

City of Mississauga Corporate Report



Date: May 26, 2020

To: Mayor and Members of Council

From: Gary Kent, CPA, CGA, ICD.D, Commissioner of
Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:
June 24, 2020

Subject

Contract Amendment for Procurement Card Services, File Ref: FA.49.361-10, PRC002433

Recommendation

1. That an amendment to an existing contract with the Bank of Nova Scotia for Procurement Card Services, File Ref: FA.49.361-10, PRC002433 as outlined in the report entitled "Contract Amendment for Procurement Card Services, File Ref: FA.49.361-10, PRC002433" dated May 26, 2020 from the Commissioner of Corporate Services and Chief Financial Officer, be approved.
2. That the Purchasing Agent and City Treasurer be authorized to negotiate and execute an amendment to the agreement with the Bank of Nova Scotia for Procurement Card Services for a five year contract term from September 1, 2020 to September 1, 2025, in accordance with section 18(2)(d) of the City's Purchasing By-law, 374-06, as amended.

Report Highlights

- The City currently has a contract with the Bank of Nova Scotia for the City's procurement card (PCard) program. The contract was initially awarded in 2010 through a competitive bidding process. The term of the contract was for five years, with an additional five years at the City's discretion, which was exercised in 2015.
- The current contract expires in September 2020. Staff have been pleased with the Bank of Nova Scotia's services to date.
- Staff are requesting an amendment to the existing contract for a five year term to minimize the disruption in the purchase of the City's goods and services during COVID-19, and to minimize the Information Technology impacts that would occur if a new vendor was selected through a competitive procurement.
- The Bank of Nova Scotia has provided enhanced rebate terms as part of the contract amendment that would increase the annual rebate from PCard purchases by \$11,700.

Background

In 2010, the City initiated the Procurement Card (PCard) program for the direct payment of goods and services through commercial credit cards for low dollar value goods and services. Following a competitive procurement, the Bank of Nova Scotia was selected to provide procurement card services for a 5-year term, with the option to extend the contract for an additional 5 years, at the City's discretion, which was exercised in 2015.

The PCard program provides considerable benefits to the organization, including:

1. **Reduced Expense Administration:** The City introduced SAP Concur Expense in November 2017 to simplify and automate the PCard and out of pocket expense reconciliation process. Expense reports are now paperless, approval workflows are automated, and a number of previously manual data entry points have now been automated. PCard expenses are pushed immediately into Concur, where staff reconcile their expenses on a monthly basis.
2. **Increased Compliance and Expense Visibility:** The PCard program and SAP Concur Expense allow Finance the ability to track spending, ensure compliance to Corporate Policies and Procedures, and maintain visibility on unsubmitted or unapproved expense reports. It also provides the City with greater functionality and ease to audit expenses.
3. **Improved Year-End Reporting Capabilities:** The increased visibility from PCard expenses ensures that expenses are recorded in the year that they were incurred and year-end reporting practises are easy to complete.
4. **Rebates:** As part of its Commercial Credit Card Agreement with Scotiabank, the City receives an annual rebate as a percentage of the spending completed through PCards.

Since its launch, use of the PCard has steadily grown to the point where the majority of low dollar value purchases of goods or services not on a contract are paid through a PCard. As part of the City's current PCard contract, Accounts Payable has also been administering the Visa Payables Automation (VPA) program since 2013, where invoice payments to vendors are completed through an Accounts Payable PCard. In 2019, 257 vendors were registered for the VPA program, with 1,695 transactions completed with a total spend of \$8.8 million.

The table below shows the growth of the PCard program in transactions and annual spending since its inception.

Year	# of Transactions	# of PCard Holders	Annual PCard Spending	# of VPA Transactions	Annual VPA Spending	Total Spending
2011	867	380	\$1,554,382			\$1,554,382
2012	17,529	511	\$6,272,246			\$6,272,246
2013	20,469	576	\$7,693,354	39	\$142,936	\$7,836,290
2014	25,354	710	\$10,637,254	1,257	\$14,470,419	\$25,107,673
2015	27,832	777	\$11,587,225	1,216	\$7,482,757	\$19,069,982
2016	32,496	837	\$13,297,886	1,093	\$7,674,710	\$20,972,596

Council	2020/06/05	3
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Year	# of Transactions	# of PCard Holders	Annual PCard Spending	# of VPA Transactions	Annual VPA Spending	Total Spending
2017	35,712	938	\$13,073,106	1,625	\$8,574,073	\$21,647,179
2018	44,077	1,087	\$15,944,954	2,041	\$9,429,807	\$25,374,761
2019	52,204	1,214	\$18,857,661	1,695	\$8,816,240	\$27,673,901

Annual Rebate

The City receives an annual rebate as a percentage of spending made through PCards. The structure of the rebate model entitles the City to a higher rebate as annual spending increases. The City's annual rebate has grown each year since the inception of the program, outlined in the table below.

Year	# of Transactions
2011	N/A
2012	\$37,800
2013	\$47,493
2014	\$244,847
2015	\$203,455
2016	\$202,679
2017	\$218,668
2018	\$271,139
2019	\$289,971

Comments

The current contract with Scotiabank expires on September 1, 2020. Staff have been pleased with the services provided by the Bank of Nova Scotia, and over the life of the contract, a number of enhancements have been made. With the introduction of SAP Concur in 2017, PCard purchases now integrate seamlessly with the application, and avoid any duplication in the expense reconciliation process.

SAP, the City's financial enterprise resource planning software, is currently being upgraded to S4 HANA. The PCard and VPA programs are heavily integrated with SAP. To make a substantial change to the interfaces and business processes between the Bank of Nova Scotia, SAP and SAP Concur currently have would add a significant amount of complexity to the S4 HANA upgrade. Introducing a new vendor at this time would add significant risk to the project.

In addition, a new commercial credit card provider would introduce substantial business unit interruptions to the 1,200+ PCard holders in the organization, as cardholders would require new cards, and new agreements to be signed. As the City continues to manage the impacts of COVID-19, it would be challenging to administer a new commercial card agreement without significant disruptions to regular business in the organization.

Purchasing By-law Authorization

The recommendations provided for in this report are made in accordance with:

- Section 1(b)(iv) of the Purchasing By-law #374-06, wherein it states that Acquisitions may be conducted using a Single/Sole Source supplier where “The solicitation of competitive Bids would not be economical to the City”;
- Section 18 (2) (d) of the Purchasing By-law #374-06, wherein it states that “For amendments to High Value Acquisition Commitments, Council approval is required if the amendment is of a value that, on its own or if added together with any and all previous amendments made to the Original Commitment, the cumulative value of all amendments are greater than 20% of the Original Commitment and greater than \$100,000; or over \$1,000,000

Finance, Materiel Management and Legal Services staff will collaborate to establish the detailed requirements, negotiate the final arrangements and prepare the requisite forms including the contract amendment agreements.

Financial Impact

The City is entitled to a rebate based on a percentage of its total PCard spending annually, less credits and other charges. The Bank of Nova Scotia has provided the City with more favourable rebate terms when compared to the 2015 agreement. Assuming annual PCard spending remains in the area of \$26.7 million annually, the annual rebate under the amended contract would be approximately \$301,700, an increase of \$11,700 from the 2019 rebate received.

Conclusion

The City has used the Bank of Nova Scotia for its PCard program since 2010. Staff are pleased with the performance of the Bank of Nova Scotia for the PCard program. To minimize business interruptions, staff are proposing that an amended PCard agreement, with more favourable rebate terms, be negotiated with the Bank of Nova Scotia for an additional five years.



Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

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