



ADMINISTRATIVE REPORT

Report Date: July 12, 2011
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VanRIMS No.: 08-2000-20
Meeting Date: July 26, 2011

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: Contract Awards for the Supply of Financial Services: RFP PS11005

RECOMMENDATION

- A. i. *THAT, subject to the conditions set out in Recommendations B, C, and D, council authorize the City to enter into an agreement with the Bank of Montreal as the City's corporate bank to provide core banking services, parking meter coin handling, and purchasing card services, for a period of five years with subsequent renewal options for five 12-month periods, at an estimated total amount of \$362,700 (plus applicable taxes) over the five year agreement subject to negotiating and finalizing an agreement satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official. Source of funding from the existing departmental operating budgets.*
- ii. *THAT, subject to the conditions set out in Recommendations B, C, and D, council authorize the City to enter into an agreement with Moneris Solutions Corporation ("Moneris Solutions") to provide credit and debit card merchant services for a period of five years with subsequent renewal options for five 12-month periods, at an estimated total amount of \$5,357,300 (plus applicable taxes) over the five year agreement subject to negotiating and finalizing an agreement satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official. Source of funding from the existing departmental operating budgets*
- iii. *THAT, subject to the conditions set out in Recommendations B, C, and D, council authorize the City to enter into an agreement with RBC Dexia Investor Services Limited ("RBC Dexia") to provide investment custodial services, for a period of five years with*

subsequent renewal options for five 12-month periods, at an estimated total amount of \$250,500 (plus applicable taxes) over the five year agreement subject to negotiating and finalizing an agreement satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official. Source of funding from the existing departmental operating budgets

- B. THAT all legal documentation is to be in a form which is satisfactory to the Director of Legal Services, Director of Finance and the Chief Purchasing Official.*
- C. THAT upon approval of the legal documentation, the Director of Legal Services and the Director of Finance be authorized to execute and deliver the necessary agreements on behalf of City Council.*
- D. THAT no legal rights or obligations shall arise hereby and none shall arise or be granted hereafter unless and until all contemplated legal documentation has been executed and delivered by all parties.*

CITY MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing which will provide estimated annual savings based on current volumes of \$397,500 for a total estimated savings of \$1,987,700 over the five year period of the agreements as compared to current costs for these financial services.

The City Manager, Director of Financial Services and Chief Purchasing Official (collectively "The Bid Committee") have reviewed and endorsed these awards.

COUNCIL POLICY

It is Council policy to enter into contracts for the purchase of equipment, supplies and services that will give the best value based on quality, service and price.

Council approval is required for contracts with a value over \$2 million.

SUMMARY

The agreements with the City's existing financial service providers expire through 2011.

Led by the Procurement department the City conducted a public Request for Proposals process (PS11005) for the Supply of Financial Services (the "RFP") which provided an opportunity to evaluate the current market place and ensure the City is receiving quality, efficient financial services at a competitive price with services consolidated wherever possible.

An evaluation team comprised of senior financial staff from a cross section of City departments was formed to evaluate the proposals received.

The recommendations of the evaluation team which were subsequently approved by the Bid Committee provide the City with a broad range of secure web based financial services at a competitive cost.

Subject to Council approval, the recommendations of the evaluation team will save the City an estimated \$397,500 annually (based on current volumes) for a total savings of \$1,987,700 over the five year period of the agreements as compared to current costs for these financial services.

PURPOSE

The purpose of this report is to recommend that Council approve the selection of successful proponents for the provision of certain specific financial services to the City as identified in this report. This recommendation which has been approved by the Bid Committee is based on the evaluation of proposals submitted in response to the RFP.

BACKGROUND

The major objectives of this RFP were to obtain the following:

- Cost savings
- High quality efficient financial services
- Consolidation of services where possible

The services that were included in the RFP are detailed in the table below.

Financial Service	Current Service Provider	Recommended Service Provider
Core banking service	Bank of Montreal	Bank of Montreal
Parking meter coin processing	Bank of Montreal / Churchill Armoured Car	Bank of Montreal / Churchill Armoured Car
Credit & debit card merchant processing	Moneris Solutions	Moneris Solutions
Investment custodial services	RBC Dexia	RBC Dexia
Purchasing card services	National Bank of Canada	Bank of Montreal

The Bank of Montreal has been the City's corporate financial institution since incorporation in 1886. It is one of the five major banks in Canada with over \$400 billion in assets.

Churchill Armoured Car Service Inc. ("Churchill Armoured Car") which is an approved supplier/distributor for the Royal Canadian Mint has been in business since 1994.

