



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 55 AM '10
CITY CLERK'S OFFICE
RECEIVED

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 Banking 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 *WFS*

**COMPENSATING BALANCE AGREEMENT
FOR THE PROVISION OF BANKING SERVICES**

THIS COMPENSATING BALANCE AGREEMENT for the Provision of Banking Services, dated as of June 30, 2010 (the "Compensating Balance Agreement"), is hereby entered into by the City of Boston, Massachusetts, a municipal corporation organized and existing under the laws of The Commonwealth of Massachusetts (the "City"), and Citizens Bank of Massachusetts, a Massachusetts banking 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, which 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 IV 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 accounts with the Bank. The amount of such compensating balance shall be determined in accordance with the formula set forth in Section IX 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 delivered. 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 the 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 business days after notice of termination given by either party, to attempt to resolve the problem, which led to the termination. Any subsequent adjustment, modification, or re-negotiation of the contract terms shall require the approval of the Mayor and City Council 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 the (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 VII: BANKING 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. Checking Account Services

The Bank agrees to provide the checking account services described herein for the accounts listed in Exhibit I hereto. The reconciliation services to be provided with respect to each account shall be as indicated on Exhibit I.

The Bank shall accept deposits, including cash deposits, endorse and photograph all checks deposited, service dishonored and returned checks, maintain and reconcile the account (see below for reconciliation services), provide compact disk (CD-ROM) copies of paid checks, provide monthly statements and all facilities normally provided to checking account customers, as well as providing preprinted checks and deposit slips and other instruments pertaining to transactions for the account as well as any normal and generally accepted services associated with this type of account not specifically listed herein.

C. Adjustment of Banking Services; Additional Accounts

The City reserves the right to adjust the level of services provided for individual accounts. In the event the City adjusts service levels, such services will be provided in accordance with the fee schedules provided herein.

D. Account Reconciliation Services

(i) *Full Reconciliation Accounts*

The City will provide to the Bank all issue information via electronic transmission acceptable by the Bank, for the purpose of bank reconciliation, as well to serve as a positive pay file. The Bank will issue a full reconciliation report at the same time the checking account(s) statement is rendered. The Bank must present reconciliation data sequenced by check number. The report must include the amount, check number, paid date, and issue date of each check paid during the reconciliation period. An outstanding check must have the amount and issue date indicated, although it will not have a paid date.

The Bank will provide a summary for each account, sequenced by check number, which checks have been paid against a no issue record, any checks with different paid and issue amounts, and any check with a stop payment or cancellation in effect. The Bank will provide a recap of posted items report, indicating by date, the total number and dollar amount of all checks issued and paid and the grand totals of all checks issued and paid during the reconciliation period. The Bank shall provide an outstanding settlement report indicating the totals of all outstanding checks and checks paid against no issue record.

The Bank shall prove the total dollar amount of paid checks indicated on the recap to the total amount of checks paid indicated on the checking account statement.

The Bank shall provide copies of the reconciliation report on a compact disk (CD-ROM).

Within ten business days after the statement rendering date, the Bank will forward to the City their bank statement, reconciliation reports and any output options. The Bank will forward checks paid sorted in serial number order immediately upon acceptance of compact disk (CD-ROM) copies of the same by the City. Upon thirty (30) day's notice by the City, the Bank shall provide disbursement account activity via electronic media or the reconciliation report, on a daily basis.

The Bank shall provide compact disk (CD-ROM) copies of the reconciliation report.

(ii) Partial Reconciliation Accounts

The Bank shall provide the following for "Partial Reconciliation":

A bank statement, in date sequence, indicating the amount credits or debits occurring during the reconciliation period; in addition, in deposit date sequence the amount and date of deposits or withdrawals, which occur during the reconciliation period. These accounts will reflect check deposits or wire transfers in to the account as well as checks issued or wire transfers out during the applicable reconciliation period.

The Bank shall provide a reconciliation report sequenced in check number, indicating the amount, check number, and paid date of each check paid during the reconciliation report.

Diagnostic summary indicating reconciliation exception items.

Recap of posted items, indicated by paid date, the total number and dollar amounts of checks paid during the reconciliation period. The Bank shall prove the total dollar amount of paid checks indicated on the recap to the total amount of checks paid indicated on the checking account statement.

Within ten business days after the statement rendering date, the Bank will forward to the City the bank statement; any output options and paid check sorted in serial number order. Upon special request, the Bank will provide the City with disbursement account activity, via electronic media or the reconciliation report on a daily basis.

The Bank shall provide compact disk (CD-ROM) copies of the reconciliation report.

(iii) Transmission of Data

The Bank shall supplement the above described full or partial reconciliation service by providing an electronic transmission indicating check number, account number, dollar amount and paid date of each paid check, for the purpose of updating full or partial reconciliation data against the City's own automated system.

