

Clause 10 in Report No. 9 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 19, 2016

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Banking Services Agreement

Committee of the Whole recommends adoption of the following recommendations contained in the report dated April 27, 2016 from the Commissioner of Finance:

1. Council authorize an agreement between the Region and the Toronto Dominion Bank (TD Bank) for the purchase of banking services, on the following terms:
 - a) A five-year term, with an option to extend the agreement for a further five years; and
 - b) The fee schedule be fixed for the term of the agreement.
2. The Commissioner of Finance be authorized to exercise the option to extend the agreement for a further five years on the same terms, provided that TD Bank has performed the services to the satisfaction of the Commissioner.
3. The Commissioner of Finance be authorized to execute the agreement and the renewal agreement, if any, on behalf of the Region.

Report dated April 27, 2016 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. Council authorize an agreement between the Region and the Toronto Dominion Bank (TD Bank) for the purchase of banking services, on the following terms:
 - a) A five-year term, with an option to extend the agreement for a further five years; and
 - b) The fee schedule be fixed for the term of the agreement.

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2. The Commissioner of Finance be authorized to exercise the option to extend the agreement for a further five years on the same terms, provided that TD Bank has performed the services to the satisfaction of the Commissioner.
3. The Commissioner of Finance be authorized to execute the agreement and the renewal agreement, if any, on behalf of the Region.

2. Purpose

This report outlines the rationale and seeks Council authority pursuant to section 3.3 of the Purchasing Bylaw for the Region to enter into an agreement with the TD Bank for the provision of banking services. The proposed agreement would be for five years, with an option to extend for a further five years.

3. Background

The Purchasing Bylaw permits Council to authorize any purchase or method of procurement where to do so would be in the best interests of the Region

Generally, the purchase of goods and services requires a competitive process under the Purchasing Bylaw. However, there is provision for Council to authorize any method of procurement where it can be demonstrated that it is in the best interests of the Region to do so. Under this provision, staff is seeking authority to procure banking services from TD Bank without engaging in a competitive process. The rationale for this is that the Region has been a long-time client of TD Bank, TD Bank's banking services are integrated into the Region's business processes, and TD Bank's rates are competitive in relation to other banking institutions offering similar services to municipal clients. Accordingly, this report presents a business case that supports Council's authorization of additional services for the next five years, with a further five year option to renew.

The TD Bank has been the Region's banker for over forty years

The TD Bank has been York Region's main banker since its inception in 1971. The banking services that it currently provides include the following:

- Maintenance of various bank accounts;
- Electronic cheque reconciliation services;
- Direct deposit payroll;

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- Pre-authorized payment collection for Housing York Inc., and long-term care facilities;
- Stop payments and night deposit facilities;
- Daily deposit services to satellite offices; and
- Wire payments and electronic fund transfers.

In 2007, Council authorized the Commissioner of Finance to negotiate a direct purchase contract with the TD Bank, citing cost reduction, revenue enhancements and continuity of service as reasons for retaining the bank. The term of that contract was for a five year period ending on October 31, 2012, with an option to extend the contract for an additional three years.

In September 2012, Council authorized the extension of the contract with TD Bank to expire on October 31, 2015. Reasons for extending this contract included the TD Bank agreeing to keep all service charges at their existing rates and an agreement to increase the interest rate offered for funds left on deposit.

To allow sufficient time to survey departments and consider options, and to prevent any interruption in service, an extension of the TD Bank contract to June 30, 2016 was approved by the Regional Chair and CAO as required under section 11.5 (a) of the Purchasing Bylaw.

Since 2012, the cost of banking services provided by the TD Bank has ranged from \$60,000 to \$70,000 per year. These costs do not include the cost of custodial and merchant services, which are the subject of a separate RFP and a negotiated service agreement respectively.

During 2015 the Treasury Office consulted with stakeholders to determine banking needs and concerns

Throughout 2015, the Treasury Office held meetings with Regional departments to understand their banking service requirements to determine the best course of action for maintaining these services. In addition to the meetings, the Treasury Office contacted other municipalities, including London, Kitchener, Halton, Ottawa and Peel, to ascertain how they handle their banking needs.

