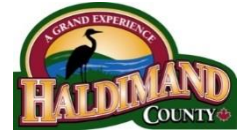

HALDIMAND COUNTY

Report CS-FI-19-2017 Updates to CIBC Banking Fees and Special Arrangements

For Consideration by Council In Committee on September 12, 2017



OBJECTIVE:

To update the County's Special Arrangements with the Canadian Imperial Bank of Commerce (CIBC).

RECOMMENDATIONS:

1. THAT Report CS-FI-19-2017 Updates to CIBC Banking Fees and Special Arrangements be received;
2. AND THAT the revised CIBC banking fees and arrangements, as identified in Report CS-FI-19-2017, be approved effective July 25, 2017;
3. AND THAT the Mayor and Treasurer be authorized to execute the applicable Agreement with CIBC.

Prepared by: Mark Merritt, Treasurer, CPA, CA

Respectfully submitted: Karen General, CPA, CGA, General Manager of Corporate Services

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

The County has been utilizing financial services from the Canadian Imperial Bank of Commerce (CIBC) since the Transition Board passed a resolution awarding such banking services, effective January 1, 2001. There have been various changes to the servicing agreement since that time, with the most recent occurring in 2011. With that last update, as reviewed and approved by Council through Report CS-FI-16-2011, staff advised that a future report would be brought to Council should any further amendments to the fee structure occur.

In the spring of 2017, Finance staff received a revised proposal for Banking Fees and Special Arrangements from CIBC. After extensive review and consultation with CIBC, staff feel that the proposal is fair and beneficial to Haldimand County and ensures that fees remain low and interest earned can be maximized through cash flow management and portfolio returns following the elimination of the former interest tiers.

The proposed new agreement will remain in place for a term of five years and, unless directed by Council, future amendments to the agreement will only be brought to Council for review should proposed increases to fees or impacts on interest earnings become substantial enough to warrant review. It should be noted that financial services (such as banking services) are exempt from the competitive bidding process in accordance with the County's approved Procurement Policy & By-law.

BACKGROUND:

The County has had a longstanding relationship with CIBC which began when the Transition Board passed a resolution awarding banking services for the new municipality, effective January 1, 2001. Some of the key milestones over the history of this relationship include:

- CIBC appointed to provide banking services for Haldimand County through by-law 60-2000 on December 21, 2000, for a period of 2 years with an option for one additional year;
- Amendment to the terms of the agreement in April 2001;
- Further amendments in May 2006 which resulted in a significant increase to fees. Other options were investigated at the time, but maintaining the relationship with CIBC was determined to be most reasonable due to logistical constraints and lack of consistency between banks and services provided;
- The last revised agreement was approved by Council in August 2011. While this revised agreement resulted in lower interest earnings on surplus funds held in our bank accounts, this was more than offset by the reduction and elimination of most service charges and bank fees.

In the spring of 2017, CIBC approached staff with proposed revisions to the banking fees and special arrangements. Staff extensively reviewed and negotiated with CIBC to achieve the best possible agreement for the County at this time. It should be noted that emerging technologies, which could affect future business and banking transactions, may result in changes to fees that are not anticipated by this Agreement; if such new charges materialize, other operational savings will be required to offset such costs.

ANALYSIS:

CIBC have provided a revised Agreement, as at July 25, 2017. For proprietary reasons, CIBC requested that the Agreement remain confidential, however, Council may request a copy by contacting the Treasurer. Generally, the terms and conditions are similar to the 2011 Agreement with the exception of the revisions outlined in this report. Staff have reviewed the proposed amendments to the existing bank services agreement and evaluated the annual impacts. The services provided by CIBC remain unchanged, only the fees associated with these services will be affected.

One of the most significant changes to the Agreement is the elimination of the Interest Earning Tiers. Under the 2011 Agreement, there was an incentive to maintain a higher balance in the County's General Operating bank account in order to ensure that maximum interest would be realized (bank interest is based on the average monthly balance earned at set rates below the bank's monthly average prime (MAP) interest rate). Since 2011, staff have made many improvements to the County's cash flow management practices. As a result, even though the 2011 agreement allowed for higher interest for balances over \$5,000,000, the County has been able to increase its annual return by investing in other short term investment options (i.e. short term bonds and high interest savings accounts). The average interest from the County's bank accounts through CIBC has been approximately 0.80% over the past couple of years. By investing in other options, staff have been able to increase the investment income on County funds that would have otherwise realized a much smaller return had the funds remained in the bank. By removing the tiered system that was in the 2011 Agreement, the County has increased its flexibility in terms of exploring other short term options in order to maximize its short term portfolio returns while still maintaining and managing the County's short term cash flow requirements.

