



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	April 23, 2018
SUBJECT/REPORT NO:	Custody Services – Authorization to Execute Agreement (FCS15006(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gerald T. Boychuk (905) 546-2424 Ext. 4321
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services
SIGNATURE:	

RECOMMENDATION

That the General Manager, Finance and Corporate Services, or his designate, be authorized and directed to negotiate and execute, on behalf of the City of Hamilton, Custodian and Trust Services agreements and any ancillary documents with RBC Investor Trust Services with a five-year term and an option to renew for an additional five-year period, with content satisfactory to the General Manager, Finance and Corporate Services, and in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

Audit, Finance and Administration Committee (AF&AC) at its meeting of January 19, 2015 through Report FCS15006 authorized the General Manager of Finance and Corporate Services or his designate to negotiate a five-year Custody and Trust contract with RBC Investor Trust Services (RBCITS) with an option to renew for an additional five years at current or better pricing rate structure. Council authorization is required for the General Manager, Finance and Corporate Services, or his designate to execute the Custody and Trust Services contracts or agreements with RBCITS.

The original Custody and Trust Services contract was with Royal Trust Company and assumed by Royal Bank when taken over in 2002 and has endured to date. The new contract term is to be for a five-year initial period with an option to renew for five years at the same rates. Also, the contract is subject to cancellation by either party with 60 days' notice. Other key points are as follows:

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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- 1) A five basis point increase to 55% in the City's share of securities lending revenue generated by RBCITS with guaranteed replacement of securities loaned.
- 2) The fee schedule has been maintained and bettered by 7% in total cost.
- 3) All documentation will be approved by the City of Hamilton Legal Services Division.

RBCITS has revised its operations considerably over the past three years changing staffing, improving service and systems. They are also committed to future improvement by committing about \$200M to upgrading and modernizing systems and processes.

City staff has negotiated a very favourable new Custody and Trust agreement with RBCITS and avoided costly disruption of services and increased costs due to higher new rates. The ongoing costs of cash transfers are avoided as Royal Bank of Canada (RBC) is the City's bank and fund transfer charges are not levied between RBCITS and RBC.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There is no financial impact for the recommendation seeking authorization to negotiate and execute agreements with RBCITS for custody and trust services. However, the net cost of custody and trust services is expected to approximate the average annual net cost of the current arrangement with RBCITS of approximately \$50,000.

Staffing: None.

Legal: City Legal Services Division will be required to review a new contract prior to execution.

HISTORICAL BACKGROUND

The original Custody and Trust Services contract held by Royal Trust Company was assumed by Royal Bank in 2002.

Audit, Finance and Administration Committee (AF&AC) at its meeting of January 19, 2015 through Report FCS15006 authorized the negotiation of a new agreement with RBCITS. Negotiations with RBCITS have been affected by organizational changes at RBCITS.

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In early 2017, the terms, conditions and new pricing fees of the Custody and Trust Services were finalized and are being incorporated into the new agreement to be reviewed by the City's Legal Services division prior to execution by the General Manager, Finance and Corporate Services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The requirement to seek Council direction is contained in Procurement Policy Section 4:5 (5) "Determining the Procurement Process". Due to the sensitive nature and risk of financial loss when dealing with an incumbent vendor, Council direction is required as to the use of Direct Negotiation or another method.

RELEVANT CONSULTATION

City of Hamilton, Legal Services Division, Corporate Services Department
Royal Bank of Canada Investment Trust Services

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The analysis and rationale for negotiating with RBCITS were contained in Report FCS15006 Custody Services – Authority to Negotiate which was approved by Council on January 21, 2015.

ALTERNATIVES FOR CONSIDERATION

None

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

None

GB/dt