

Item No. 11.1.1
Halifax Regional Council
November 8, 2011

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original signed by 

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: October 14, 2011

SUBJECT: Award - RFP #11-040 Banking Services

ORIGIN

Administrative Order 35, Procurement Policy, Section 14, Special Services, section 3 states:
“Banking Services – General Banking services shall be acquired by Request for Proposal at intervals not greater than every five years. These services shall be contracted on a one year term to be renewed on an annual basis up to a five year maximum on terms satisfactory to Halifax Regional Municipality.”

The current contract for banking is at the end of its five year term.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Award RFP #11-040, Banking Services, subject to negotiation of satisfactory contract terms, to the highest scoring proponent, Scotiabank and their Merchant Card Services partner Chase Paymentech for a maximum term of five (5) years, renewable annually for an estimated annual cost to HRM of \$298,000 including net HST. Funds are available from operating account M110.8017 Bank Charges; and,
2. Authorize the HRM bank signing officers to execute the Agreements necessary to transition to the new service providers.

BACKGROUND

A comprehensive Request For Proposals (RFP) for banking services to address the diverse needs of HRM and the participating Agencies, Boards and Commissions (ABC's) was developed and issued in March of this year. The current five year contract for banking services with Royal Bank expired September 30, 2011. Royal Bank has agreed to a contract extension to December 31, 2011 to facilitate the evaluation of the RFP responses discussed below.

Banking services have evolved over the years and HRM has taken advantage of these innovations to enhance customer service by offering a variety of payment channels for taxes, etc., to increase transaction processing efficiency which reduces costs and to promote greater security. Some examples are Pre-Authorized Payments, PC and Telephone banking, Electronic Data Interchange (EDI), electronic payment of vendors and Payee Match cheque fraud prevention. Through the RFP, staff sought one financial institution to provide these and other services which are currently in use by HRM and the ABC's.

DISCUSSION

Request for Proposals # 11-040 was issued by invitation to registered Canadian banking institutions and closed on April 15, 2011.

Proposals were received from four (4) proponents as follows:

Bank of Montreal

Canadian Imperial Bank of Commerce

Royal Bank

Scotiabank

Proposals were evaluated by a committee comprised of staff from Finance, ICT and Halifax Water and facilitated by Procurement. The CIBC proposal did not meet the minimum requirements of the Request for Proposals. Of the three (3) remaining proposals, only Scotiabank and Royal Bank met the minimum requirements of 75% of the available technical score as found in the Proposal Evaluation Criteria identified in this report as Appendix A. The total scores are summarized below:

<u>Respondent</u>	<u>Score (Max 100)</u>
Scotiabank	84
Royal Bank	81

Staff anticipates savings of between \$500,000 and \$600,000 over the term of the 5 year contract for the recommended service providers versus the alternative. The magnitude of the savings will depend on actual transition costs incurred and the future growth of transactions. These savings would be split between HRM and the ABC's. In addition, both Scotiabank and Chase Paymentech will provide financial assistance towards the transition costs. The transition to a new banking service provider also affords the opportunity to review current processes and procedures that may result in further efficiencies. As a further note, the anticipated annual costs of the new

contract represent savings of approximately \$55,000 in the first year over what HRM (excluding the ABC's) is currently paying.

With a sufficient commitment of resources by HRM and drawing on the expertise of the recommended service provider, it is anticipated that a transition to a new banker would take approximately 8 weeks. This time frame anticipates a dedicated internal Project Manager and availability of resources. An initial estimate of 8-12 individuals (Finance, IT, Business Units) is required during an 8 week period which equates to approximately 1000 person hours. It should be noted, however, that with an undertaking of this magnitude there may be a variance from this estimate.

Providing this award is approved, it will be necessary to negotiate the retention of the services of the current HRM banker until the transition (clearing of outstanding transactions) is complete. Depending on the outcome of these negotiations and the actual time to complete the transition the anticipated savings outlined in Appendix B may be somewhat reduced.

The implementation of the transition will require the execution of a number of service agreements between HRM and Scotiabank as well as Chase Paymentech. Staff is recommending that these agreements be executed as required by the HRM bank signing officers after HRM Legal review. The bank signing officers as approved by Council on February 28, 1996 and amended October 3, 1998 are the Mayor, Deputy Mayor, Deputy Chief Administrative Officer and Treasurer. In addition under Section 41 (2) of the HRM Charter the Treasurer may delegate any powers or duties. The Treasurer has currently delegated signing authority with the HRM banker to the Deputy Treasurer. The transition period may require frequent transfers between the old and new bank accounts. At the July 9, 2002 meeting Council approved a staff recommendation to allow for transfers between HRM bank accounts to be authorized by only one signing officer. This authority will be used to facilitate the transition.

BUDGET IMPLICATIONS

Funds are available in operating account M110,8017. It is anticipated that HRM and the ABC's will achieve savings of between \$500,000 and \$600,000 over the 5 year term of the contract versus the alternative.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

COMMUNITY ENGAGEMENT

N/A

ALTERNATIVES

Council could reject the recommendation and instruct staff to retain the current banking service provider. This is not recommended as it would result in higher costs.

ATTACHMENTS

Appendix A Banking Services Proposal Evaluation Criteria and Scoring
Appendix B Estimated Costs Over 5 Year Term

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, BA, CMA, Deputy Treasurer, 490-6471

Original Signed

Financial Approval by:

James Cooke, CGA, Director of Finance/CFO, 490-6308

APPENDIX A

BANKING SERVICES - PROPOSAL EVALUATION CRITERIA

	Weight	Royal Bank Score	Scotiabank Score
1) Bank and staff profile including references	10	10	10
2) Transaction processing and reporting capabilities: Customer Service Technology Compatibility with HRM systems and processes Opportunity for service enhancements	50	41	39
3) Conversion plan: Quality and scope of plan Proven ability to minimize disruptions to operations of HRM and ABC's Minimal use of HRM IT resources	25	25	20
4) Subtotal	85	76	69
5) Cost: Pricing of services offered Interest rate payable on cash balances Interest rate applicable to overdraft and other borrowing	15	5	15
Total	100	81	84

APPENDIX B

Estimated Costs Over 5 Year Term*

	Royal Bank	Scotiabank	Anticipated Savings to HRM and ABC's
Year 1	\$394,000	\$298,000	
Year 2	\$406,000	\$303,000	
Year 3	\$418,000	\$309,000	
Year 4	\$431,000	\$314,000	
Year 5	\$444,000	\$320,000	
Total	\$2,093,000	\$1,544,000	\$549,000

*Includes estimated growth in transaction volumes for card processing and other banking services of 3% per year but excludes the financial contribution by the recommended proponents towards transition costs.