



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

June 21, 2010

TO THE CITY COUNCIL

Dear Councilors:

Under G.L. c. 44, s. 53F, the City is authorized to enter formal “compensating balance” agreements with banking institutions for the provision of banking services. Your approval of these agreements is required under that statute.

In order to take advantage of the considerable savings afforded through the use of such agreements, the Treasury Department conducted an extensive competitive bidding process that resulted in the agreement that accompanies this letter.

Under the terms of the agreement, the City will keep a specified minimum balance with the contracting bank as compensation for the various specified services rendered.

In order to realize the greatest possible savings to the City, as well as to minimize any possible interruption of banking services to the City, I urge your prompt approval of this agreement.

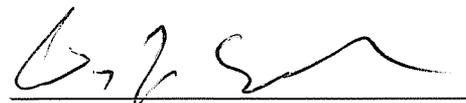
Sincerely,

Thomas M. Menino
Mayor of Boston

BOSTON, MA
JUN 23 10 10 AM '10
CITY OF BOSTON
COMMUNICATIONS SECTION

ORDERED: That the agreement made under the provisions of General Laws Chapter 44, Section 53F, by and between the City of Boston and Citizens Bank for the provision of Lockbox Services for the Collection of Real Estate, Personal Property, Motor Vehicle Excise and Boat Excise Taxes Services, in the form attached hereto, be and the same hereby is, approved.

I hereby certify that
the foregoing, if passed in
the above form, will be in
accordance with law.



William F Sinnott

Corporation Counsel



COMPENSATING BALANCE AGREEMENT

for

THE PROVISION OF LOCK BOX SERVICES FOR THE COLLECTION OF REAL ESTATE, PERSONAL PROPERTY, MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES

THIS COMPENSATING BALANCE AGREEMENT for the Provision of Lock Box Services for the Collection of Real Estate, Personal Property, Motor Vehicle Excise and Boat Excise Taxes, dated as of June 2nd, 2010 (the "Compensating Balance Agreement"), is hereby entered into by and between the City of Boston, Massachusetts, a municipal corporation organized and existing under the laws of The Commonwealth of Massachusetts (the "City"), and Citizens Bank, a Massachusetts trust company (the "Bank").

WHEREAS the City issued its "Request for Proposals Banking Services" on December 14, 2009 (the "Proposal"), and the Bank submitted a response to the Proposal on February 3, 2010 (the "Response"); and

WHEREAS the City has accepted the terms which the Bank proposed in its Response, subject to the approval of the City's Mayor and City Council; and

WHEREAS both the City and the Bank wish to enter into this Compensating Balance Agreement pursuant to the provisions of Massachusetts General Laws chapter 44, §53F;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto do covenant and agree as follows:

SECTION I: AUTHORITY; APPLICABLE LAW

This Compensating Balance Agreement is made under the provisions of Massachusetts General Laws chapter 44, §53F, and is subject to the approval of the Mayor and the City Council of Boston.

This Compensating Balance Agreement is made subject to all laws of the Commonwealth of Massachusetts, special laws applicable to the City, and ordinances of the City. The Bank's particular attention is directed to a restriction that regulates where the City may deposit funds. Under Massachusetts General Laws chapter 44, §55, cities and towns in the Commonwealth may make deposits in banks, trust companies or banking companies provided that the amount deposited does not exceed 60% of the capital and surplus unless satisfactory security for the amount in excess of 60% is provided by the depository.

SECTION II: DISCLOSURE OF LENDING INFORMATION

Prior to the execution of this contract, and annually thereafter, in accordance with Chapter VI, Article 6-8.2 of the City of Boston Code of Ordinances, the Bank shall provide the information and data listed on Exhibit II hereto on forms approved by the Collector-Treasurer.

SECTION III: TERM OF THE AGREEMENT

This Compensating Balance Agreement shall be valid for a term of three years commencing July 1, 2010, and terminating on June 30, 2013.

SECTION IV: COMPENSATION

Payment for the service to be performed by the Bank will be effected solely through the maintenance of a compensating balance by the City in its account with the Bank. The amount of such compensating balance shall be determined in accordance with the formula set forth in Section VIII hereto.

If in any month or at year end, account balances in any account are deficient to the extent that the cost of the banking services is not covered by the average collected balances, the City will deposit, in the following month, an amount formulated as provided herein for the calculation of credits to be agreed to by both the City and the Bank to make up the deficit. Conversely, if in any month or at year end there is a surplus in the account(s), the City will notify the Bank that it is reducing the balances to a more appropriate level in accordance with the formula provided herein for the calculation of credits.

In the event that the City fails to maintain balances sufficient to meet its obligations under this Compensating Balance Agreement, the Bank's only remedy shall be the right to terminate the provision of services under this agreement.

Unless otherwise noted, the prices quoted herein are fixed for the three-year period of this contract.

