

**Item No. 10.1.5**  
**Halifax Regional Council**  
**December 13, 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:** December 5, 2011

**SUBJECT:** Award – RFP #11-040 Banking Services

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**ORIGIN**

On October 14, 2011, a report was submitted to the November 8, 2011 meeting of Council wherein it was recommended that Council award RFP #11-040 Banking Services, subject to satisfactory contract terms, to the highest scoring proponent, Scotiabank and their Merchant Card Services partner, Chase Paymentech. The final score of the unsuccessful proponent was inadvertently achieved using a formula other than that mandated in the RFP.

**RECOMMENDATION**

It is recommended that Halifax Regional Council award RFP #11-040, Banking Services, subject to negotiation of satisfactory contract terms, to the lowest cost 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.

## **BACKGROUND**

Following Council's approval of the recommendation to award RFP # 11-040 to Scotiabank, Royal Bank brought to the attention of staff at a November 14, 2011 de-briefing meeting that it appeared that the Royal Bank score for the cost component of their proposal had been calculated incorrectly. Upon further investigation staff found that the formula used to calculate this score was in fact different from the formula stated in the RFP. Both Scotiabank and Royal Bank have been informed of this and that staff would be returning to Council to provide Council with the opportunity to award the RFP based on a consideration of the revised score for the Royal Bank.

## **DISCUSSION**

The original staff report is attached. This report indicated a score for Scotiabank of 84 points and a score for Royal Bank of 81 points. The Royal Bank score included 5 points for cost based on the following formula:

$$\frac{\text{Difference in cost}}{\text{Lowest cost}} \times \text{maximum available points} = \text{awarded points}$$

However the RFP stated that the formula for determining points related to cost is as follows:

$$\frac{\text{Lowest Cost}}{\text{Cost Being Evaluated}} \times \text{maximum points available} = \text{awarded points}$$

Furthermore the RFP methodology for calculating points for cost stipulates that the lowest cost qualifying proponent shall receive the maximum points available, in this case 15 points, and the other proponent(s) will receive a lesser amount of points based on the above formula. Using this formula and methodology Royal Bank would receive 11 points, rather than the 5 points originally calculated, bringing their total score to 87, exceeding the Scotiabank score by 3 points.

The following sections of the RFP document appear to be of particular relevance to the considerations presently before Council:

### “2.0 ADMINISTRATION

#### 2.18 Contract Agreement

The selected proponent will be required to enter into a contract agreement with the Halifax Regional Municipality.

### 7.0 METHOD OF AWARD

#### 7.2 Cost Proposal Evaluation

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Unless otherwise stated in this document or its addenda, the proposal with the lowest cost shall receive the maximum points allowed. All other proposals shall receive a percentage of the points available based on their cost relationship to the lowest. This is determined by applying the following formula:

$$\frac{\text{Lowest Cost}}{\text{Cost Being Evaluated}} \times \text{maximum points available} = \text{awarded points}$$

## 8.0 AWARD OF PROPOSALS

8.2 This Request for Proposal should not be construed as a contract to purchase goods or services. Although proposals will be assessed in light of the evaluation criteria, HRM is not bound to accept the lowest priced or highest scoring proposal or any proposal. HRM reserves the right to reject any or all proposals and to award the contract in its entirety, or in part, whichever, in its opinion, best serves the interests of HRM.

8.4 HRM will not be obligated in any manner to any proponent until a written contract has been duly executed. Any damages arising out of a breach by HRM, including damages for any implied duty at law, are limited to the actual costs of preparing the proposal. ...”

The two proposals scored almost identically on technical merit with Royal Bank receiving 2 points more. As the incumbent financial institution, Royal Bank received full points for its conversion plan with Scotiabank receiving 5 points less in recognition of the risks and internal staff opportunity costs to HRM of changing to a new financial institution. However, the Scotiabank proposal offers considerable cost savings estimated to be in excess of \$500,000 over 5 years for HRM and the participating Associations, Boards and Commissions (ABCs). Scotiabank and its Merchant Card Services partner Chase Paymentech are also offering some direct financial assistance for conversion costs. There were also other aspects of the Scotiabank cost proposal that were appealing. In particular, in staff’s opinion, the fixed cost component of the Scotiabank proposal provides a further benefit but the RFP formula does not allow for recognition of such and therefore no points were available to award for this advantage.

While Council previously made the award of this RFP to Scotiabank, it is the opinion of HRM Legal staff that HRM is not obligated to continue with the award to Scotiabank and has the ability to alter its recommendation and award RFP #11-040 to Royal Bank. As indicated above, section 8.4 of the RFP provides that HRM is not obligated to any proponent until a written contract has been duly executed. Further, staff’s recommendation, as accepted by Council, was to award the RFP to Scotiabank subject to the execution of the related service agreements. Also, further to Council’s decision, HRM only indicated verbally to Scotiabank that they were the successful proponent. As a result of the calculation issue identified in the Royal Bank de-brief session, Procurement has not proceeded to issue a formal award letter to Scotiabank, and the parties have not executed any further agreement.

On balance, staff believes the cost savings offered by the Scotiabank proposal best serves the interests of HRM. However, it has generally been the preferred practice of HRM to award to the proponent with the highest score. While variance from this practice does open the possibility of objections from the highest scoring proponent, it is noted, however, that Section 8.2 of the RFP

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clearly does provide HRM with the right to award the contract to whichever party, in the opinion of HRM, best serves the interests of HRM. Staff does not perceive any objections as being valid provided the final award decision is based on a fair consideration of the proposals and in particular takes into account the revised score.

As HRM's incumbent financial institution, Royal Bank agreed during the RFP evaluation process to a contract extension to December 31, 2011. Recognizing that should Council approve the staff recommendation a transition to a new financial institution will take approximately 2 months, staff approached Royal Bank regarding a further extension. Royal Bank has agreed to provide services as required should a transition to a new financial institution occur. Since Royal Bank's appointment as the banker for HRM at amalgamation and being successful in two RFP's since that time, Royal Bank has been a valued partner with HRM over this 15 year period in providing banking products and in implementing new services. Staff want to acknowledge the professionalism shown by Royal Bank throughout this relationship and in the current circumstances.

**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 award RFP # 11-040 to Royal Bank as the highest scoring proponent. This would keep consistency with past practice however the cost savings offered by the Scotiabank proposal would be lost.

**ATTACHMENTS**

Award Report - RFP # 11-040 Banking Services dated October 14, 2011

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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

Financial Approval by: \_\_\_\_\_  
James Cooke, CGA, Director of Finance/CFO, 490-6308

Report Approved by: \_\_\_\_\_  
Mary Ellen Donovan, Director Legal Services, 490-4226

**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

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**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

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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	
<b>Total</b>	<b>\$2,093,000</b>	<b>\$1,544,000</b>	<b>\$549,000</b>

\*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.