

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT *Treasury Services Division*

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: October 11, 2011	
SUBJECT/REPORT NO: Award of Contract (C12-01-11) for Professional Banking Services (FCS11084) (City Wide)	
SUBMITTED BY: Antonio D. Tollis Treasurer Corporate Services Department	PREPARED BY: Brian McMullen ext 4467
SIGNATURE:	

RECOMMENDATION

That the contract for Professional Banking Services (C12-01-11) be awarded to the Royal Bank of Canada (RBC) for a term of five years with an option to renew for an additional five year period.

EXECUTIVE SUMMARY

The Audit and Administration Committee at its meeting of March 3, 2010, approved the following recommendation in report FCS10018:

That a Request for Proposal (RFP) for Banking Services be issued for a term of ten years.

Staff issued RFP C12-01-11 and addendum to RFP C12-01-11 in February and March 2011 which detailed the banking services required by the City of Hamilton and its related entities of CityHousing Hamilton, Hamilton Public Library, and Hamilton Entertainment and Convention Facilities Inc. ("HECFI"). In accordance with the City's

purchasing policies, a two envelope system was used whereby envelope 1 is opened and technical proposals scoring greater than or equal to the benchmark score of 80% passed and envelope 2 is opened containing cost proposals. The proposal with the lowest Total Contract Price is recommended to Council.

Two of Canada's Schedule 1, Tier 1 financial institutions submitted proposals to the City. Proposals from Scotiabank and RBC were received. The technical proposals for both banks demonstrated excellent corporate history, exceptional experience, a strong understanding of City banking requirements and the capability and capacity to deliver outstanding banking services for the City of Hamilton.

Staff evaluated the technical proposals from both banks and they both scored more than the benchmark score of 80%. The Total Contract Price for five years submitted by RBC was \$0 and Scotiabank was \$720,000.

Staff recommend that RBC be awarded the contract for Professional Banking Services (C12-01-11) for a term of five years with an option to renew for an additional five year term. The effective date of contract C12-01-11 is October 1, 2011. The estimated bank fee and deposit interest rate savings over the five year term are estimated at \$2.2 million or \$400,000 annually.

The savings in bank fees to the City and its related entities over the five year term are estimated at \$1.7 million based on annual gross savings of \$340,000. The annual savings net of provincial subsidy are \$300,000.

In addition, RBC's proposal included deposit interest rates that were better than the existing contract. The additional interest revenue is estimated at \$100,000 annually and \$500,000 over the five year term.

Alternatives for Consideration – See Page 4.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial:

The annual banking fees for the City and all related entities are approximately \$340,000. The Total Contract Price in RBC's proposal of \$0 saves the City and its related entities \$340,000 annually and \$1.7 million over the five year term of contract C12-01-11. The annual savings net of provincial subsidy are \$300,000. The gross savings in banking fees are reduced as some of the bank fees are charged for services related to payments to Ontario Works participants which are 50% subsidized by the Provincial Government.

In addition, RBC's proposal included interest rates for funds on deposit that were better than the existing contract. The additional interest revenue is estimated at \$100,000 annually and \$500,000 over the five year term of contract C12-01-11.

Staffing:

There are no staffing implications with awarding the contract to RBC.

Legal:

There are no legal implications.

HISTORICAL BACKGROUND (Chronology of events)

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 a 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.

POLICY IMPLICATIONS

Purchasing Policy 4 – Approval Authority, Item 4(b) requires Council approval for the award of Corporate Contracts.

RELEVANT CONSULTATION

Financial staff and management at City Housing Hamilton, Hamilton Public Library and HECFI were involved in the issuance of the RFP for banking services.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The terms of RFP C12-10-11 suggest that the proponent with the lowest Total Contract Price be recommended to Council for award of the contract. The submission by the Royal Bank of Canada (RBC) results in savings of \$144,000 per year and \$720,000 over the five year term of the contract compared to the submission by Scotiabank. In addition, awarding the banking services contract to RBC results in no additional staffing

costs compared to Scotiabank's proposal. A significant amount of staff time and resources would have been required to transfer banking services from RBC to Scotiabank or any other bank.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The terms of RFP C12-10-11 states that the proponent with the lowest Total Contract Price be recommended to Council for award of the contract. Consequently, staff are recommending that the Royal Bank of Canada (RBC) be awarded the banking services contract at a total contract price of \$0 for a five year term. In addition, the award of the contract to RBC is a seamless transition from the existing contract to a new contract. There are no changes in services, processes and equipment as a result of the new contract.

Alternatively, the proposal from Scotiabank could be implemented with financial, staffing and legal implications. Scotiabank's proposal was a sound technical proposal with a Total Contract Price of \$720,000 over the five year term of the contract. However, the Total Contract Price was not the best price and would cost the City of Hamilton \$720,000 more than RBC's proposal. In addition, the transfer of banking services to Scotiabank from the existing contract with RBC would result in a significant amount of staff time and resources. Existing processes and systems would have to be changed. Staff resources would have to be re-allocated from existing projects and tasks to implement the new systems and processes required by Scotiabank's Transition Plan. It is estimated that between 500 to 1,500 hours of staff time and an estimated cost of \$50,000 would be required for this transition.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ♦ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner

APPENDICES / SCHEDULES

None.