

### Warrant Article 3: Compensating Balance Agreements

**Recommendation:** FAVORABLE ACTION on the article by a vote of 4-0

<b>Executive Summary:</b>	This article is filed annually by the Town Treasurer/Collector. Compensating balances are agreements between a depositor and a bank in which the depositor agrees to maintain a specified level of non-interest bearing deposits in exchange for certain bank services
<b>Voting Yes will...</b>	Authorize the Town Treasurer, with the approval of the Select Board, to enter into compensating balance agreements for FY2023 in accordance with Massachusetts General Laws Chapter 44, Section 53F. These agreements would allow the Town to maintain specified amounts of deposits, which may or may not be interest bearing, in exchange for the reduction or elimination of cash payments for bank services.
<b>Voting No will...</b>	Not authorize the Treasurer to negotiate a reduction or elimination of fees for services, in exchange for deposits of Town funds in non-interest-bearing accounts.
<b>Financial impact [if any]</b>	Compensating balance agreements add value when the savings in fees more than offsets the loss of interest income, or when services can be bargained for among competing banks.
<b>Legal implications [if any]</b>	N/A

#### Introduction

The Administration and Finance Subcommittee held a public hearing on April 5, 2022 to review the Warrant Article 3. In attendance were: Harry Bohrs, Neil Gordon, Kelly Hardebeck and Stephen Reeders for the subcommittee; and Justin Cassanova-Davis, Acting Finance Director/Treasurer.

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By a vote of 4-0 with no abstentions, the Administration and Finance Subcommittee recommends FAVORABLE ACTION.

#### Discussion

Article 3 asks Town Meeting to authorize the Town Treasurer, with the approval of the Select Board, to enter into compensating balance agreements for FY2023 in accordance with Massachusetts General Laws Chapter 44, Section 53F. These agreements would allow the Town to maintain specified amounts of deposits, which may or may not be interest bearing, in exchange for the reduction or elimination of cash payments for bank services.

The proposed Town budget generally assumes that the Town's available funds are invested in interest-bearing accounts, and that banking services are paid for in ordinary course. This authorization gives the Treasurer the authority to negotiate a reduction or elimination of fees for services, in exchange for deposits of Town funds in non-interest-bearing accounts.

Compensating balance agreements add value when the savings in fees more than offsets the loss of interest income, or when services can be bargained for among competing banks. Town Meeting has authorized these arrangements since the mid-1980s.