4. Analysis and Options

The review undertaken by the Treasury Office revealed that banking needs for many Regional departments have become more complex over the years

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Through the review process undertaken in 2015, it was discovered that banking service requirements for the Region have significantly expanded over time.

Banking services have gone beyond cheque processing, wire transfers and deposit-taking to include:

- Remote Deposit Capture Systems;
- Electronic Data Interchange;
- Fraud protection;
- On-line Banking;
- Payment Card Industry Data Security;
- Contingency Planning Strategies; and
- File Transfer Protocols.

Many of these new services are the result of new internet or web-based solutions and new security protocols. Other service changes are a result of new processes and procedures concerning the handling of payments or cash. The TD Bank has been responsive to the Region's changing requirements and has provided valuable support, advice and innovative ideas to meet these needs.

The review also identified concerns about the costs and risks associated with the transfer of services to another provider

During the review in 2015, departments identified concerns with the potential transition from the TD Bank to another service provider. Their concerns included the potential cost of a changeover, the amount of time needed to effect the change, and the possibility of business disruption and/or system failure. For example, staff from Community and Health Services noted how reliant Ontario Works clients were on timely cheque issuance and overall continuity of service. A change in service providers could jeopardize service continuity for the following reasons:

- Lack of familiarity with system and processes on the part of either York Region or new bank staff;
- IT systems incompatibility;
- Timeframe required to become familiar with key contacts;
- Need to issue new cheques and electronic transfer instructions;
- Need to inform the various stakeholders of the change in service providers; and
- Issues relating to fraud control and prevention.

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Discussions with other municipalities who have either undergone a RFP or review of banking service requirements have revealed similar concerns. In addition to service concerns, many municipalities cited the costs associated with transitioning from one service provider to another. These costs relate to identifiable out-of-pocket costs (such as new cheques and one-time set up fees), but also estimated staff time for such things as training on new systems and protocols and issuing notices of bank changes to stakeholders.

The TD Bank has indicated it will extend its services on the same terms as currently exist

The TD Bank has indicated its willingness to extend its contract with the Region until June 30, 2021 on the same terms and conditions that currently prevail. The rates charged by the TD Bank will remain the same as those prevailing in October 2007. Annual costs vary depending on specific services required and transaction volumes. The TD Bank provides many services such as currency and coin deposits, certified cheques, stop payments, bank statements and returned items at no charge. Total value of waived fees compared to the bank's standard fee schedule amount to over \$100,000 per year. In addition, the TD Bank offers preferred interest rates for the Region's short-term deposits and short-term borrowing that are equal to or better than those available to other municipalities.

A banking services agreement with the TD Bank would be in the best interests of the Region

The TD Bank has provided the Region with excellent service over the years at a competitive cost and offers preferred interest rates that are equal to or better than those which are available to other municipalities.

Council authorization of a service agreement with TD Bank is recommended because of the potential cost and business risks associated with transferring this service to another vendor, as well as the long-standing relationship and high quality of service offered by TD Bank.

Link to key Council-approved plans

Establishing and maintaining appropriate banking services on a cost effective basis assists the Region in managing its finances prudently. This is a strategic priority area identified in the 2015 to 2019 Strategic Plan.

5. Financial Implications

There are no additional cost implications to the term extension for banking services with the TD Bank. The TD Bank has indicated its willingness to keep all service charges at existing rates for the duration of the contract. The annual cost for banking services is approximately \$70,000, which is included in the Region's 2016 to 2018 Budget.

6. Local Municipal Impact

There is no additional impact to local municipalities as a result of the recommendation contained in this report.

7. Conclusion

The TD Bank continues to provide excellent service at a reasonable cost. This report recommends that the agreement for banking services with the TD Bank be renewed for a period of five years, with an option to extend for an additional five years, thereby ensuring continuity of consistent and uninterrupted service.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at ext.71644.

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Accessible formats or communication supports are available upon request