

Date: 2022-03-07

Subject: Request to Begin Procurement - Payment Processing Products and Services for a Five (5) Year Period and Possible Budget Amendment

Contact: Nash Damer, Treasurer
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Report Number: Corporate Support Services-2022-481

Recommendations:

1. THAT the report titled: Request to Begin Procurement – Payment Processing Products and Services for a Five (5) Year Period And Possible Budget Amendment, to the Committee of Council meeting of May 25, 2022 be received; and
2. THAT the Purchasing Agent be authorized to begin procurement through direct negotiations with Moneris Solutions Corporation for Payment Processing Products and Services for a Five (5) Year Period.

Overview:

- **Staff explored two options for the Payment Processing Products and Services for the City: Option A - Direct negotiations with Moneris Solutions Corporation and Option B - Issuing a Request for Proposal (RFP). Staff recommends Option A.**
- **This report seeks to obtain Council authority to begin procurement through direct negotiations with Moneris Solutions Corporation for Payment Processing Products and Services for a Five (5) Year Period with Two (2) additional Five (5) Year Renewal Options.**
- **The City's current contract with Moneris Solutions Corporation is approximately \$130,000 annually.**

- **The City collects approximately \$50 million annually in credit and debit card payments for its programs and services.**
- **The City's current contract expires July 31, 2022 with a one year renewal term available to be exercised.**
- **Staff have reviewed the possible approaches for acquiring these products and services to establish a new contract. The approaches considered included a competitive Request for Proposal (RFP) process as well as a direct negotiation with the City's incumbent.**
- **The constant and uninterrupted provision of payment processing products and services is an important requirement for the ongoing stable financial operation of the City.**

Background:

The City's payment processing products and services allow the City to collect credit and debit card payment for its various programs and services. Moneris Solutions Corporation (Moneris), an affiliated organization of Royal Bank of Canada (RBC) and Bank of Montreal (BMO) has been providing these services since 2000. Debit and credit card processing services from Moneris was part of the City's banking contract with RBC until June 30, 2008. Since July 1, 2008, the City engaged Moneris through a separate agreement from the banking agreement.

The most recent contract with Moneris commenced on August 1, 2020 for a two year period, currently expiring July 31, 2022. This City has an option to renew the contract for an additional one year period.

Current Situation:

Finance and DI&IT staff have reviewed the possible approaches for acquiring these services to establish a new contract, including a public competitive procurement process as well as entering into direct negotiations with the City's incumbent service provider, Moneris.

The average annual fee charged by Moneris is about \$950,000 based on the City's pre-Covid annual debit and card transactions of about \$50 million. About \$130,000 of this fee is paid to Moneris and the remaining is a flow through to the financial institutions (i.e. VISA, MasterCard, Interac). Selection of a new payment processing vendor will only impact the \$130,000 in fees that are paid to Moneris; the remaining flow through charges will remain unchanged.

The City is in the final stages of retiring its primary Point of Sale (POS) system called "CLASS" by ActiveNetwork as it is no longer supported by the vendor. The City is currently finalizing

the implementation of a new primary POS (InfoCorp). As part of the implementation for this, new Moneris pin pads and back-end technology were provisioned. The City's Recreation division has implemented PerfectMind as a registration and POS solution which went live in the fall of 2020. In addition, the City's Theatre service is using AudienceView as their POS solution.

All of the above mentioned payment solutions have a large dependency on using Moneris as a payment gateway. There would be significant disruption to Service Brampton, Recreation, Transit, Building as well as other business units and the 75 business workflows that take payments if the payment gateway were to change in the near future. If Moneris is to be replaced all web and application based payment solutions, along with integrations to the City's General Ledger and Accounts Receivable (our PeopleSoft solution) will need to be rebuilt. Additionally, all payment pin pads, associated hardware and networking would need to be replaced.

Moneris has successfully serviced the City's payment processing needs since 2008. The City's customer facing staff have been recently trained on the latest Moneris and new POS solutions. Furthermore, the City's DI&IT team has established a very good working relationship with Moneris' team that assisted with the successful integration of the City's new Point of Sale (POS) systems.

