

# The Regional Municipality of York

Committee of the Whole  
Finance and Administration  
June 10, 2021

Report of the Commissioner of Finance

## Banking Services Agreement

### 1. Recommendations

1. Council authorize the renewal of the banking services agreement with the Toronto Dominion Bank (“TD Bank”) under the following terms:
  - a. For the same services and fees in the current agreement
  - b. For a five-year term, expiring on June 30, 2026
2. The Commissioner of Finance be authorized to negotiate the interest rates paid on any deposits held by the TD Bank.

### 2. Summary

This report seeks Council’s authority, pursuant to Section 3.3 of Purchasing By-law No. 2017-30, to renew the banking services agreement with TD Bank, expiring on June 30, 2021. Staff recommend this agreement be renewed to June 30, 2026.

Key Points:

- The Purchasing Bylaw permits Council to authorize the proposed renewal herein
- TD Bank has been the Region’s banking services provider for the past fifty years
- The Bank has an excellent history of providing key banking services with a favourable fee structure
- The Bank has committed to fix its service fees at existing rates for the duration of the contract renewal
- Risks and costs associated with transitioning services to another banking institution are significant
- The Commissioner of Finance be granted the authority to agree to the deposit interest rates specified in the agreement from time to time, as required

### **3. Background**

#### **The Purchasing Bylaw permits Council to authorize any purchase or method of procurement where to do so would be in the best interests of the Region**

Section 3.3 of Purchasing By-law No. 2017-30 permits Council to authorize any method of procurement where it can be demonstrated that it is in the best interests of the Region to do so. Under this provision, staff are seeking authority to sole source banking services from TD Bank due to its long history of providing excellent service, the fact that banking services are heavily integrated into the Region's current business processes, and its rates are competitive with other banking institutions offering similar services to municipal clients. Accordingly, this report presents a business case that supports an extension of this contract for another next five years.

#### **TD Bank has been the Region's banking services provider for the past fifty years**

TD Bank has been providing banking services on an uninterrupted basis since 1971, when the Region was first formed. Some of the banking services that TD Bank currently provides include the following:

- Maintenance of various bank accounts for both the general and sinking funds
- Electronic cheque reconciliation services
- Direct deposits for payroll
- Pre-authorized payment collections for Housing York Inc. and long-term care facilities
- Stop payment facilities
- Daily deposit and night deposit services to the Region's head office and satellite offices

#### **TD Bank has had an excellent history of providing key banking services with a favourable fee structure**

TD Bank has had an excellent history of providing key banking services since the contract was last extended in July 2016. It has not increased the fees it charges the Region since October 2007 and has committed to keeping them the same for next five years ending on June 30, 2026. The relationship, technical and product support provided by TD Bank has been positive and continues to add value from both cost management and efficiency standpoints.

## **The last banking services review determined that maintaining banking services with TD Bank was the best option**

Over the years, the Region has undertaken several reviews of banking services which has included a formal request for proposal. TD Bank was always recommended as the best service provider for the Region's requirements.

The last review was conducted over several months during 2015 and 2016. The review culminated in a report that was approved by [Council on May 19, 2016](#), with the following recommendations:

1. Council authorize an agreement between the Region and the Toronto Dominion Bank (TD Bank) for the purchase of banking services, on the following terms:
  - a. A five-year term, with an option to extend the agreement for a further five years
  - b. The fee schedule be fixed for the term of the agreement
2. The Commissioner of Finance be authorized to exercise the option to extend the agreement for a further five years on the same terms, provided TD Bank has performed the services to the satisfaction of the Commissioner.
3. The Commissioner of Finance be authorized to execute the agreement and the renewal agreement, if any, on behalf of the Region.

As part of the banking service review, staff performed extensive research and analysis to ascertain stakeholder needs and concerns, including:

1. Holding numerous meetings with interested and affiliated members and departments within York Region.
2. Contacting several other municipalities to enquire about their banking service experiences. Municipalities contacted include London, Kitchener, Ottawa, Halton and Peel.

## **4. Analysis**

### **TD Bank continues to provide value-added and cost-effective solutions**

The banking service review referred to above, revealed numerous developments had occurred over the years relating to the types of services required by the Region and how they were being provided.

It was discovered that banking requirements had expanded beyond cheque processing, wire transfers and deposit taking to include services in support of more complex needs, such as:

- Introduction of Remote Deposit Capture to eliminate physical deposits at branches
- Electronic Data Interchange and Online banking services to reduce cheque volumes and costs
- Fraud Protection and System Security to enhance security protocols

All the above solutions and recommendations were introduced proactively by TD Bank and were implemented with their support.

### **Risks and costs associated transitioning services to another banking institution are significant**

The banking services review also highlighted several transition risks and concerns, cited by both Region's stakeholders and other municipalities, that staff had contacted during the review process. The main concerns regarding a potential transition to another banking service provider included:

- The cost of transitioning to another bank due to internal network parameters and external connectivity across many departments
- Lack of familiarity with the Region's systems, processes and policies
- Need to issue new cheque and electronic fund transfer instructions
- Need to implement new payment collection and deposit processes and inform customers (may require the replacement of the merchant services platform)
- Issues related to fraud control and prevention
- Concerns pertaining to security protocols and technology compatibility

In addition to these concerns, the current crisis surrounding the COVID-19 outbreak underscores the need for continuity and familiarity of York Region's banking processes and requirements, and possible avoidance of any interruption or delay of service.

## **5. Financial**

### **TD Bank has again committed to hold the fees for services provided unchanged and fixed for the term of the extended contract**

TD Bank has committed to hold the fees of providing banking services at fixed rates as currently contained in the existing agreement. By keeping the service fees fixed and utilizing more efficient procedures, services and technology, annual banking costs have trended downwards over the past several years as depicted in Table 1.

