payroll to make Payroll payments
- Acceptance of Payments of Account Service – used by Tax to collect "Mississauga Tax" payments
- Pre-Authorized Debit Service – used by Tax and other Divisions to allow the automatic electronic debit of client accounts for payment
- eDeposit for Cheques Service – cheque scanning and deposit system used by Tax and Parking Enforcement
- eTransfer Over INTERAC for Business– a service for collecting small payments, with automatic deposit, from City clients for business revenues

Other general banking services include:

- Electronic Deposits – Inbound EFT's from businesses
- Over The Counter Deposits (in –branch payments)
- Cheque Clearing and Stop Payments - Domestic and Foreign
- EDI Receiver – interbank file transfer service
- Statement Service, Account Administration & Reconciliation

#### Merchant Services (Acquiring and Processing)

Global/GPC has provided merchant service and payment processing support for PCI ("Payment Card Industry") card-based financial transactions for over 15 years (GPC grew out of the CIBC Canadian card-processing business after CIBC exited that business.) Payment processors for merchant services have close affiliations, both technically and commercially, with a specific bank. These relationships have evolved over the last 20 years and facilitate the efficient settlement of card transactions into City bank accounts.

Although there are various sources of fees in the card processing industry (fees for the card-type e.g. VISA; fees to the card issuing bank e.g. CIBC Mastercard; network transmission fees, device fees, etc.), GPC consolidates all these fees and represents the City, as an agent, when negotiating transaction fees:

Table 2	2014	2017	2019
Card-based Fees (%)	2.11%	2.05%	1.93%
Device Fees (\$)	\$54k	\$55k	\$39k

As can be seen from Table 2 (above), GPC as an agent has negotiated favourable terms for years, on behalf of the City, with card brand fees (VISA, Mastercard) falling as a share of revenues, while also keeping a lid on costs related to device usage (e.g. device rental fees).

## Present Status

The existing authority to continue with CIBC as a supplier of General Banking Services expires June 30<sup>th</sup> 2022, and the authority to continue with Global/GPC as suppliers of Merchant Services expires June 30<sup>th</sup> 2023.

## Comments

Changing the infrastructure general banking services and/or enterprise merchant services is a costly and complex exercise under any circumstance. Given the extent to which the City has incorporated both CIBC and Global/GPC processes and technology into City operations, the cost of migration alone would greatly exceed any banking service costs, from any provider of general banking services, in any year.

Not only is the relationship beneficial from a process and service perspective, CIBC is providing commercial terms of service which are similar, or better, to what could be attained elsewhere.

As the City's merchant services provider, Global/GPC is integrated with CIBC. This means that all payment card based transactions (credit, debt, internet ecommerce) that are accepted, and cleared, by Global/GPC are immediately credited to a respective City bank account.

The City has embarked on one its largest technology migrations, ever, with the pending upgrade by Recreation to the ActiveNet ecommerce platform. This hosted ecommerce service is expected to replace CLASS in 2022 and is intended to be used by multiple Divisions across Departments. The ActiveNet platform integrates directly (real-time) with Global/GPC's PCI (payment card industry) compliant payment gateway service, which integrates directly (real-time) with the CIBC's banking settlement platform.

## Financial Impact

There is no financial impact to the recommendations in this report. Both suppliers are working toward terms that would see costs controlled over the terms of agreements (i.e. may slightly rise or decline, dependent on both volumes of services used and service extensions chosen by the City). However, if the City were to move to new vendors, migration costs would likely approximate the costs for 4 to 5 years of general bank services.

## Conclusion

CIBC as the City's Banker has provided excellent service and value to the City. CIBC continues to bring value to the City, through both hard and soft dollar benefits. Global/GPC has also provided cost-controlled merchant services and has been a valuable, strategic partner in migrating toward greater electronic revenue acceptance. In light of the significant benefits, the recommendation is to provide staff the authority to negotiate and execute single source agreements for strategic financial services with these vendors in accordance with the Procurement By-law 0013-2022.



Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer

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