



**City of Kingston
Report to Council
Report Number 15-195**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff: Stephen Dickey, Director of Financial Services
Janis Morrison, Purchasing Coordinator
Date of Meeting: March 24, 2015
Subject: Corporate Purchasing Card Services

Executive Summary:

Since 2003, the City has contracted with US Bank to provide purchasing card services for the City of Kingston. The latest agreement, signed in 2008, provided an incentive whereby the City is eligible to receive annual rebates on credit card purchases, provided minimum volumes of usage are met and monthly invoices are paid within predetermined timelines.

US Bank has proposed revisions to the terms of the performance volume rebate and has agreed to commit to these new terms for an additional three years. Extending the current contract for three years will allow staff to complete the new Financial Management System implementation including the purchasing components prior to evaluating the future of the purchasing card services and the benefits of going to market to solicit proposals for alternative products.

Recommendation

That Council authorize the Mayor and Clerk to sign amendments to the US Bank agreement to amend the volume rebate component of the US Bank Corporate Purchasing Card Services, effective for three years beginning March 31, 2015, in a form satisfactory to the Director of Legal Services.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desirée Kennedy, Chief Financial Officer
and City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Commissioners:

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required

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Options/Discussion:

In 2003 the City selected US Bank, through a competitive procurement process, to provide corporate purchasing card services. These services provide authorized City staff the ability to use a corporate credit card as payment for purchases. All purchases are made in accordance with the City's purchasing by-law. Utilities Kingston and Kingston Police Services also participate in the service. US Bank also provides support services including on-line administration and reporting capabilities. In 2008, US Bank added an option to the service whereby the City could receive annual rebates based on the card usage, using formulas which factored in average dollar purchase, total dollar purchases and payment experience. This proposed service addendum was approved and signed in July 2008. The rebate option has been successful; the City has received annual rebate payments in the range of \$17K to \$27K each year and US bank continues to provide good customer service and support to the City.

US Bank recently notified staff that, based on existing use of the corporate credit cards, they are no longer able to sustain the level of rebates as outlined in the current agreement. They have proposed a reduced rebate which would be available should the current agreement be extended for a minimum of three years.

The vendor has provided an addendum to the agreement, which outlines the revised parameters of the rebates available to the City. Staff have reviewed the new proposed formula and, based on the City's current volumes and other parameters, estimate that future rebates will be in the range of \$10,000 to \$20,000 annually, representing approximately 0.8% of purchases made using corporate credit cards.

Staff are recommending that the new terms be accepted and that the US Bank amendments be signed for a further three year term. This timing will allow us to complete the new Financial Management System implementation, including the purchasing components, prior to evaluating the future of the corporate purchasing card service and the benefits of going to market to solicit proposals for products and services that might better integrate into the new technology.

Existing Policy/By Law:

By-Law Number 2000-134, a By-Law to Established Purchasing Policies and Procedures, as amended.

Notice Provisions:

Notice provisions are not required for this report.

Accessibility Considerations:

This report is available in an alternate format upon request by contacting Customer Service at contactus@cityofkingston.ca or 613-546-0000.

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Financial Considerations:

There are no out of pocket costs to the City for using the corporate purchasing card service. If current corporate credit card usage levels continue, it is estimated that the City will receive rebates in the range of \$10,000 to \$20,000 annually with the revised volume rebate formula.

Contacts:

Stephen Dickey, Director of Financial Services, Extension 2370

Janis Morrison, Purchasing Coordinator, Extension 2229

Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel

Exhibits:

Not applicable.