Within ten business days after the statement rendering date, the Bank will transmit via FTP to the City an output of the paid items in serial number order. In addition, the Bank will provide the City with disbursement account activity, via electronic media or the reconciliation report, on a daily basis.

(iv) CD-ROM of Cancelled Checks; Electronic Storage and Retrieval of Cancelled Checks

For specified accounts, the Bank shall provide, for each statement date, compact disk (CD-ROM) of cancelled checks containing digital images of cancelled checks, sorted in check number sequence. 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.

E. 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 B through D.

F. Coin and Currency Processing

The Bank shall provide a system to collect coin and currency from various school locations and deliver these deposits to the armored carrier for processing. The accounts will be credited upon verification of the coin and currency collected. In addition, the City of Boston will be provided with a deposit reconciliation associated with the respective account. The deposit reconciliation product is to supply a breakdown of deposits made to a single depository account via various locations. In order to facilitate this process, the Bank will supply specially ordered deposit slips which would include a MICR-encoded deposit representing the various locations, process, and deposit various coins and currency into established accounts. In addition, the Bank will provide deposit reconciliation on the specified account.

SECTION VIII: CHARGES FOR SERVICES PERFORMED

A. Account Service Fees

The charges imposed by the Bank for the Account Services, which shall include checking account services and coin processing services performed by the Bank under this Compensating Balance Agreement, are set forth in Exhibit II hereto.

B. Balance Retrieval System Fees

The Bank will provide the City with an Internet base retrieval system based upon the fee schedule set forth in Exhibit III hereto. The accounts to be reported and the types of reports will be determined on an on going basis throughout the life of the contract.

SECTION IX: 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 for determining the Earnings Allowance Credit Rate shall be derived as defined below,

$$\text{Monthly Expenses divided by ECR Rate divided by thirty (30) multiplied by 30}$$

The Earnings Credit Index shall be derived from the Treasury-Bill Rate plus 11 points.

SECTION X: GENERAL 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



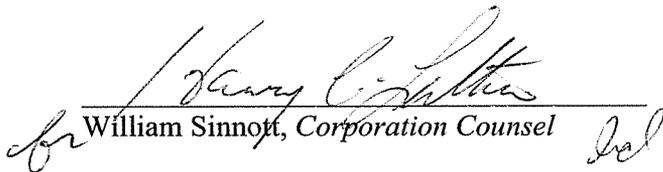
Vivian Leo, *First Assistant Collector-Treasurer*

CITIZENS BANK OF MASSACHUSETTS



Alice Ferraro, *Vice President*

Approved as to form:



William Sinnott, *Corporation Counsel*

EXHIBIT I: [LIST OF ACCOUNTS]

| ACCOUNT NAME | ACCOUNT NO. | SERVICES |
|---|-------------|-------------|
| Accounts Payable | 1103039285 | C, F, T, PP |
| Accounts Receivable | 1139947858 | |
| Accounts Receivable ACH | 1137491482 | |
| BPS Cafeteria Revenue Account | 1103155994 | DR |
| City Clerk Credit Card | 1137491202 | |
| Collector-Treasurer | 11030021731 | C,P, PP |
| Community Development Block Grant | 1137491210 | |
| Deputy Collector Tax Account | 1309886587 | |
| Drug Evidence | New Account | C, PP |
| Fire Department Credit Card | 1137491237 | |
| Inspectional Service Department Credit Card | 1137491268 | |
| Inspectional Services Dept. | 1137491296 | |
| Internet Merchants ACH | 1137491490 | |
| Internet Merchants Credit Card | 1137491318 | |
| Internet Parking Credit Card | 1137491482 | |
| Law Department Petty Cash | New Account | C |
| Lockbox Account | 1309885645 | |
| Mayoral Account | 1107039891 | |
| Neighborhood Development | 1137491334 | |
| Parking Clerk Credit Card | 1137491342 | |
| Parking Clerk, Mail Collection Acct. | 1103039331 | |
| Parking Meters | 1306933436 | |
| Parking Window Account | 1137491350 | |
| Payroll Account | 1309885637 | C, F, T, PP |
| Payroll Direct Deposit | New Account | T, C |
| Police Dept. Anti-Corruption | New Account | C |
| Police Dept., BAS Special | New Account | C |
| Police Dept., CID Account | New Account | C |
| Police Dept., Boston Taxi | 1307159950 | C |
| Police Dept., Evidence Account | New Account | C |
| Police Dept. Private Detail | New Account | |
| Public School Teachers Retirement | 1137491199 | T, C |
| Real Estate ACH | 1137491504 | |
| Refund Account | 1137491377 | C, F, T, PP |
| Retired Senior Volunteer Program | 1137491520 | C |
| Section 108 Loan Guarantee | 1103156427 | |
| State-Boston Direct Deposit | 1131921809 | T, C |
| State-Boston Operating Account | New Account | |
| State-Boston Retirement Payments | New Account | C, F, T, PP |
| Tax Credit Account | 1137491393 | |
| Trustee Assignment | New Account | C |
| Veterans Services | 1313938995 | C |
| Workers' Compensation Petty Cash | New Account | C |

