



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Services and Taxation Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	April 8, 2021
SUBJECT/REPORT NO:	Banking Agreement - Authorization to Negotiate (FCS21027) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Shelley Hesmer (905) 546-2424 Ext. 3020
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the General Manager, Finance and Corporate Services, or designate, be authorized to negotiate a one-year agreement with an option to extend one additional year with The Royal Bank of Canada for the provision of banking services outlined in report FCS11084 (October 11, 2011).
- (b) That the General Manager, Finance and Corporate Services, or designate, be authorized to sign the agreement in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

A Request for Proposal (RFP) for banking services for the City of Hamilton (City) was issued in 2011. The contract was awarded to The Royal Bank of Canada (RBC). The term of the agreement was for five years with an option to renew for an additional five-year period. The City exercised the option and the ten-year term expires September 30, 2021.

City staff is looking for authorization to negotiate a one-year agreement with an option to extend one additional year with RBC for banking services. Switching banks during the pandemic is not preferred. The process is labour intensive and impacts all City departments, Boards and external bodies. With everyone's attention currently focused on the pandemic, issuing an RFP at this time would create a significant amount of work for impacted staff, distracting from pandemic related work.

If a one to two-year agreement is approved, City staff would look to an RFP for banking services during this time period. The term of the next RFP would be for five years with an option to renew for an additional five years.

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The annual compensation and cash management fees for the period of October 1, 2020 – September 30, 2021 is \$121,550.

Staffing: There are no associated staffing implications.

Legal: Contract with the bank would have to be reviewed and approved by the City Solicitor.

HISTORICAL BACKGROUND

The Royal Bank of Canada (RBC) has provided the City with banking services since it was awarded the contract in May 2001 in report FCS01047. Council approved an extension to the contract with RBC in June 2006 in report FCS06065. The Audit and Administration Committee at its meeting of March 3, 2010, authorized the issuance of Request for Proposal (RFP) for banking Services for a term of ten years in report FCS10018. Staff issued an RFP for banking Services in February 2011 and staff evaluated two proposals received from RBC and Scotiabank between April and July 2011. Council awarded the contract to RBC in October 2011 in report FCS11084. The term of the contract is set to expire September 30, 2021.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

There are no policy implications. Purchasing Policy By-Law 20-205, Policy #5 Section 4.5 (5) requires that this report be presented to Committee and Council and that Council determine the procurement process to be followed.

RELEVANT CONSULTATION

Discussions regarding the need to issue a Request for Proposal for banking services at this time or to ask for authorization to negotiate a one to two-year agreement with our existing bank, RBC, were held with the staff that would be heavily involved in issuing the RFP and undertaking the job of transferring banking services. Based on the information gathered it was preferable to ask for authorization to negotiate a one to two-year contract with RBC for banking services until staff return to the office and covid-19 work pressures are reduced.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The issuance of an RFP for banking services and the changing of banking services have a significant impact on City operations which affects all departments and physical locations. The bank is intricately tied to the financial controls of the City especially as it relates to cash handling, deposits, investments and disbursements. Some of the software had to be interfaced with the banks and, in some cases, the City is utilizing bank supplied software and reporting.

The timing of issuing an RFP for banking services during the pandemic is not ideal. City staff are already being fully utilized. The RFP process is labour intense with a conservative estimate of staff time required being well in excess of 500 hours. In order to draft the RFP, staff from all City departments and Boards must document their banking requirements to be included in the RFP, as well as, develop the evaluation criteria. Once the RFP is issued and the proposals are received, an evaluation must be done by the evaluation team.

Once a decision is made City staff must work closely with the new bank to establish new bank accounts, banking procedures, create new banking reports, establish on-line banking processes, order new cheques and have the bank test them, make changes with the armoured car service, train staff on new processes and systems, ensure all old banking details given out to customers is updated, and old deposit books are collected and new ones are delivered.

City staff is satisfied with the services provided during the past ten years and are supportive of retaining RBC, as the City's bankers, should Council decide to do so.

ALTERNATIVES FOR CONSIDERATION

The City could negotiate a shorter-term extension with RBC to allow enough time to issue an RFP for banking services and then transfer banking services to the new bank. Switching banks would result in a significant amount of staff time and resources. Existing processes and systems would have to change. Staff resources would have to be re-allocated from existing projects to implement the new systems and processes. With staff resources already being fully utilized this will create additional work for staff.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

Our People and Performance

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

APPENDICES AND SCHEDULES ATTACHED

None.

SH/dw