1
BANKING SERVICES AGREEMENT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated September 18, 2012, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. The Region exercise its option to extend the banking services agreement with the Toronto Dominion ("TD") Bank to October 31, 2015.

2. The Regional Chair, Treasurer and Clerk be authorized to execute all documents necessary to effect the foregoing.

3. Regional staff be authorized to take all necessary actions to implement this agreement.

2. PURPOSE

This report recommends that Council exercise an option to extend the TD banking services agreement for an additional three (3) years.

3. BACKGROUND

At its meeting of October 18, 2007, Council approved a five (5) year sole source agreement with the TD Bank for the provision of banking services. There was also an option to extend the agreement, at the Region's discretion, for a further three (3) years.

The services covered under this agreement include:

- Maintenance of various bank accounts;
- Electronic cheque reconciliation services;
- Direct deposit payroll;
- Pre-authorized payment collection for Housing York Inc. and long-term care facilities;
- VISA/debit card facilities for the Provincial Offences Office and other areas;
- Services to satellite offices;
- Stop payments and night deposit facilities; and
- Implementation of E-commerce initiatives.

York Region has used the TD Bank for these services since its inception in 1971. The County of York also used the TD Bank from 1959 to 1970. The TD Bank was the successful proponent to Regional RFPs held in 1995 and 2000.

Over the years, the TD Bank has provided excellent service and demonstrated a thorough understanding of the Region's needs, its people and processes. The Bank's servicing standards have been consistently rated as superior and timely by staff.

4. ANALYSIS AND OPTIONS

The TD Bank has offered to give the Region the same fee structure it has had in place since 2000

The services provided and fee structure charged by the TD Bank for banking services will remain the same as those negotiated in 2007, which in turn did not change from April 2000. The annual cost that will be incurred by the Region will vary depending upon the services requested and the transaction volumes required.

An additional factor when considering whether or not to maintain our relationship with the TD Bank is the benefit the Region receives from interest earned by funds left on deposit with the bank. As part of our 2007 agreement with the TD Bank, it agreed to increase the rate of return earned by these funds by an additional 15 basis points.

Table 1 summarizes the total annual fees compared to the revenue enhancements the Region has benefitted from since 2008.

Table 1
Summary of Annual Fees and
Revenue Enhancements for 2008-2012

Year	Fees $	Revenue Enhancements $
2008	32,007	22,000
2009	45,330*	216,000
2010	49,913	334,000
2011	61,490*	398,000
2012	62,493	480,000 (est)

*****Higher than trend due to change in service requirements

As identified above, over the term of the current agreement with TD Bank, the bank service charges have averaged approximately $50,200 and the revenue enhancements earned have averaged $290,000.

The TD Bank has agreed to keep all service charges at existing rates for the duration of the three (3) year extension and, as a result, the annual cost for services will be approximately $65,000, based on anticipated transactions for 2013. In addition, TD has offered to increase the interest rate for funds left on deposit with the bank by another 10 basis points. This increase will result in extra interest income for the Region of between $100,000 to $150,000 per year above the levels reflected in Table 1.

5. FINANCIAL IMPLICATIONS

The extension of the banking services agreement with the TD Bank would benefit the Region by over $100,000 per year due to enhanced interest revenues derived from bank deposits.

6. LOCAL MUNICIPAL IMPACT

There is no impact to local municipalities as a result of the recommendations contained in this report.

7. CONCLUSION

The TD Bank has provided valuable banking services at reasonable costs since the Region's inception in 1971. This report recommends that the agreement for banking services with the TD Bank be extended for three (3) years to October 31, 2015, thereby ensuring continuity of service at a net benefit to the Region's financial position.

For more information on this report, please contact Ed Hankins, Director, Treasury Office, at Ext.1644.

The Senior Management Group has reviewed this report.