B = Basic Reconciliation
 DR = Deposit Reconciliation
 P = Partial Reconciliation
 T = Transmission

C = Compact Disk
 F = Full Reconciliation
 PP = Positive Pay

EXHIBIT II: Checking Account Services; Balance Retrieval, Coin Processing; Check Reconciliation, ACH Debits and On-Site Deposits

Checking Account Services:

| SERVICES | FEE SCHEDULE |
|---|--------------|
| Monthly Maintenance – Banking Services | \$0.00 |
| Full Reconciliation | |
| > Monthly Maintenance | \$10.00 |
| > Per Item | \$ 0.01 |
| Partial Reconciliation | |
| > Monthly Maintenance | \$10.00 |
| > Per Item | \$ 0.01 |
| Sorting Paid Check | |
| > Monthly Maintenance | \$ 0.00 |
| > Per Item | \$ 0.00 |
| Transmission of Paid Items | |
| > Monthly Maintenance | \$ 0.00 |
| > Per Item | \$ 0.01 |
| CD-ROM Bank Statement | \$ 0.00 |
| On-line/CD-ROM Image | \$ 0.01 |
| Deposits | \$ 0.00 |
| Items Deposited | |
| > First Federal Res. District | \$ 0.00 |
| > Other Federal Districts | \$ 0.01 |
| Deposit Reconciliation (Per Location) | \$2.50 |
| Return Deposit Check | \$1.00 |
| Additional or Duplicate Statements | \$ 0.00 |
| Outgoing Wire Transfer (Repetitive) | \$3.50 |
| Outgoing Wire Domestic (Non-Repetitive) Internal-bank Transfer | \$3.50 |
| Incoming Wire Transfer | \$0.00 |
| Book Transfer Module Web | \$0.01 |
| Electronic Funds Transfer | \$0.01 |
| Insufficient Funds Fee | \$0.00 |
| Foreign Check Fee | \$4.00 |
| Check Order | At Cost |
| Checks Paid | \$0.01 |
| FDIC Insurance | At Cost |
| First Fax, First Account | 0.00 |
| Automated Sweep – Monthly Maintenance | \$30.00 |

EXHIBIT III: Internet-Based Balance Retrieval System
Balance Retrieval

| SERVICES | FEE SCHEDULE |
|---|---------------------|
| Monthly Maintenance – Balance Retrieval | \$30.00 |
| Items Processed | \$ 0.00 |
| Items Rejected | \$ 0.00 |
| Previous Day Reporting First Account | \$ 0.00 |
| Previous Day Reporting – Additional Account Web | \$ 0.00 |
| ACH Module – WEB | \$5.00 |
| Intra-day ACH Report | \$0.00 |
| ACH Credits Originated Per Itm | \$0.01 |
| ACH Return | \$0.50 |
| Electronic Stop Payment per Item | \$2.00 |
| Electronic Credits | \$0.01 |
| Electronic Debits | \$0.01 |
| Per Image Assessed | \$0.01 |

Coin and Currency Processing:

| SERVICES | FEE SCHEDULE |
|--|---------------------|
| Currency Deposited/\$1000 Branch | \$0.0012 |
| Coin/Night Deposited Standard Bag | \$3.00 |
| Coin Deposited Non-Standard Bag | \$5.70 |
| Currency/Coin Adjustment | \$2.00 |
| Deposit Tickets/Disposable Plastic Security Bags | At Cost |
| Cash Preparation | \$0.0005 |
| Deposit Reconciliation Maintenance Per Item | \$ 0.00 |
| Deposit Reconciliation per Location | \$2.50 |

Checking Reconciliation:

| SERVICES | FEE SCHEDULE |
|----------------------------------|---------------------|
| Positive Pay Monthly Maintenance | \$10.00 |
| CD-ROM per CD | \$0.00 |

ACH Debits – Direct Payments

| SERVICES | FEE SCHEDULE |
|------------------------|---------------------|
| ACH Debits | \$0.01 |
| Received Credit Return | \$0.50 |
| Received Debit Return | \$0.50 |

On-Site Deposits

| SERVICES | FEE SCHEDULE |
|--|---------------------|
| Monthly Maintenance | \$50.00 |
| Per IRD Item | \$0.01 |
| Per ACH Item | \$0.01 |
| Two (2) Cannon Image Formula CR-180 Image Formula CR-180 check scanners or the equivalent | No Charge |

EXHIBIT IV: 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.