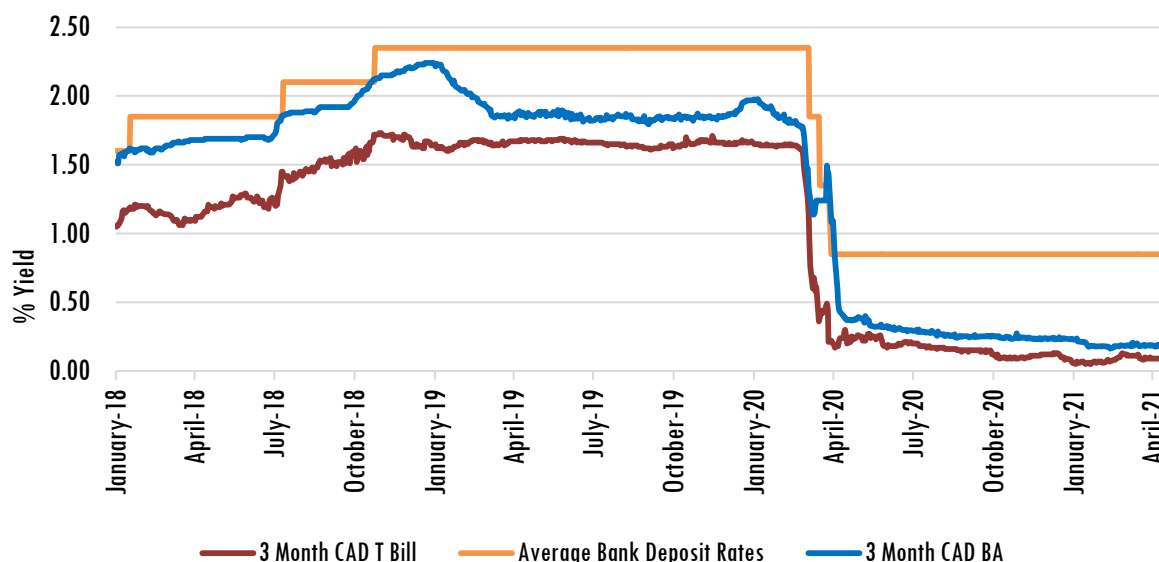
**Table 1**  
**Banking Services Fees**

<b>Banking Services</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Cheque & Fraud Protection	30,719	27,175	21,845	18,245	19,422	21,075	14,283
Electronic Fund Transfers	29,079	29,953	26,064	25,734	25,026	24,961	24,393
Notification Services	1,052	1,024	1,004	792	684	892	924
Wire Payments Service	2,981	3,170	3,465	2,628	2,645	3,891	3,595
<b>Total</b>	<b>63,830</b>	<b>61,322</b>	<b>52,378</b>	<b>47,399</b>	<b>47,777</b>	<b>50,819</b>	<b>43,195</b>

### The interest paid on deposits has changed

The COVID-19 crisis has impacted bank deposit rates being offered by all the major Canadian banks. Over the past 16 months, short term interest rates, as administered by central banks around the world, have declined to historic lows. Money market securities, such as government treasury bills and bankers' acceptances, are traditionally the alternatives options to interest bearing bank deposit accounts. Until early 2020, money market securities such as bankers acceptances (BA's) in Canada yielded between 1.5% to 2.0% per annum (see Figure 1). At present, money market securities are only yielding between 0.10% to 0.30% per annum. Furthermore, in some countries, money market securities bare negative rates. As a result of these developments, Canadian Banks have been compelled to reduce the rates they offer for monies left on deposits.

**FIGURE 1**  
**Select Canadian Short-Term Rates**



The existing agreement with TD Bank sets the rate paid on its bank balances at Canadian Bank Prime Rate minus 1.65%. However, as referenced, due to developments in the capital markets and in line with other bank practices concerning deposit rates, TD Bank has announced that, as of June 1, 2021, they will now only offer Canadian Bank Prime Rate minus 1.75%.

This represents a change of 10 basis points and would reduce the rate paid on the Region's Canadian interest earning deposit accounts to 0.70%, based on the current Bank Prime Rate.

Despite the 10-basis point reduction, the rate of 0.70% continues to provide a good return on deposits compared to the other money market alternatives which offer between 0.10% to 0.30%. This rate also compares favourably to other banks where the rates offered range between 0.16% to 0.90%.

In addition, other Canadian banks have typically limited how much can be left on deposit and still earn interest. These limits generally range from \$50 million to \$500 million. TD Bank has allowed the Region to exceed these limits, which provides much greater flexibility.

The Region has also set up deposit accounts with other banks to take advantage of their preferred rates, when and if, it is advantageous to do so. Therefore, the Region is still able to maximize the interest earned for any monies held on deposits by moving excess funds to other banks that offer better rates with any residual amount, than being left with TD Bank.

Given the changing nature of the market place and the methodology set by banks to determine their deposit rates, it is recommended that the Commissioner of Finance be given authority to negotiate the interest rate paid by TD Bank throughout the term of this contract.

## **6. Local Impact**

Changing banking service providers may affect transfer of fund processes with local municipalities. This includes changing forms, procedures and possibly policies around collection and disbursement of funds between the Region and the local municipalities. The risks cited earlier could also 'spill-over' into routines, protocols and varying connectivity with the local municipalities.


## **7. Conclusion**

This report recommends that Council authorize the renewal of the banking services agreement with the TD Bank to June 30, 2026.

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For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: *Laura Mirabella*  
**Laura Mirabella, FCPA, FCA**  
Commissioner of Finance and Regional Treasurer

Approved for Submission:   
**Bruce Macgregor**  
Chief Administrative Officer

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