



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

June 21, 2010

TO THE CITY COUNCIL

Dear Councilors:

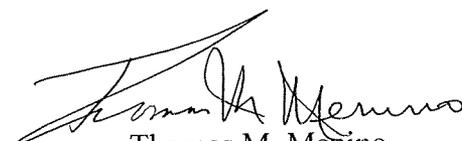
Under G.L. c. 44, s. 53F, the City is authorized to enter formal “compensating balance” agreements with banking institutions for the provision of banking services. Your approval of these agreements is required under that statute.

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 21 2010 5:55 AM

RECEIVED
CITY CLERK

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 Direct Deposit Account 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 *bel*

**COMPENSATING BALANCE AGREEMENT
FOR THE PROVISION OF DIRECT DEPOSIT ACCOUNT SERVICES**

THIS COMPENSATING BALANCE AGREEMENT for the Provision of Direct Deposit Services, dated as of June 20, 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 of Boston, and ordinances of the City of Boston. 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 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 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 of Boston 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. Also, the City of Boston 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 ACH Services Transmission Service Request, (v) the Agreement for Cash Management Services and Service Order, (vi) the Cash Management Services Terms and Conditions, and (vii) 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 (vii) above, the terms of this Compensating Balance Agreement shall govern, but only to the extent reasonably required to resolve such conflict.

SECTION VII: 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. Direct Deposit Account Services

The Bank shall provide a direct deposit system whereby an interbank payment mechanism for pre-authorized electronic funds transfers will be moved in an efficient manner from one bank to another bank. The Bank shall provide the following for direct deposits:

- (1) The Bank will provide the City with sample Employee Authorization forms, which shall be subject to the approval of the Chief Financial Officer and Collector-Treasurer, and be distributed to City Employees.
- (2) The City shall provide the Bank with a document that details the specific format that the electronic transmission must follow. In addition, the Bank will test the transmission to confirm that it satisfies National Automated Clearing House Association (NACHA) requirements.

- (3) The City will initiate a prenotification (prenote) and the Bank will initiate a transmission to Employees' depositories to notify such depositories of future electronic credits, and to ensure that each Employee's account information is correct.
- (4) An electronic transmission initiated by the City will be accepted by the Bank as the means for transmitting direct deposit data. Upon receipt, the Bank will read and store such transmission until release on the settlement date.

In the event that, for circumstances beyond its control, the City is unable to initiate the electronic transmission described in the preceding paragraph, a magnetic tape will be accepted by the Bank as a means to transmit the data for direct deposit. Upon receipt of the magnetic tape, the Bank will read and store the tape(s) until release on the settlement date.
- (5) The Bank shall, upon the request of the City, reverse any direct deposit transaction, according to instructions provided by the City.

C. Additional Accounts

The City reserves the right to open one or more additional direct deposit accounts with services to be specified, such services to be provided in accordance with the fee schedules provided herein.

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 B and C.

SECTION VIII: CHARGES FOR SERVICES PERFORMED

A. Direct Deposit Service Fees

The charges imposed by the Bank for Direct Deposit Services performed under this Compensating Balance Agreement are set forth in Exhibit I and II hereto.

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 Average Monthly Collected Balance Required shall be derived as defined below.

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

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

SECTION X: GENERAL 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



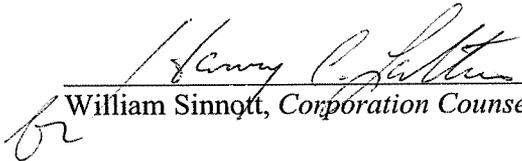
By: Vivian Leo, *First Assistant Collector-Treasurer*

CITIZENS BANK OF MASSACHUSETTS.



By: Alice Ferraro, *Vice President*

Approved as to form:



William Sinnott, *Corporation Counsel*

EXHIBIT I: Account Service Fees

EXHIBIT I DIRECT DEPOSIT

SERVICES	FEE SCHEDULE
Monthly Maintenance	\$0.00
Book Transfer Module Web	\$0.01
Electronic Funds Transfer	\$0.01
ACH File Transmission (Per Transmission)	\$3.00
ACH Credits Originated Per Item	\$0.01
ACH Return	\$0.50
Received Credit Return	\$0.50
Electronic Credits	\$0.01

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 of Boston and outside the City of Boston 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:
 - a) Conventional mortgage loans and;
 - b) 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).
 - c) 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.