SECTION V: TERMINATION AND CANCELLATION

The Bank shall exercise its right to terminate its service obligations by notifying the Collector-Treasurer of the City in writing sent by certified mail, return receipt requested, of its intent to cancel the contract. The Bank's obligations to provide services under the contract shall terminate at the close of business on the thirtieth day following the day of which notice is given. In no event shall the City be liable to pay the Bank any sums on account of services rendered under this contract or on account of any deficiency in the amounts maintained in the compensating balance account.

Upon termination of services of a bank, the City will maintain in the account(s) an average collected balance to pay for any outstanding services. In addition if there is a surplus in the account(s), the Bank will issue a check to the City for said amount.

The City reserves the right to cancel the contract or reduce activity under the contract if the Bank fails to meet the requirements of the Linked Deposit Banking Program, as the Program shall from time to time be promulgated. The City also reserves the right to cancel the contract by giving written notice by certified mail, return receipt requested, to an officer of the Bank to be designated in the contract. In the event of cancellation by the City, all obligations by the Bank and the municipality shall terminate at the close of business on the thirtieth business day after the notification is delivered to the Bank.

Either party may call a meeting, within seven days after notice of termination given by either party, to attempt to resolve the problem that led to the termination. Any subsequent adjustment, modification, or re-negotiation of the contract terms shall require the approval of the City Council and the Mayor in accordance with the provisions of Massachusetts General Laws chapter 44, §53F.

SECTION VI: ENTIRE AGREEMENT

This (i) Compensating Balance Agreement, including the Exhibits hereto, (ii) the City's Proposal, (iii) the Bank's Response, (iv) the Agreement for Cash Management Services and Service Order, (v) the Cash Management Services Terms and Conditions, and (vi) the Certificate of Authority for Cash Management Services constitute the entire agreement of the parties with respect to the subject matter hereof. If there is any conflict between the terms and provisions of this Compensating Balance Agreement and items (ii) through (vi) above, the terms of this Compensating Balance Agreement shall govern, but only to the extent reasonably required to resolve such conflict.

SECTION VI: ACCOUNT SERVICES

A. Account Officer

The initial account officer responsible for handling relations with the City in connection with this Compensating Balance Agreement is: Alice Ferraro, Vice-President The Bank shall notify the City in writing of any change of account officer.

B. Lock Box Services

The Bank will provide automated lock box services to the City for the processing of Real Estate, Personal Property, Motor Vehicle Excise and Boat Excise tax remittances as specified herein.

The Bank hereby agrees to the following:

(i) To make pickups at least five (5) times per day from the following Post Office Boxes located in the City:

Real Estate Taxes

P.O. Box 55808

Boston, Massachusetts 02205-5808

Personal Property Taxes

P.O. Box 55810
Boston, Massachusetts 02205-5810

Motor Vehicle and Boat Excise Taxes

P.O. Box 55809
Boston, Massachusetts 02205-5809

- (ii) To make special pickups at Boston City Hall upon request.
- (iii) To make deliveries to the City, before 8:30 A.M. each business day, consisting of the following:
 - a. collector's copy receipts;
 - b. adding machine tapes by batch;
 - c. a transmittal of all work processed;
 - d. edit report by batch, by tax type, with tax, costs, interest, and subtotals by batch and totals by kind, year, and type of tax;
 - e. all remittances labeled with the date of work;
 - f. note exceptions on edit report when the check amount and the amount of the bill do not match;
 - g. a return to the City of unprocessed *Motor Vehicle Excise and Boat Excise* taxpayer bills and payments therefore, that vary from one another by more than \$50.00, with unprocessed payments to be labeled separately from collector's copy receipts; and
 - h. mail-receipted customer copies when self-addressed stamped envelope is enclosed.
- (iv) To imprint an audit trail with the following information on the back of each remittance document:
 - a. date;
 - b. customer account ward and parcel numbers (*Real Estate and Personal Property only*);
 - c. Year and bill number (*Motor Vehicle and Boat Excise Taxes only*);
 - d. amount paid;
 - e. batch, sequence, and operator numbers; and
 - f. type of tax.

(v) To provide next-day turnaround for all lock box pickups, except during the four periods of the real estate rush and personal property when a five-day turnaround time will be acceptable.

(vi) To provide compact disks (CD-ROM) containing digital images of all checks and, upon request, to respond to all inquiries within two working days. The Bank shall provide the City with copies of any software necessary to read compact disks provided by the Bank in compliance with this paragraph (vii).

(vii) To provide receipts to the City for Banks and Leasing Companies upon request.

(viii) To forward notices of any U.S. Bankruptcy Court or other federal or state court proceedings to the Counsel to the Collector-Treasurer, City Hall Room M-5, *immediately* upon receipt.

