

10.1.14



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
August 08, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to read "Wayne Anstey", written over a horizontal line.

Wayne Anstey, Acting Chief Administrative Officer

A handwritten signature in black ink, appearing to read "Geri Kaiser", written over a horizontal line.

Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services & Strategy

DATE: August 2, 2006

SUBJECT: Award - RFP #06-070, Banking and Financial Services Products

ORIGIN

Expiration of the current contract for banking services.

RECOMMENDATION

It is recommended that Regional Council award RFP #06-070, Banking and Financial Services Products to RBC Royal Bank for a five year period for an estimated annual cost of \$250,800 including net HST, from Operating Account M110, with funding authorized as per the Budget Implications Section of this report.

BACKGROUND

The Halifax Regional Municipality entered into a five year contract for banking services in 2001 with RBC Royal Bank. A comprehensive request for proposals addressing the diverse needs of HRM and its Agencies, Boards and Commissions for banking and financial services products was issued in April 2006. The contract for banking services was due to expire on June 30, 2006, the current service provider RBC Royal Bank, agreed to continue service until September 30, 2006 while responses to the RFP were analyzed and recommendations formulated.

DISCUSSION

Potential vendors were free to offer services for Basic Banking and / or individual Products in response to the RFP for a five year period. HRM has the option to accept a comprehensive solution dealing with all areas or to accept proposals on individual aspects of the RFP.

The RFP requested that interested proponents submit proposals for the provision of Procurement Card services. Several proposals were received and are currently being evaluated. A separate recommendation report will be brought to Council in September 2006 for Procurement Card services.

Basic Banking Services

Banking services have evolved over the years beyond traditional acceptance of cash and cheque deposits and clearing of cheques written. HRM has participated in this evolution through the use of Personal Computers and Telephone Banking, Lockbox payment processing services, Electronic Data Interchange (EDI), Concentrator Service, Procurement Cards, Pre-Authorized Payment, Direct Deposit of payroll, etc. Through the RFP, staff sought one financial institution to provide these services which are currently in use by HRM and its Agencies, Boards and Commissions (ABCs).

Two financial institutions, RBC Royal Bank and Scotiabank responded with proposals for Basic Banking Services.

These proposals were evaluated in detail by a staff committee, which included representation from HRM and its ABCs. The evaluation criteria used is attached as Appendix B, Summary of Evaluation Criteria. The cumulative scores were:

<u>Firm</u>	<u>Scoring (Max 100)</u>
RBC Royal Bank	86
Scotiabank	79

The estimated annual cost of banking services, including net HST, is \$250,800 for RBC Royal Bank and \$354,000 for Scotiabank (see appendix C). These costs are based on estimated transaction volumes and do not include start up costs for Scotiabank or the costs that would be incurred by HRM in making a transition to a new financial institution.

The estimated annual cost for both proponents represents an increase of approximately \$51,000 and \$154,000 respectively for RBC Royal Bank and Scotiabank, over current year budgeted banking costs under the contract, which expired June 30, 2006. The additional charges of moving to new platforms including electronic payments and on-line access to banking information on an as needed basis has been included in the annual cost estimates. While there is an additional cost for these services, there are significant benefits such as reduced cheque fraud risk, and less staff time required for basic reconciliations, stop payments, etc.

Based on the scoring criteria the evaluation committee recommends the award of the RFP for the provision of Basic Banking Services to RBC Royal Bank for a period of five years (five one year terms subject to annual review for satisfactory performance).

Other Financial Services Products

In addition to the financial services already in use by HRM and it's ABC's discussed above under Basic Banking Services, staff sought to explore through the RFP other areas where customer service could be enhanced or cost savings realized.

Credit Cards

Staff sought to address customer demand for the expanded use of credit cards when making payments to HRM for taxes, services, etc. Credit cards not only provide for a convenient method of payment but also often provide rewards through various loyalty programs and defer actual payment by the customer. However, the cost of the convenience and rewards come at a price through the merchant discount which must be absorbed by HRM. The merchant discount is the percentage of the dollar amount of each transaction collected by the credit card company as a fee for providing the service. The percentage merchant discounts are generally between 1.5 and 2.0 percent. Through the RFP staff sought alternative credit card arrangements, such as a fixed fee per transaction which would reduce the cost to HRM of higher value transactions such as property taxes. Unfortunately no service providers responded with a fixed fee merchant discount credit card. Staff will continue to revisit this issue throughout the term of the banking services contract.

Other

Although not required under the terms of the request for proposal, some firms provided information on their community involvement. RBC in particular, provided details on their contributions to the community in terms of salaries and taxes paid, their organizational commitment to diversity as well as sponsorships and donations made to the various community organizations.