Many of the service fees remain at the 2011 rate or have been reduced or eliminated under the new arrangement. Staff successfully negotiated the elimination of the Electronic Funds Transfer (EFT) file fee and Re-Presentment fees. Estimated savings in the elimination of these two fees totals

approximately \$2,120 annually. These are partially offset by the additional fees for: Electronic Data Interchange (EDI) service, implemented in 2016 to upload and record customer banking payments for Water and Wastewater services; and bank “token” replacement costs which are now required annually for staff that require access to CIBC’s Cash Management Online Banking (CMO) system. These two new fees represent additional costs of \$1,020 annually. Some new fees are not of concern as they are related to services not utilized by the County or for transactions which are not likely to occur.

The tables below highlight the changes and additions to the existing fee structure.

Table 1 – Changes to Existing Fee Structure

Fees	Description	Current	Proposed
Interest Earnings	Up to \$1,500,000	No Interest	n/a
	\$1,500,000 to \$5,000,000	MAP - 2.00%	n/a
	Over \$5,000,000	MAP - 1.75%	n/a
	Elimination of the Interest Tiers, all balances at same rate		MAP - 1.85%
Monthly Fee	General Banking Services (deposits, processing cheques, currency and coin handling, returned cheques, stop payments, etc.)	\$0	\$0
EFT Charges	Monthly Maintenance Fee	\$0	\$0
EFT Charges	Direct Deposits/Pre-Authorized Payments	\$12/File and .08/item	\$0/File .08/item
CIBC Cash Management Online (CMO)	Monthly On-Line Banking Services	\$0	\$0
Re-Presentment, 3 days	Customer PAP payments 2nd attempt to withdraw from account if returned NSF initially. Reduce risk of NSF fees to customer.	\$.08/item	\$0
Re-Presentment, 5 days	Customer PAP payments 3rd attempt to withdraw from account if returned NSF initially. Reduce risk of NSF fees to customer.	\$.08/item	\$0
Returned Payment Transactions	Charges for NSF Transactions, Cheques and PAP	\$1.50/item	\$0

Table 2 – Additions to Current Fee Structure

Fees	Description	Current	Proposed
Bank tokens required for CMO Access	Initial tokens were free of charge in 2012, replacement tokens for all staff with Online Access are now required every 5 years.	\$0	\$30
Maintenance Fee, Electronic Data Interchange (EDI)	Monthly fee for EDI service, ability to process payments electronically instead of manually, currently used for water/wastewater payments made by online banking	\$0	\$75
Government Filing Service	Service for filing/remitting payments to Government Agencies. Not currently utilized	\$0	\$2.00/item
Remittance Advice Fee	Service which allows customer to send remittance advices for payments made to customers. Not currently utilized.	\$0	\$.03/item
Recalls, Mass File Maximum Charge	Maximum charge for recalling a PAP file to be paid or withdrawn from customer accounts.	n/a	\$50
Recalls, reset/cancel individual payment	Cost to recall a single item (i.e. payment that must be cancelled)	n/a	\$5

New banking services, which were not previously required, continue to emerge and become essential for daily business transactions as technology advances and customer activity changes. An example is the new eDeposit service for cashing cheques electronically. This service is subject to additional monthly fees which are not part of standard fee arrangements, yet are expected to create substantial efficiencies for staff. Similarly, the County's anticipated new Business Application Software should allow staff to process customer banking payments electronically instead of requiring manual daily entry, but may also be subject to additional monthly fees. At this time, such fees are not known but can be expected in future years.

Haldimand County continues to enjoy a good working relationship with CIBC. In addition, CIBC remains the only national bank with branches easily accessible to all County administrative locations. Staff will continue to monitor fees and charges associated with banking activity and ensure that interest is maximized through current cash flow and investment management strategies. The proposed new Agreement will remain in place for a term of five years and future agreements, unless directed by Council, will only be brought to Council for review should increases to fees or impacts on interest earnings be substantial enough to warrant review.

FINANCIAL/LEGAL IMPLICATIONS:

Elimination of some fees will offer savings of approximately \$2,120 annually but will potentially be offset by new fees with the future implementation of new services as required. Interest rates appear slightly less favourable, but the removal of the tiered system allows for better interest earning opportunity on any balance in the General Operating Account. Overall, the proposed arrangements are favourable and present no significant concerns to staff. Any annualized impacts will be reflected in the 2018 Draft Tax Supported Operating Budget submission.

STAKEHOLDER IMPACTS:

Not applicable.

REPORT IMPACTS:

Agreement: Yes

By-law: No

Budget Amendment: No

Policy: No

ATTACHMENTS:

None.