




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Services and Taxation Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 23, 2023
SUBJECT/REPORT NO:	Request to Extend Banking Services Agreement (FCS23036) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Nikki Freeman (905) 546-2424 Ext. 3020 Tina Iacoe (905) 546-2424 Ext. 2796
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) Pursuant to Procurement Policy #11 – Non-competitive Procurements, that the General Manager, Finance and Corporate Services Department, or their designate, be authorized and directed to negotiate an extension to Contract C12-01-11 for Professional Banking Services for the City of Hamilton (City) for a period of no less than three years with the Royal Bank of Canada (RBC); and
- (b) That staff be directed to report back with the results of the negotiations of the extension with RBC to the Audit, Finance and Administration Committee for approval.

EXECUTIVE SUMMARY

The purpose of this Report is to seek Council's approval to direct the General Manager of Corporate Services, or his designate, to negotiate an extension to Contract C12-01-11, Professional Banking Services for the City of Hamilton (City) with the City's current provider of these services, RBC. This contract extension is necessary to ensure that RBC continues to provide banking services to the City while City staff, in parallel, develop and issue a formal competitive procurement process for banking services targeted for release in 2025.

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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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The annual compensation and cash management fees for the period of October 1, 2021 – September 30, 2022 is \$140,400 (excluding reloadable payment cards) based on a flat fee schedule.

Staffing: Major stakeholders across City departments will support the RFP process and implementation.

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

HISTORICAL BACKGROUND

RBC has been providing banking services for the City of Hamilton since 2001. The initial contract was approved by Council in May 2001 through Report FCS01047 and was subsequently extended an additional four years by Council in June 2006 through Report FCS06065. In March 2010, Council approved Report FCS10018 directing staff to issue a request for proposals for banking services for a term of ten (10) years.

In early 2011, Request for Proposal (RFP) C12-01-11 for Professional Banking Services for the City of Hamilton was issued and closed on March 8, 2011 with the City receiving two proposals from RBC and Scotiabank. In accordance with the Procurement Policy, both proposals were evaluated, and a preferred proponent was selected by staff. On October 11, 2011, Report FCS11084 was approved by Council, awarding the ten-year contract for banking services (C12-01-11) to RBC.

Contract C12-01-11 was set to expire on October 10, 2021 however, prior to its expiry, Council approved Report FCS21027, directing staff to negotiate an additional one-year term with an option to extend an additional one-year term for the provision of banking services through a Policy #11 Non-Competitive Procurement. Contract C12-01-11 is now due to expire on September 30, 2023. During this time, City staff was looking to issue an RFP for banking services, however, due to staffing vacancies in Accounting Services, there were not sufficient resources to conduct an open and competitive RFP.

As per the City of Hamilton's Procurement Policy and associated By-Law 20-205 as amended, Procurement Policy #4 – "Determining the Procurement Policy, Section 4.5(5) staff is required to seek Council direction on the type of procurement process to be followed for the acquisition of the Good and/or Service where there is an incumbent vendor on a City Corporate contract which is of a highly sensitive nature, due to the risk associated with financial loss, confidentiality or the handling of sensitive information.

The issuance of an RFP for banking services and the potential changing of banking institutions will have a significant impact on City operations, affecting all departments and physical locations. Since the bank is intricately tied to the financial controls of the City especially as it relates to cash handling, deposits, investments and disbursements, staff require no less than three years in order to develop and award a new contract and potentially transition banking services to a new provider. In order to facilitate the formal RFP process and award a new contract, staff require an extension to the current banking services contract with RBC.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

This Report is in accordance with the City of Hamilton's Procurement Policy and associated By-Law 20-205 as amended, whereby:

- Procurement Policy #5 – Determining the Procurement Policy, Section 4.5(5) staff is required to seek Council direction on the type of procurement process to be followed for the acquisition of the Good and/or Service where there is an incumbent vendor on a City Corporate contract which is of a highly sensitive nature, due to the risk associated with financial loss, confidentiality or the handling of sensitive information.
- Procurement Policy #11 – Non-Competitive Procurements, Section 4. 55 requires Council must approve any requests for negotiations for:
 - 2(a) a single source as set out in subsection (1)(b) of this Policy #11, where the cumulative value of the Policy 11 exceeds a multi-year value of the proposed procurement is \$250,000 or greater. For greater clarity, the total cumulative value of a Policy 11 shall not exceed \$250,000 in any given year or multiple consecutive years; or
 - 2(b) an extension as set out in subsection (1)(c) of this Policy #11, where the extension exceeds 18 months from the expiry of the Contract with a vendor.”

RELEVANT CONSULTATION

City staff has consulted with eight Ontario municipalities with respect to their banking services contract to determine how they procure banking services and if they have recently, or will soon, issue a competitive process for services. Of those contacted, the information received varied, with some municipalities recently completing an RFP, to one looking to issue a RFP in the next four to five years and one municipality deeming banking services an exemption to their municipal procurement policy.

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In addition to gathering this procurement information, seven of the municipalities contacted also have Ontario Works clients, of which six utilize RBC and one utilizes the Bank of Nova Scotia.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

RBC currently provides a variety of services to our taxpayers, Ontario Works clients, and vendors who chose to do business with the City. These services include assistance to Ontario Works clients, including reloadable payment cards.

RBC provides multiple services to the City to ensure cash control and enable service to our clients. This includes fraud prevention mechanisms, electronic funds transfer, wire and Interac payments used in specific circumstances, as well as, direct bank deposits for Ontario Works clients and City staff payroll. RBC Express (online) has been an effective tool to monitor bank accounts for fraud and unusual activity. Reports generated from the system are used in our monthly bank reconciliation process.

City staff is satisfied with the services provided by RBC to date however, staff also recognizes the importance of formally procuring for these services and the need to be as fair and transparent as possible.

The issuance of an RFP for banking services and the potential changing of a banking service provider will have a significant impact on City operations and will affect all departments and physical locations. Some software had to be interfaced with the banks and, in some cases, the City is utilizing bank supplied software and reporting. Since the bank is intricately tied to the financial controls of the City especially as it relates to cash handling, deposits, investments and disbursements, staff require no less than three years in order to develop and award a new contract and potentially transition banking services to a new vendor.

Should a new banking service provider be awarded the new contract, City staff must work closely with the provider 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.

The minimum three-year extension to Contract C12-01-11 with RBC will allow staff to conduct the following activities:

- Preparation and release of RFP
- Evaluation of submissions
- Negotiation, review and awarding of the contract

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- Transition planning, implementation and validation

The potential transition to a different banking service provider will incorporate the following activities:

- Replacement of all integrated reports, which would include design, implementation, testing and deployment.
- Replacement of existing bank accounts, cheques and testing of cheque requirements.
- Running RBC bank accounts and new bank accounts in parallel for minimum of 6 months to facilitate change over.
- Replacement of existing banking procedures (City Wide).
- Reconfiguration of existing financial reports.
- Communication to all customers and vendors with existing banking information.

ALTERNATIVES FOR CONSIDERATION

Council may direct staff to negotiate a long-term contract extension with RBC, thereby alleviating the need for an open procurement process for a period of three to ten years. Although this alternative would be viewed as a significant single source of services to a vendor, it would be favourable in terms of saving staffing resources that would be required for the RFP and any transition of services. This alternative would also alleviate any potential service disruptions or impacts on City operations, departments, as well as, taxpayers, Ontario Works clients, and vendors who chose to do business with the City.

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

N/A.