Agenda – Standing Policy Committee on Innovation and Economic Development – March 14, 2022

REPORTS

Item No. 2 Payment to City of Winnipeg Suppliers by Direct Deposit

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That this report be received as information.

ADMINISTRATIVE REPORT

Title: Payment to City of Winnipeg Suppliers by Direct Deposit

Critical Path: Standing Policy Committee on Innovation and Economic Development

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

There are several reasons suppliers and the City of Winnipeg benefit by way of direct deposit for payment of services and goods received, including:

- More environmentally-friendly transactions;
- Reducing processing costs to both parties;
- Reducing risk of fraudulent activity;
- Reducing personal contacts (COVID-19); and
- Quicker and more convenient payment processing for both parties.

Direct deposit is widely accepted by businesses and individuals. While the City's approach traditionally has been passive to have its suppliers adopt this means of payment, a concerted focus began in 2021 to increase the rate of adoption.

Productivity improvements and cost savings for the supplier and The City of Winnipeg is estimated to be up to $100,000 for those vendors changing to direct deposit in 2021.

Early results of the concerted focus demonstrate growing acceptance by suppliers to direct deposit.

RECOMMENDATIONS

1. That this report be received as information.

REASON FOR THE REPORT

On September 28, 2021, the Standing Policy Committee of Innovation and Economic Development directed the Winnipeg Public Service to report back in 180 days with an update on the progress of increasing the number of electronic payments.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no implications as the report is for information only.

HISTORY/DISCUSSION

There are several reasons suppliers and the City of Winnipeg benefit by way of direct deposit for payment of services and goods received including:

- More environmentally-friendly transactions;
- Reducing processing costs to both parties;
- Reducing risk of fraudulent activity;
- Reducing personal contacts (COVID-19); and
- Quicker and more convenient payment processing for both parties.

The City of Winnipeg primarily issues payments to suppliers/citizens by cheque or automated clearing house (direct deposit) payments. In 2014, 60,171 payments were issued with 30,511 paid by cheque, representing over half of total payments (see Table 1, below). In the past, to promote the use of direct deposit, the Financial Services Division of Corporate Finance would include direct deposit applications with all mailed cheques three or four times a year. Further, suppliers who received cheques more frequently were individually contacted by the Financial Services Division to consider switching to direct deposit payments. In early 2020, the Financial Services Division started to include direct deposit applications with every cheque that was issued.

While steady progress has been made in having suppliers paid by direct deposit, uptake on this passive campaign has been slow.

<u>Measures Taken to Increase Direct Deposit Payments</u>

Beginning in the second half of 2021 and continuing today, a number of measures have been undertaken to increase the number of supplier payments made by way of direct deposit.

1. In the fourth quarter of 2021, bid opportunity templates were amended to require payments be made by way of direct deposit. Payments will not be made until the supplier makes satisfactory direct deposit arrangements with the City. Further, no work is to commence under the contract until a direct deposit application form has been supplied.

In support of this, on December 2, 2021 communication was emailed to suppliers registered with ELMS (Electronic Mailing System) to register for direct deposit to proactively comply. As well, the direct deposit application has been included on the Materials Management website for easy access.

On December 29, 2021, further communication was emailed to the City Contract Administrators providing them with instructions to ensure suppliers (contracted and single source approvals) be set up for direct deposit.

2. Direct contact was made between contract administrators/other departmental representatives and those suppliers most often paid by cheque. Using data from 2020, a list of suppliers receiving more than 50 cheques for the year was prepared. A total of 30 suppliers are on this list. Making use of the business relationships and trust established with the supplier, contacts have been and are being made with these suppliers by contract administrators and departments to discuss the merits of direct deposit. To the date of this report, seven of these suppliers have proactively changed to direct deposit. Communication in this manner is continuing.

3. Materials Management Contract Administrator training will include material to create awareness of the benefits of supplier direct deposit and the requirement for this under bid opportunities

4. Regular communication with departmental controllers to serve as advocates on the benefits of direct deposit.

Results

Through these measures, the City has seen progress. The percentage of payments made by cheque has dropped from 38% in 2020 to 34% in 2021 which is twice the average increase noted over the preceding six years.

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021***
Accounts payable cheques issued (CAD)	30,511	30,296	26,131	24,040	23,863	22,396	19,204	20,632
Direct deposit payments	29,660	30,499	32,580	32,479	34,489	34,996	31,328	31,524
*Less Economic Support grant cheques (2021)								(4,403)
Total payments (excluding COVID) & DD issued	60,171	60,795	58,711	56,519	58,352	57,392	50,532	47,753
cheque %	51%	50%	45%	43%	41%	39%	38%	34%
direct deposit %	49%	50%	55%	57%	59%	61%	62%	66%

Table 1

* Grants made under Economic Recovery Grant Program (rounds one and two) represent a significant increase in payments for 2021. These payments are removed for this illustration to normalize reporting.

Considering the increase from 2020 to 2021 in proportion of payments made by direct deposit (62% to 66%), this shift represents an additional nearly 2,000 payments being made by way of direct deposit. Productivity improvements and cost savings for the supplier and The City of Winnipeg is estimated to be up to $100,000 for the payment changes made in 2021.

Another measure that demonstrates the progress is the influx of direct deposit applications received by the Financial Services Division.

Table 2, below, details the number of direct deposit applications approved over the last few years.

Applications Approved		
2019	**478**	
2020	**386**	
2021	341	Jan-Nov/21
	191	Dec/21
	532	
2022	33	Approved to Jan 18/22
	54	In progress
	87	

Table 2

In 2021, over 500 applications were approved with 36% of these in the month of December alone.

For the first three weeks of 2022, 87 applications have been received and 33 of those suppliers have been set up on direct deposit (the remainder are in progress).

FINANCIAL IMPACT

Financial Impact Statement Date: January 24, 2022

Project Name:
Payment to City of Winnipeg Suppliers by Direct Deposit

COMMENTS:

There are no financial impacts associated with receiving this report as information.

Paying an additional 2,000 cheques by direct deposit in 2021 produces productivity improvements and cost savings for supplier and The City of Winnipeg which is estimated up to $100,000.

"electronically approved by J. Peters"
Jocelyn Peters CPA, CGA
Manager of Finance & Administration (Campus)

CONSULTATION

This Report has been prepared in consultation with:

N/A

OURWINNIPEG POLICY ALIGNMENT

Climate Action Investment
Prioritize the long-term economic benefits of sustainability and climate action in municipal decision-making processes, including the budget, investment planning and procurement processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Corporate Leadership – reduce consumption and increase waste diversion
Waste Reduction & Diversion – reduce consumption and increase waste diversion from residential, commercial, and industrial users

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's/Financial Services Divisions
Prepared by: P. Olafson/C. Stubbs
Date: January 24, 2022
File No: NA