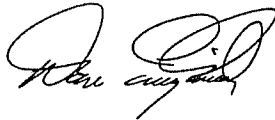


**Halifax Regional Council
September 25, 2007**

TO: Mayor Kelly and Members of Halifax Regional Council



SUBMITTED BY:

Dan English, Chief Administrative Officer



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

DATE: September 18, 2007

SUBJECT: Royal Bank of Canada Agreements

ORIGIN

Council approval of staff's recommendation at the August 8, 2006 meeting to award a new 5 year contract to the Royal Bank of Canada for banking services.

RECOMMENDATION

It is recommended that

1. Council authorize the execution of the attached Centralized Banking Agreement between the Halifax Regional Municipality, the Halifax Regional Water Commission and the Royal Bank of Canada and any related document.
2. Council authorize the execution of the attached Credit Facility Agreement between the Halifax Regional Municipality and the Royal Bank of Canada and approve by resolution the borrowing of up to \$100,000,000 in accordance with this Agreement.

BACKGROUND

The Royal Bank of Canada has requested that a number of agreements be executed as part of the award of the new 5 year contract. Some of these agreements are related to particular services and are not included as part of this report and have been or will be signed by staff. Other agreements proposed are of a nature that staff believe should be authorized by motions of Council and are outlined below.

DISCUSSION

Centralized Banking Agreement

It has been a long standing practice to offer the services of the HRM banker to the Associations, Boards and Commissions (ABC's). Currently the following ABC's participate:

Halifax Regional Water Commission
Metro Centre
Dartmouth Sportsplex
Cole Harbour Place
Halifax Forum

There are a number of advantages to this arrangement. The ABC's can benefit from the lower costs that are made available to the HRM for banking services as a result of our size and transaction volumes. In addition it has been the practice to consolidate the bank account balances of the participating ABC's with the bank accounts of HRM. This facilitates investment of these funds under the HRM Investment Policy with the actual rate of return earned by HRM being paid to the ABC's. The consolidating of bank balances also facilitates the meeting of certain cash balance thresholds under the Royal Bank of Canada contract to maximize the rate of interest earned on cash held at the Royal Bank of Canada.

The Royal Bank of Canada has taken the view that the consolidated banking structure employed by HRM and its participating ABC's results in joint liability. Should any participating ABC overdraw its Royal Bank of Canada account for any reason and be unable cover that overdraft in the future then HRM would become responsible for reimbursing the Royal Bank of Canada. The cause and amount of the overdraft would have no impact on HRM's responsibilities, whether it be due to adverse business conditions, litigation, fraud, etc. Staff have reviewed this matter and have concluded that as HRM has assumed this liability relationship it would exist regardless of the banking arrangements.

Because of the corporate structure of the Halifax Regional Water Commission the Royal Bank of Canada is requesting that this liability relationship be acknowledged by HRM through the execution of an explicit Centralized Banking Agreement which is attached. HRM Legal Services have reviewed this document and have found it to be satisfactory. Halifax Regional Water Commission staff have also reviewed the document and will be recommending its execution.

Credit Facility Agreement

As part of the RFP for Banking Services staff requested that a credit facility be provided to HRM. This credit facility is on a standby basis to cover any short term overdraft positions that may occur on a day to day basis. In addition it provides flexibility for the temporary financing of Capital Projects should it be desirable in the future to use an external source for this financing rather than HRM's internal cash resources. It should be stressed that this credit facility is merely a contingency and that during the previous 5 year banking services contract neither the overdraft nor the temporary financing facility were used.

As part of the Royal Bank of Canada's response to the RFP they also included a corporate VISA credit facility. With the recent award of the procurement card contract to National Bank of Canada this is not required at this time. Inclusion of this aspect of the credit facility in the Agreement would facilitate a transition back to a Royal Bank of Canada sponsored Corporate VISA program should it be considered desirable in the future.

In addition, the Royal Bank of Canada has included a revolving lease credit facility that has been used by some of the ABC's in the past and is also available to HRM.

HRM Legal Services have reviewed the Credit Facility Agreement proposed by Royal Bank of Canada and have found it to be acceptable.

BUDGET IMPLICATIONS

There are no budget implications anticipated from the approval of the recommendations of this report. Execution of the Centralized Banking Agreement will simply acknowledge a liability relationship that already exists between HRM and the ABC's. It is not anticipated that the Credit Facility Agreement will be drawn upon.

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

1) Council could direct staff to reconfigure the banking structure to eliminate the consolidation of cash balances with the ABC's which would eliminate the need for the Centralized Banking Agreement. Staff do not recommend this Alternative as it would result in a decrease in investment income to the ABC's of approximately \$30,000 per annum. In the opinion of HRM Legal Services this course of action would not affect HRM's liability with respect to the ABC's given the nature of the current relationship with the ABC's.

ATTACHMENTS

Centralized Banking Agreement

Credit Facility Agreement

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.

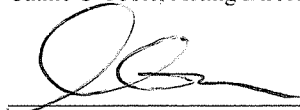
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