Agenda – Executive Policy Committee – July 8, 2009

REPORTS

Item No. 1 Award of Contract – Banking Services
File GL-9

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the contract for banking services with the Royal Bank of Canada (RBC) be awarded for a further three-year period from May 1, 2009 to April 30, 2012 for a total estimated amount of $900,000.00 plus GST.

ADMINISTRATIVE REPORT

ISSUE: **AWARD OF CONTRACT FOR BANKING SERVICES FOR THE CITY OF WINNIPEG**

CRITICAL PATH: **EXECUTIVE POLICY COMMITTEE - COUNCIL**

AUTHORIZATION

Author	Department Head	CFO	CAO
Rob Provencher, Manager Financial Services	Jo-Anne Ferrier, City Treasurer	Michael Ruta, Deputy CAO/ CFO	G Laubenstein

RECOMMENDATIONS

1. That the contract for banking services with the Royal Bank of Canada (RBC) be awarded for a further three-year period from May 1, 2009 to April 30, 2012 for a total estimated amount of $900,000.00 plus GST.

IMPLICATIONS OF THE RECOMMENDATIONS

Requires the approval of a multi-year contract for banking services.

The proposed fee structure represents a cost reduction of $75,000 over the three-year period when compared to the last contract renewal which was approved by Council.

Financial implications

[X] Within approved current and/or capital budget
[ ] Current and/or capital budget adjustment required
Comment(s): Funds are included in future year's forecasts, but have not yet been approved by Council.

REASON FOR THE REPORT:

As the total amount to be paid by the City pursuant to the contract is estimated to be approximately $900,000.00 and the contract is for a purchase that obligates the City to expenditures on future budgets, Council may approve the award of contract.

HISTORY:

A Request for Proposal (RFP) for banking services was issued in January 2000 after the City was unable to negotiate an extension of the existing contract at that time with the Bank of Montreal. Through the RFP process, the Royal Bank of Canada was awarded the City's banking services contract for the period May 1, 2000 to April 30, 2003. Included in the RFP was an option to renew the contract for up to 2 additional 3 year periods, subject to mutual agreement as to compensation. In April, 2003, Council approved an extension of the contract for the period May 1, 2003 until April 30, 2006. In April 2006, Council approved an extension of the contract for the period May 1, 2006 until April 30, 2009. RBC has agreed to honor the terms of the existing contract until a new contract is awarded.

DISCUSSION:

In March 2009, RBC provided a proposal to the City outlining a fee schedule for a three-year extension period from May 1, 2009 until April 30, 2012. Subsequent to the proposal being received, the City undertook an analysis of current banking practices and needs. Based on this analysis and further meetings with representatives from RBC, the Administration believes the offer received from RBC in March represents good value to the City for banking services.

It is important to note the City has enjoyed a very productive relationship with the Royal Bank of Canada over the past nine years and has implemented an electronic banking environment which is efficient, mitigates business risk and has reduced the budgetary risk associated with bank service fees. RBC has provided assurance they will continue to work with the City over the next 3 year period to further enhance this environment.

RBC has exited the fleet vehicle financing market and the City is presently evaluating various viable financing alternatives. The City has traditionally financed its capital program through the issuance of long-term debentures in the capital markets and has in the recent past financed fleet vehicles through loan arrangements with RBC with shorter amortization periods. Banking services and financing are two distinct services and previous RFP's did not include a financing component. The Corporate Finance Department believes RBC has the necessary skills and resources to perform the work outlined in the Contract for Banking Services.

Alternative financial institutions have not offered or expressed an interest to be the City's Banking Services provider on a comprehensive basis over the past three years. The requirements for service delivery are complex and comprehensive. An alternative

financial institution would require the ability to deal with large volumes of transit coin and city cash deposits. Providing this service is very costly as excess coin must be shipped to markets in other geographic regions as there is more coin in Manitoba than required. In addition, the financial institution must also be able to provide integrated custodial services and securities settlement for the City's investment portfolios. Several financial institutions have indicated they cannot provide the full spectrum of banking services the City requires.

Consideration must also be given to the time requirements in developing an RFP and potential incremental costs. For example, there are costs associated with printing new cheques, deposit slips and rewriting numerous electronic interfaces to PeopleSoft.

The following electronic interfaces would have to be rewritten by Corporate Support Services:

- Reverse Positive Pay;
- Bank Reconciliation;
- Payroll Direct Deposit;
- Payment Distribution for electronic vendors and
- Preauthorized Payment for Water and Taxation.

Treasury would have to implement the vendor's electronic banking systems which would require a substantial investment in staff training and testing of the software applications. This process would likely require a period of six to twelve months to implement. The cost associated with changing our banking services provider would likely exceed the benefits that may be derived through an RFP process.

The proposed fee structure represents a decrease of $75,000 over the three-year period when compared to the last contract renewal which was approved by Council.

FINANCIAL IMPACT STATEMENT:

Project Name: Award of Contract for Banking Services For the City of Winnipeg

Date: April 29, 2009 First Year of Program **2009**

	2009	2010	2011	2012
Capital				
Capital Expenditures Required				
Less: Existing Budgeted Costs				
Additional Capital Budget Required	$ -	$ -	$ -	$ -
Funding Sources:				
Debt - Internal				
Debt - External				
Grants (Enter Description Here)				
Reserves, Equity, Surplus				
Other - Enter Description Here				
Total Funding	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required				
Total Additional Debt Required				
Current Expenditures/Revenues				
Direct Costs	$ 200,000	$ 300,000	$ 300,000	$ 100,000
Less: Incremental Revenue/Recovery				
Net Cost/(Benefit)	$ 200,000	$ 300,000	$ 300,000	$ 100,000
Less: Existing Budget Amounts	200,000	300,000	300,000	100,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -

Additional Comments: The cost of banking services under the new contract is estimated to average approximately $25,000 a month or $300,000 annually, commencing May 1, 2009.

"Original signed by Radhika Abeysekera"

Manager of Finance and Administration

CONSULTATION

Materials Management Division, Corporate Finance Department
Legal Services Division (as to legal issues)

SUBMITTED BY

Corporate Finance Department
Financial Services
Prepared by: Rob Provencher, Manager of Financial Services
Report Date: April 29, 2009
File No.