



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

**Banking Services Contract 47010773 – Results of
Negotiation**

Date:	April 2, 2008
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2008\Internal Services\acc\gm08006acc (AFS#6428)

SUMMARY

This report provides the results of the Treasurer's negotiation with the Royal Bank for a contract extension to the banking services contract 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 agencies, boards and commissions (ABCs) to participate in the RFP process.

RECOMMENDATIONS

The Treasurer recommends that:

1. Council authorize a two-year contract extension with the Royal Bank of Canada for banking services for fiscal years 2008 and 2009 as per the fee schedule outlined in Attachment 1 and under terms satisfactory to the City Solicitor;
2. Council authorize the release of the confidential information in Attachment 1 upon the conclusion of the Banking Services RFP process planned for 2010; and
3. The appropriate City officials be directed to take the necessary action to give effect thereto.

Financial Impact

Despite this modest price increase and as a result of changes in the services provided and changes to the quantity of services provided to the City, the annual cost of services are estimated to be reduced to \$985,000 per year vs. \$1,275,300 that was estimated in 2003. There are no additional financial impacts to that anticipated in the 2008 Operating Budget. Funds for the fees proposed by the Royal Bank are available in the recommended 2008 Operating Budget (Cost Element 6570 – Banking Service Charges).

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Council authorized the Treasurer to negotiate a two year extension to the existing contract with the Royal Bank at the Council meeting of November 2007. Please refer to Council decision document in reference to GM9.4 at <http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-11-19-cc14-dd.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 month 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 most significant project is the Capital Asset Accounting project.

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

Negotiation Process with the Royal Bank

Subsequent to Council's approval to negotiate in December, staff met with the Royal Bank and requested them to update their pricing based on the current nature and levels of service provided to the City.

Since 2003, the banking services provided to the City have changed as technology changed. For example, the City now pays more than 30% of its invoices by electronic direct deposit instead of by cheque. For those payments still made by cheque, the fraud detection service provided by the Royal Bank has been improved as the payee name has been added to the cheque number and amount to the cheque clearing matching process.

The Royal Bank has proposed fees that are on average 8.2% higher than fees set in 2003. However, new services such as the payee match program (added security feature to assist in fraudulent cheque detection) and RBC express (internet based banking) make up most of the increase. For comparison purposes, CPI increased 10.1% over the same period. The fees proposed are fixed over the two-year extension period.

The basis for determining interest rates earned on deposits and charged on overdraft remain unchanged and are satisfactory to Corporate Finance staff.

Staff has been satisfied with the service provided by the Royal Bank and recommend the contract extension to Council for approval.

Staff are recommending that the pricing proposed by the Royal Bank be kept confidential until the Banking Services RFP is completed in 2010. If the pricing information was released prior to the RFP, it could have a detrimental effect on the Royal Bank's ability to participate in a fair competition.

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SIGNATURE

Cam Weldon

Treasurer

ATTACHMENTS

Attachment 1: Banking Services Contract 47010773 Fee Summary (Confidential)