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BANKING SERVICES AGREEMENT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, September 6, 2007, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region’s banking services agreement with the Toronto Dominion (“TD”) Bank be renewed for a period of five (5) years to expire October 31, 2012 with an option to extend the agreement for an additional three (3) years.

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

3. Region staff be authorized to take all necessary action to implement this agreement.

2. PURPOSE

This report outlines the Region’s banking services requirements and terms of TD Bank’s proposal for these services. In addition, it recommends that Council authorize the execution of an agreement for a term of five (5) years with an option to extend at the Region’s discretion for an additional three (3) years.

3. BACKGROUND

At its meeting of January 25, 2007 Council authorized the Commissioner of Finance to negotiate a sole source contract with the TD Bank for the provision of banking services.

The services covered by this agreement were to 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 and prior to that, it serviced the County of York from 1959 to 1970. Notwithstanding, the TD Bank was the successful proponent to RFP's that the Region held in 1995 and 2000.

A major consideration when deciding to sole source the banking services contract was the need for consistent and uninterrupted provision of banking services to support the ongoing financial operations of York Region. A change in service providers could jeopardize service continuity for the following reasons:

- Lack of familiarity with systems and processes on the part of either York Region or new bank staff;
- IT systems incompatibility;
- Time frame required to become familiar with key contacts; and
- The need to change bank accounts would require the issue of new cheques and electronic cash transfer instructions.

The TD Bank has demonstrated experience in servicing York Region's needs and fully understands its people and processes. Furthermore, service levels have been found to be consistent and superior from staff's perspective.

4. ANALYSIS AND OPTIONS

4.1 TD Bank Service Proposal

As a result of Council's authorization in January 2007, the Region requested and received a proposal for banking services in May from the TD Bank. Region staff have reviewed the TD Bank's proposal and have determined that it fully meets all the Region's current banking service requirements summarized above.

The fees charged by the TD Bank for banking services covered in this report will remain the same as the previously contracted in April 2000. However the annual cost will vary depending upon the service requirements and transaction volumes required. Table 1 summarizes total annual fees and service volumes (accounts payable disbursements plus deposit transactions).

Table 1
Summary Annual Fees and Service Volumes for 2002-2007

Year	Fees	Volumes
2002	$32,147	97,052
2003	$43,825	102,797
2004	$45,450	103,503
2005	$53,860*	115,100
2006	$44,393	121,885
2007	$47,250	125,500

* higher than trend due to one-time in-year services requirements

As identified above, the bank service charges have averaged approximately $44,000 annually over the past five years. Since the TD Bank has proposed to keep all service charges at existing rates, based on anticipated transactions for 2008, annual costs for services will be approximately $50,000.

It should be noted that the services covered by the agreement with the TD Bank do not include the safekeeping of investments which is currently provided through a subsidiary of the Royal Bank of Canada.

As noted, the TD Bank has agreed to hold its service fees at the same level as our previous contract. Additionally to the Region's benefit, it has proposed increasing the interest rate credited on funds left on deposit with the bank. Currently the bank pays York Region at a rate of Prime less 1.9% on its surplus balances. Under the new contract, the bank is proposing to use a rate of Prime less 1.75% for an increase of 15 basis points. This increase will result in extra interest income for the Region of between $15,000 to $20,000 per year. The TD Bank has also itemized several additional services which the Region may wish to utilize in the future at minimal or no cost including:

- Tax Payment and Filing Services
- Cross Border U.S. dollar Electronic Funds Transfer
- Bill Payment Receiver Service
- Cheque Image Archive Service

The Bank also provided the Region at no cost the details of a viable disaster and business recovery plan to mitigate the impact of any critical business function service interruption.

4.2 Term of Contract

The previous two banking contracts negotiated by the Region have been for a five year term. Given the number and types of accounts the Region utilizes and the variety of services needed, it would be very disruptive and costly to consider changing the service contract on a more frequent basis. Therefore it is recommended that the new contract also be for a five (5) year term which would provide continuity of service and protection from escalating costs. Furthermore, the Bank is willing to accept a three year option to extend the contract at the Region's discretion which would provide flexibility to consider alternatives.

5. FINANCIAL IMPLICATIONS

The proposed contract with the TD Bank will result in net savings to the Region of between $15,000 to $20,000 per year based on current service requirements.

6. LOCAL MUNICIPAL IMPACT

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

However, at the direction of the Finance & Administration Committee, the TD Bank was asked if they would be able to offer these services on the same terms to those constituent municipalities in York Region interested in acquiring them. The Bank has indicated a willingness to consider that request but noted that the service requirements for each municipality is unique and would have to be reviewed.

7. CONCLUSION

The TD Bank has provided valuable banking services since the Region's inception in 1971 at reasonable costs. This report recommends that the agreement for banking services with the TD Bank be extended for five (5) years to October 31, 2012 with an option at the Region's discretion to extend it for an additional three (3) years.

The Senior Management Group has reviewed this report.