

Warrant Article 3: Compensating Balance Agreements

Recommendation: FAVORABLE ACTION on Warrant Article 3 by a vote of 19-0-2.

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| Executive Summary: | 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 |
| Voting Yes will... | 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. |
| Voting No will... | 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. |
| Financial impact | 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. |

Introduction

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.

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.

Recommendation

The Advisory Committee recommends FAVORABLE ACTION on the following motion by a vote of 19-0-2.

VOTED: That the Town authorize the Town Treasurer, with the approval of the Select Board, to enter into Compensating Balance Agreement(s) for FY2023 in accordance with General Laws Chapter 44, Section 53F.

ARTICLE 3 ADVISORY COMMITTEE VOTES

| Article Description | Compensating balance agreements |
|---|---------------------------------|
| AC recommendation (Favorable Action unless indicated) | 19-0-2 |
| Scott Ananian | A |
| Carla Benka | Y |
| Ben Birnbaum | Y |
| Harry Bohrs | Y |
| Cliff Brown | Y |
| John Doggett | Y |
| Katherine Florio | Y |
| Harry Friedman | Y |
| David-Marc Goldstein | Y |
| Neil Gordon | Y |
| Susan Granoff | Y |
| Kelly Hardebeck | Y |
| Anita Johnson | Y |
| Georgia Johnson | Y |
| Alisa Jonas | |
| Janice Kahn | |
| Carol Levin | |
| Pam Lodish | A |
| Linda Olson Pehlke | Y |
| Donelle O’Neal, Sr. | |
| David Pollak | Y |
| Stephen Reeders | Y |
| Carlos Ridruejo | Y |
| Lee Selwyn | Y |
| Alok Somani | |
| Christine Westphal | Y |
| Dennis Doughty * | |
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| * Chairperson does not vote except to break a tie | |