BUDGET IMPLICATIONS

Funds are available in operating account M110. The estimated annual cost over the five year term of the contract is approximately \$250,800, including net HST. While this exceeds the budget for banking services by \$50,800, staff have determined that the over expenditure can be mitigated by cost savings within cost centre M110.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

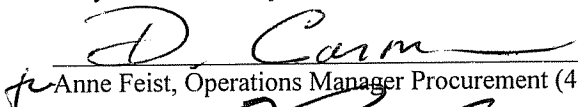
There are no recommended alternatives.

ATTACHMENTS

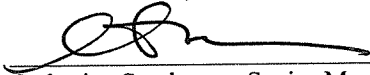
- Appendix A - Summary of Basic Banking Services
- Appendix B - Summary of Proposal Evaluation Criteria
- Appendix C - Comparative Summary of Basic Banking Services Proposal Costs

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jerry Blackwood, Operations Manager, Revenue (490-6470)

Procurement Process Review:  Anne Feist, Operations Manager Procurement (490-4200)

Financial Review:  Gordon Roussel, Financial Consultant (490-6468)

Business Unit Review:  Catherine Sanderson, Senior Manager, Financial Services (490-1562)

Report Approved by:  Cathie O'Toole, Acting Director, Finance (490-6308)

**HALIFAX REGIONAL MUNICIPALITY
REQUEST FOR PROPOSAL RFP #06-070
Banking and Financial Services Products**

Appendix A

Summary of Basic Banking Services

- a. Account Structure
- b. General Account(s) (Current Accounts)
- c. Returned Items
- d. Cheque Reconciliation and Bank Statements
- e. Stop Payments
- f. Wire Transfer
- g. Interest Earned
- h. Service Charges
- i. Interest Charges
- j. Supplies
- k. Night Deposit Service
- l. Credit Card Services
- m. Pre-Authorized Payment
- n. Credit Reports
- o. Redemption of Coupons and Debentures
- p. Letters of Credit
- q. Statistical Information
- r. Administrative and Other Related Services
- s. Signing Authorities
- t. Concentration Service
- u. Lockbox

**HALIFAX REGIONAL MUNICIPALITY
REQUEST FOR PROPOSAL RFP #06-070
Banking and Financial Services Products**

Appendix B

Summary of Proposal Evaluation Criteria

Item	Max Score	Proponent	
		RBC Royal Bank	Scotiabank
1. Knowledge & Understanding <ul style="list-style-type: none"> demonstrated knowledge of the needs of HRM as an organization as well as its diverse communities experience in servicing Regional Municipal Government or equivalent organizations experience in servicing multi-faceted organizations references 	30	25	24
2. Customer Service <ul style="list-style-type: none"> demonstrated commitment to customer service innovation in customer service to meet current and future needs service quality standards 	20	16	15
3. Technology & Technical Competence <ul style="list-style-type: none"> technology that will meet the current and future customer service needs of HRM & its ABC's technology compatible with the various existing HRM & ABC platforms and software demonstrated strength in internal control to safeguard assets and transactions 	30	27	26
4. Transition Management <ul style="list-style-type: none"> proven ability to facilitate similar transactions in a manner transparent to the client quality and scope of transition plan as it relates to HRM and ABC needs 	10	8	7
5. Cost	10	10	7
Total Score	100	86	79

**HALIFAX REGIONAL MUNICIPALITY
REQUEST FOR PROPOSAL RFP #06-070
Banking and Financial Services Products**

Appendix C

Comparative Summary of Basic Banking Services Proposal Costs

Banking Service	Scotiabank Annual Cost	RBC Annual Cost
Payment Processing	\$52,000	\$35,000
Deposit Services	\$184,000	\$105,000
Lockbox Services	\$36,000	\$27,000
Credit/Debit Services	\$78,000	\$76,000
On-Line Services	\$12,000	\$14,000
Transition Credit	(\$10,000)	(\$8,000)
Net HST	\$2,000	\$1,800
Total Cost HRM (excl. Net HST)	<u>\$354,000</u>	<u>\$250,800</u>

Note: Unit costs with respect to basic banking services, are fixed for the 5 year duration of the contract, with the exception of costs pertaining to the 3rd party services provided to RBC by Global Business Services (retail lockbox, payment processing services). Per RBC's cost proposal, the services that Global Business provide may be subject to a maximum price increase of 5% in years 4 & 5 of the contract. Staff anticipate that the maximum cost impact of this increase would be approximately \$15,000 and have a minimal impact in terms of the total costs incurred over the five year life of the contract.