Moneris Solutions was created in 2000 by the Royal Bank of Canada and the Bank of Montreal and is the largest processor of debit and credit card payments in Canada. The City has been using Moneris Solutions since its inception.

RBC Dexia has provided investment custodial service in Canada for over 100 years. It is a major market participant both in Canada and globally. RBC Dexia has been providing custodial service to the City of Vancouver since 2004.

National Bank of Canada is the 6th largest Canadian bank with over \$145 billion in assets. National Bank has been providing purchasing card services to the City since 2004.

While respecting the historical role that the Bank of Montreal has played with the City, the City undertook an RFP process for a variety of financial services to ensure that it is receiving best value for these services.

i) The RFP Process

Beginning in July 2010 an evaluation team began the process of developing the RFP.

The evaluation team consisted of Director of Finance, Deputy City Treasurer, Director Corporate Services VPL, Acting Director of Corporate Services Parks, City Treasurer, Superintendent 1 Parking Operations, Director of Supply Chain Management, Manager of Revenue Services and Category Manager - Supply Chain Management. The commercial evaluation and the RFP process was coordinated and administered by a Contracting Specialist in Procurement.

The evaluation team:

- reviewed current banking services inventory and discussed future requirements
- developed the RFP with the assistance of Supply Chain Management
- confirmed the evaluation criteria and the weight each would carry in the evaluation process
- evaluated the proposals and then developed the recommendations for successful proponents as described in this report

The RFP requested proponents to provide responses for a number of financial services including: core banking services; parking meter coin processing; credit and debit card merchant services; investment custodial services; and purchasing card services.

The RFP was menu based enabling proponents to bid on specific selected services. Proponents which bid on the core banking services were required to bid on the parking meter coin processing. Bundling of services was encouraged as it was considered to be in the best interests of the City to consolidate the requested services with as few providers as possible.

ii) Evaluation Process

Seven proponents submitted complete and compliant proposal packages, including all contract and requirements.

The proposals were evaluated by sections on predefined and weighted evaluation criteria including, but not limited to:

- Proponent's overall experience and capability: The proponents were evaluated on their overall municipal experience and the location of main branch and processing

centre, community services involvement and their capability for future expansion and upgrades. In addition their relevant time in the industry along with their infrastructure and personnel capability was considered.

- Specific requirements for each section: The proponents were evaluated on their ability to provide the required services as well as additional innovative and or value added solutions.
- Overall financial offering: The proponents were evaluated on their cost effectiveness and or financial incentives provided to the City.

DISCUSSION

The following summarizes the rationale for selecting between the proponents for each of the services and the recommendations of the evaluation team in each service category of the RFP.

1. Corporate Banker

This report recommends that the City contract with the Bank of Montreal to continue as the City's corporate bank and provider of the core banking service described in the RFP for a period of five years, including a provision for five 12- month extensions. The core banking services include, provision of bank accounts, deposit services, chequing services, electronic payments, wire transfers, foreign currency drafts, cash & coin services, online reporting and an operating line of credit.

In selecting Bank of Montreal, the evaluation team took into consideration a number of factors, including: company profile; key personnel experience; products and services offered, which were measured against several important service level criteria; availability of other value-added services as well as the financial offering, quality of references and any transaction costs that might be incurred in a change of financial institution.

The City's financial arrangement with its corporate banker has two primary components: the transaction costs associated with the banking arrangements, and the interest rate paid to the City for cash on deposit. Among all proponents the Bank of Montreal offers the best pricing on transactions costs and the best interest rate for cash on deposit. It is estimated that the City will achieve annual savings of approximately \$43,800 with this service.

2. Parking Meter Coin Processing

This report recommends that, as part of its contract for core banking services recommended above, the City contract with the Bank of Montreal for the processing of parking meter coin for a period of five years, with the option to renew for five 12 month extensions.

The City currently collects in excess of \$35 million annually in coin from its On-Street Parking Program. The volume of coin involved makes it difficult for the City's corporate banker to receive this coin directly so that special handling arrangements are required. Currently, the Bank of Montreal, contracts with Churchill Armoured Car to receive, wash, count and roll the coin and deliver it to the Bank of Montreal. As noted in the RFP, the City views the handling of this coin as a basic deposit service and has a strong preference for the core banker to

provide this processing service. This alleviates potential security and financial risks involved in the City dealing directly with a third party provider.