(ix) To provide the City with online access to manage those items which have been identified as “rejects.”

C. Penalties

(i) Upon notification by the Collector-Treasurer, the Bank will stop processing specified tax bills because of new billings, and send the originals back to the City.

(ii) The Bank will send cash flow by kind and dollar amount deposited with the work.

(iii) The Bank will return to City such documents which have “BT*” on the top of a bill when there is payment for both the current tax *and* past (i.e. “back”) taxes.

(iv) In the event a CD-ROM, or report is not readable, or is damaged, the Bank will reproduce a new CD-ROM or report, and deliver it back to the City on the same day.

(v) During Real Estate rush periods the Bank must process bank-encoded work by bank with the Bank Numbers on reports, and CD-ROMs. Also processing Bank exception documents when the Bank check is over the work.

D. Addition, Substitution and Termination of Services

From time to time the City may add to, substitute, or delete from the required services described in the preceding subsections A through C.

SECTION VII: CHARGES FOR SERVICES PERFORMED

The charges imposed by the Bank for the Lock Box Services performed by the Bank under this Compensating Balance Agreement are set forth in Exhibit I hereto.

SECTION VIII: CALCULATION OF CREDITS

All service charges are passed to the analysis system and assessed in regard to that account's average collected balance. Each account is analyzed separately on a combined overall banking relationship basis in order to determine the net compensation position.

The formula to determine the Average Monthly Collected Balance Required shall be derived as defined below, .

Example:

Monthly Expenses divided by ECR Rate divided by thirty (30) multiplied by 360

The Earning Credit Rate shall be derived from the Treasury Bills plus 11 basis points.

SECTION IX: ACCOUNT BALANCE REPORTING REQUIREMENTS

The Bank will furnish the City with monthly account analysis statements showing the balance(s) maintained, the credit earned, the volume and type of services provided, the average daily balance, the interest rate used to calculate earnings credits, the net surplus or deficit of credits earned minus the cost of services, and the accumulated surplus or deficit for the year to date, as well as an abbreviated compensating balance form to be supplied by the City Treasury Department, within 10 days after the month end. The Bank shall also furnish within ten business days after the expiration or termination of the Compensating Balance Agreement an analysis of the account activity and credit earnings in the form required by the Commissioner of Revenue under the provisions of General Laws ch. 44 §53F.

IN WITNESS WHEREOF, the City and the Bank have caused this Compensating Balance Agreement to be executed under seal and delivered, as of the date written above.

THE CITY OF BOSTON, MASSACHUSETTS



By: Vivian Leo, *First Assistant Collector-Treasurer*

CITIZENS BANK



Alice Ferraro, *Vice President*

Approved as to form:


for William Sinnott, *Corporation Counsel* 

EXHIBIT I: Lock Box Service Fees

Lockbox Services

SERVICES	FEE SCHEDULE
Lockbox Monthly Maintenance	\$50.00
Lockbox per check	\$0.03
Lockbox per Remittance	\$0.03
Correspondence, Unprocessables, Rejects	\$0.02
Manual Stamp Remittances	\$0.20
Online/DVD Images	\$0.01
Online Decision Items	\$0.20

EXHIBIT II: Required Lending Information

The Bank shall disclose the following information and data on forms approved by the Collector-Treasurer for each census tract within the City and outside the City within the Boston SMSA:

a) Loan Activity

- 1) The number of loans and total dollar amount;
- 2) The median effective interest rate;
- 3) The median down payment;
- 4) The median amortization;
- 5) The percentage of such applicants whose applications were denied;

for the following types of loans:

- i) Residential loans: Data shall be reported separately for property containing (i) one (1) to four (4) dwelling units; and (ii) five (5) to eight (8) dwelling units; and (iii) more than eight (8) dwelling units. Only loans closed within the previous calendar year shall be reported. The information and data for mortgage loans shall be further itemized listing the following separately:
 - (1) Conventional mortgage loans and;
 - (2) Mortgage loans which are insured under title II of the Housing Act of 1949, or which are guaranteed under chapter 37 of title 38, United States Code (FHA, FMHA, or VA loans).
 - (3) Mortgage loans which are insured or financed by the Massachusetts Housing Finance Agency (MHFA).
- ii) Home improvement loans or rehabilitation loans made on residential properties.
- iii) Home equity loans.
- iv) Commercial loans.
- v) Consumer loans.
- vi) Community development loans.
- vii) Student loans.

b) Participation and Services

- 1) The financial institution's participation in local community development projects or, financing of low and middle income housing;
- 2) The availability of banking services, including but not limited to, the location of branch offices, automated teller machines (ATM) and the availability of bank personnel to service loans;
- 3) The hiring and promotion of women, minorities and Boston residents;
- 4) Deposit information, including but not limited to, the number of savings and checking accounts and the total dollar balances in the savings and checking accounts.