

ARTICLE 3

THIRD ARTICLE

Submitted by: Treasurer/Collector

To see if the Town will authorize the Town Treasurer, with the approval of the Select Board, to enter into Compensating Balance Agreement(s) for FY2024 in accordance with General Laws Chapter 44, Section 53F, or act on anything relative thereto.

PETITIONER'S ARTICLE DESCRIPTION

This article authorizes the Town Treasurer to enter into Compensating Balance Agreements, which are agreements between a depositor and a bank in which the depositor agrees to maintain a specified level of non-interest bearing deposits in return for which the bank agrees to perform certain services for the depositor. In order to incorporate such compensating balance agreements into the local budget process, the Commonwealth passed a law in 1986 mandating that all such arrangements be authorized by Town Meeting on an annual basis.

SELECT BOARD'S RECOMMENDATION

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 return for which the bank agrees to perform certain services for the depositor. In order to incorporate such compensating balance agreements into the local budget process, the Commonwealth passed a law in 1986 mandating that all such arrangements be authorized by Town Meeting on an annual basis.

Funds have been included in the Treasurer's FY2024 budget to pay for these banking services directly. This authorization, however, will give the Treasurer the flexibility to enter into such agreements if it should be in the best interest of the Town.

The Select Board voted 3-0 FAVORABLE ACTION on the following motion:

VOTED: That the Town authorize the Town Treasurer, with the approval of the Selectmen, to enter into Compensating Balance Agreement(s) for FY2024 in accordance with General Laws Chapter 44, Section 53F.

ROLL CALL VOTE:

Aye:
Greene
VanScoyoc
Sandman

Absent:
Aschkenasy

ADVISORY COMMITTEE'S RECOMMENDATION

Recommendation: FAVORABLE ACTION on Warrant Article 3 by a vote of 19-0-1.

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 with 1 abstention.

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)	19-0-1
Ben Birnbaum	Y
Harry Bohrs	Y
Cliff Brown	Y
Patty Correa	Y
John Doggett	Y
Katherine Florio	Y
Harry Friedman	Y
David-Marc Goldstein	Y
Neil Gordon	
Susan Granoff	Y
Kelly Hardebeck	
Amy Hummel	Y
Anita Johnson	
Alisa Jonas	
Janice Kahn	
Pam Lodish	Y
Joslin Murphy	Y
Donelle O'Neal, Sr.	A
Linda Olson Pehlke	Y
Markus Penzel	Y
David Pollak	
Stephen Reeders	Y
Carlos Ridruejo	Y
Lee Selwyn	
Alok Somani	Y
Carolyn Thall	Y
Christine Westphal	Y
Dennis Doughty *	
* Chairperson does not vote except to break a tie	