The Evaluation Committee was aware that a number of other firms had the capacity to provide these services to the City. In order to ensure the City was receiving best value from its arrangement with the Bank of Montreal these services were included in the RFP and the City reserved the right to award this service to an organization other than our corporate financial institution.

Among all proponents, the Bank of Montreal partnering with Churchill Armoured Car offers the best pricing and the City will achieve annual savings of \$144,000 with this service.

Parking Meter Program staff in Engineering indicated that they are pleased with the service currently being provided and supported leaving the business with the Bank of Montreal / Churchill Armoured Car consortium.

3. Credit & Debit Card Merchant Services

This report recommends that the City contract with Moneris Solutions to provide credit & debit merchant card services for a period of five years, with the option to renew for five 12 month extensions.

In order to accept credit and debit card payments from customers the City requires the services of a merchant card services provider. This service provider supplies the City with the equipment that is used to process credit and debit card payments, ensures that the payments are processed to the City's accounts on a daily basis and provides reporting on the payments processed each day to assist in reconciliation of the City's accounts. The City pays for this service primarily through a discount charged on each transaction processed by the service provider.

Moneris Solutions is the current provider of merchant card service to the City. Among all proponents Moneris Solutions offers the best pricing and the City will achieve annual savings of \$200,500 with this service.

4. Investment Custodial Services

This report recommends that the City contract with RBC Dexia to provide investment custodial services for a period of five years, with the option to renew for five 12 month extensions.

In today's investment markets, the purchase, holding and maturity of an investment is handled almost entirely electronically. The City utilizes the services of a custodian to settle investments after they are purchased from a broker; for holding the investments during their term; for providing on-line reporting of the City's investment accounts; and for managing the payment of principal and interest at maturity.

RBC Dexia is the current provider of investment custodial services for the City investments. Under the proposal from RBC Dexia, the investment custodial costs will be increased by an

estimated \$3,700 annually. Although not a saving from current costs, the pricing offered by RBC Dexia was the least expensive among all proponents for this service.

5. Purchasing Card Services

This report recommends that the City contract with the Bank of Montreal to provide purchasing card services for a period of five years, with the option to renew for five 12 month extensions.

Purchasing Card services provide the City a convenient way to purchase low cost routine services and supplies required for daily operations without the difficulties associated with handling petty cash, reimbursing employees or utilizing the traditional paper-based purchase order processes. Qualified employees carry a credit card in the name of the City of Vancouver to make purchases as necessary. The credit card company bills each card holder on a monthly basis, providing details of individual purchases that can then be charged to the appropriate expenditure accounts. Based on the volume of sales, the City receives a rebate from the service provider, further reducing costs.

The proposal from the Bank of Montreal offers the best financial incentives and will increase the rebate provided by the purchasing card program by an estimated \$12,900 annually. The Bank of Montreal is an industry leader in Canada in providing purchasing card services to the public sector. The selection of Bank of Montreal requires transitioning purchasing card services to the Bank of Montreal which provides an opportunity to further consolidate the financial services of the City, one of the objectives of the banking services RFP.

FINANCIAL IMPLICATIONS

The total estimated award for all financial services is \$5,970,500 (\$1,194,100 annually), with funding for financial services available within existing annual operating budgets. This award represents a projected savings of \$1,987,700 over the five year period of the agreement, compared to current costs for these financial services.

The projected annual savings for each service category is based on current transaction volumes, and any future increases or decreases in transaction volumes and/or policy changes may impact actual contract savings.

PERSONNEL IMPLICATIONS

There are no personnel implications.

IMPLEMENTATION PLAN

It is anticipated that the implementation of each of these services will be completed before the end of 2011. Detailed implementation plans will be developed with each of the successful proponents as part of contract negotiations.

CONCLUSION

An interdepartmental staff team has completed the 2nd comprehensive request for proposals for financial services in the City's history. The objectives were to identify best value partners for a range of financial services. The evaluation of responses has resulted in a number of recommendations for the provision of services to the City, including corporate financial services, parking meter coin processing, debit and credit card merchant services, investment custodial services and purchasing card services. The recommendations confirm the Bank of Montreal as the City's corporate financial institution and consolidate two related services with the bank. The recommendation to authorize agreements with the Bank of Montreal, Moneris Solutions and RBC Dexia for the supply of financial services is deemed to provide best value for the City over the term of the agreement.

Based on the proposals submitted, these were the leading proponents for the supply of financial services demonstrating that their companies would be able to meet the product, service and technological objectives of the City. Moreover, the agreements will ensure that the cost of these financial services will provide annual savings during the five year term of the contracts.

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