



**STAFF REPORT
ACTION REQUIRED**

Banking Services Contract 47010773 – Request for Extension

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| Date: | October 25, 2007 |
| To: | Government Management Committee |
| From: | Treasurer |
| Wards: | All |
| Reference Number: | P:\2007\Internal Services\Treasurer\gm07002Treasurer (AFS 6227) |

SUMMARY

This report requests that Council authorize the Treasurer to negotiate a contract extension to the banking services contract with the Royal Bank for the period from July 1, 2008 to June 30, 2010. The approval of this extension will assist the Office of the Treasurer in completing its major projects that are taking place during this period and will allow ABCs to participate in the RFP process.

RECOMMENDATIONS

The Treasurer recommends that:

1. Council authorize the Treasurer to negotiate a two-year contract extension with the Royal Bank for the banking services contract 47010773 with an expiry date of June 30, 2010 and report back to Council through the General Management Committee with the proposed terms and conditions of the contract extension for approval; and
2. The appropriate City officials be directed to take the necessary action to give effect thereto.

Implementation Points

Should Council approve this report, the Treasurer will negotiate an extension of the contract with the Royal Bank and report to Council through the first meeting of General Management Committee in 2008. Should the Treasurer be unable to negotiate a contract

under terms and conditions that he feels will be acceptable to Council, an RFP will be issued for the banking services in early 2008.

Financial Impact

There are no immediate financial impacts as a result of this report. There is a potential for future savings on the banking contract if a number of ABCs join with the City in an RFP.

DECISION HISTORY

This report was initiated by the Treasurer. Council approved the existing contract with the Royal Bank at the Council meeting of June 24, 25 and 26, 2003.

<http://www.toronto.ca/legdocs/2003/agendas/council/cc030624/adm5rpt/cl005.pdf>

ISSUE BACKGROUND

The five-year contract for banking services with the Royal Bank is set to expire on June 30, 2008. In the normal course of business, staff would issue an RFP in early 2008 and recommend the preferred proponent to Council in May of 2008. Should a bank other than the Royal Bank win the competition, a four to six transition plan would be executed to change banks in the summer of 2008. The Divisions within the Office of the Treasurer would bear most of the transition work at a time when they are engaged in a number of major projects.

The timing of the existing contract expiration would not allow other significant ABCs like the TTC to participate with the City in an RFP. The only ABC that participated in the last RFP was the Toronto Zoo.

COMMENTS

Office of the Treasurer Workload

The Office of the Treasurer is made up of four Divisions:

- Accounting Services
- Pension, Payroll & Employee Benefits
- Purchasing & Materials Management
- Revenue Services

These Divisions are the main users of the banking services contract along with Social Services, Homes for the Aged and the Corporate Finance Division.

During the 2008 and 2009 time period, the Treasurer's Divisions are working to complete the following major projects:

- Capital Asset Accounting System
- Document Management System for Accounts Payable and Revenue Services (document scanning, imaging, electronic workflow and storage)

- Cost centre and account restructuring to support the new Financial Planning, Analysis and Reporting System
- Implementation of new taxes, the solid waste user fee and new property classifications
- Automated (wireless) Meter Reading project
- SAP payroll Functional Upgrade

Although additional resources have been secured in the Capital Budget to carry out these projects, there will be a significant temporary burden on existing staff that will be using the new systems installed (system design input, quality assurance testing and training). There are two major contracts that expire in 2008 that may add to this burden if the incumbent contractors change:

- The banking contract
- The external auditor contract

For the banking contract, the following significant tasks will be carried out over a four to six month transition period to accommodate a change in bankers:

- Changes to the City's payroll, accounts payable and banking systems to accommodate direct deposits, the printing of the pay advices and T4's and daily information transfers between the City and the bank.
- Notification of bank account change to City customers paying the City by direct deposit
- Resetting of Point of Sale devices to the new bank
- Transition to new bank accounts (50), which will require duplicate bank reconciliations as outstanding cheques in the old accounts clear
- Installation, testing and training staff on the new Bank's software
- Change in cash pick up and delivery arrangements
- Changes to custodial and safekeeping arrangements for securities
- Negotiating and arranging new credit facilities and account overdraft protection

A change in external auditors will have an even larger impact on the Treasurer's office and a separate report seeking authority to extend the existing external audit contract will be submitted to the Audit Committee.

Inclusion of the ABCs

In the last RFP conducted in 2003, the only ABC to participate with the City was the Toronto Zoo. In order to maximize the buying power of the consolidated City, the ABCs should be consulted to determine their interest in participating. This will require additional time to determine their interest and incorporate their specifications into an RFP.

Ideally, the RFP should take place when most of the larger banking contracts expire. For example, the TTC's banking contract does not expire until 2009.

Negotiation Process with the Royal Bank

Staff are seeking authority to negotiate an extension to the Royal Bank's contract for two years under terms and conditions that the Treasurer is comfortable recommending to Council. If the Treasurer is unsuccessful, the Treasurer will proceed with an RFP.

CONTACT

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SIGNATURE

Cam Weldon
Treasurer