The constant and uninterrupted provision of payment processing products and services is an important requirement for the ongoing stable financial operation of the City.

Options:

The City requires a payment processing products and services contract. Staff have reviewed the following two options:

Option A: Direct negotiations with Moneris Solutions Corporation for Payment Processing Products and Services

The benefits and challenges are as follows:

Benefits:

1. No additional transitioning considerations, time and cost. The City can continue operations based on the recently implemented new solutions.
2. No potential interruption in the services as there is no change in the vendor.
3. Less risk of lost revenue in higher transaction fees charged by some vendors.
4. The City has recently implemented new POS solutions, including new technology from Moneris.

Risks/Challenges:

1. New vendors in the market may have some other innovative solutions which the incumbent may not have.

Estimated Cost: \$650,000 for a five (5) year period.

Option B: Issuing a Request for Proposal (RFP) for Payment Processing Products and Services

The benefit and challenge are as follows:

Benefits:

1. Benefits are unknown at this time.

Risks/Challenges:

1. There are a very limited number of providers in the market that are compatible with the City's scale and operations.
2. The City has recently implemented new POS solutions, including new technology from Moneris.
3. To replace the Moneris solution will require up to five years and an estimated investment of \$3,523,000.
4. Switching to another vendor is more costly and time consuming.
5. City will have to run both system in parallel until the transition to the new vendor completes.

Estimated Cost: \$650,000 for five year period plus an estimated implementation cost of \$3,523,000

Staff recommends Option A. If Council wishes to proceed with Option B, the following recommendations will need to be adopted:

1. That the Purchasing Agent be authorized to begin a competitive procurement process for payment processing products and services for a five (5) year period;
2. THAT the staff be authorized to extend its existing contract with Moneris Solutions Corporation following July 1, 2023, for a Two (2) Year Period, with the option to renew for Two (2) additional One (1) Year Periods; and
3. THAT a budget amendment be approved in the amount of \$3,523,000 in order to proceed with the procurement, with funding to be transferred from Reserve #4 – Asset R&R.
4. THAT Council endorse the inclusion of additional costs in the amount of \$120,000 in the 2024 operating budget submission, subject to Council approval.

There are very few companies capable of providing the extensive and complex payment processing products and services that are compatible with the City's scale and operations. It is unlikely there would be any substantive financial benefit from changing the City's payment processing products and services. Additionally, changing the service provider would be a costly and time consuming endeavor.

Corporate Implications:

The City processes approximately \$50 million in credit and debit card revenue per year. This is expected to grow in the coming years. The City's residents and businesses are accustomed to paying bills, fees and charges for City services using their debit and /or credit cards. It is critical that the City continue to be able to accept these payment methods.

Purchasing Comments:

A direct negotiation process will be conducted with Moneris Solutions Corporation. Upon successful conclusion, purchase approval will be obtained in accordance with the Purchasing By-law.

Financial Implications:

Funding for the terminal payment service currently provided by Moneris is available in the 2022 Operating Budget in the amount of \$130,000. Staff will ensure that sufficient funding is requested in future year budgets, subject to Council approval.

If Council directs staff to follow Option B, a budget amendment will be required for a new vendor should the contract not be awarded to the incumbent provider:

- \$3,523,371 for Capital
- \$120,000 for Operating

The 2022 Budget included approval of a 3-year capital program and funding plan, which maximized the allocation of anticipated funding availability across planned projects. This initiative was not part of the 3 year capital forecast. The approval of this budget amendment will require reprioritization of capital projects forecasted to be funded against Reserve #4 – Asset R&R through the 2023 capital budget submission.

	Option A (Moneris as Service Provider)	Option B (New Vendor)	Incremental Cost of Replacing Moneris
Capital (One-time)	\$ -	\$ 3,523,371	\$ 3,523,371
Annual Operating Cost	\$ 130,000	\$ 250,000*	\$ 120,000
TOTAL	\$ 130,000	\$ 3,773,371	\$ 3,643,371

**The cost includes the operating cost related to Moneris for the transitioning period.*

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and ensuring sustainable financial operations.

Conclusion:

This report recommends that the Purchasing Agent be authorized to commence the procurement as described in this report.

Authored by:

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