



MEMORANDUM

From the Office of the
Township Manager

TO: BOARD OF SUPERVISORS
FROM: CHRISTOPHER BASHORE, TOWNSHIP MANAGER
CHRISTINE RIFFEY, FINANCE DIRECTOR
RE: CASH MANAGEMENT OPTIONS FOR THE TOWNSHIP'S BANK ACCOUNTS
DATE: MARCH 7, 2023

During the first part of 2023, the Township's Finance Director, Christine Riffey, and I have been researching investment options for the Township's existing cash accounts. Section 3204 of the PA Second Class Township Code authorizes the Board of Supervisors to invest municipal funds in certain types of funds. Additionally, Act 10 of 2016 expanded the investment opportunities for municipalities. Our primary analysis has been to invest a certain amount from the existing cash accounts in Certificates of Deposit (CDs) utilizing the depositories that the Township currently has a relationship with, which are as follows:

- TD Bank
- PA Local Government Investment Trust (PLGIT)
- S&T Bank
- Santander Bank

As of January 31, 2023, the balances across all of the Township's cash accounts is \$36,083,951. A breakdown per account as of January 31, 2023 has been included. Additionally, we also analyzed methods through which to obtain additional interest income on the Township's existing checking accounts.

INTEREST RATES AND GENERAL RECOMMENDATIONS

Please find attached a spreadsheet outlining the existing balances, current interest on each account, and the CD rates at the 3-, 6-, and 9-month levels. In reviewing the rates for CDs, the best may be found at TD Bank, which offers rates of 4.73% (3-months), 4.93% (6-month), and 5.01% (9-month); PLGIT and Santander also offered competitive rates. Christine and I do not recommend utilize S&T Bank for any CD acquisitions as the rates are not competitive.

In terms of general recommendations, Christine and I recommend the following:

- We recommend a maximum term length of nine (9) months. This is to ensure that the CDs are redeemed prior to the end of the fiscal year and that the statements may be received, reconciled, and recorded before the year-end audit. New CDs would then be evaluated at the start of the next fiscal year. Additionally, the 9-month term currently offers the best rate of return.

- For this initial period, we recommend keeping the terms for all CDs identical. This would ensure that they all redeem at the same time and would make the development of a reconciliation process more streamlined. Additionally, from my experience, it can become cumbersome to maintain the various redemption timelines.
- We do not recommend investing the funds currently in the Liquid Fuels or American Rescue Plan Funds since those funds will be spent and have varying audit requirements. Additionally, we do not recommend taking any action with the Waste & Recycling Fund due to the balance in those accounts.

An item to be aware of is the rate the Township is currently receiving on the accounts held with Santander Bank are being increased from 1.00% to 2.50%. This became effective on February 1, 2023.

INVESTMENT IN CDS

The CD rates analyzed contained a variety of terms; however, we focused on 3-, 6-, and 9-month periods as this would permit redemption during this fiscal year. Based on a cash flow analysis, we recommend the following CD acquisitions:

	Banking Institution	Term	Rate	Amount
General Fund	TD Bank	9 Month	5.01%	\$10,000,000.00
General Fund	PLGIT	9 Month	4.75%	\$150,000.00
Sewer Fund	TD Bank	9 Month	5.01%	\$1,500,000.00
Sewer Fund	PLGIT	9 Month	4.75%	\$475,000.00
Capital Reserve	TD Bank	9 Month	5.01%	\$1,000,000.00
Capital Reserve	PLGIT	9 Month	4.75%	\$925,000.00
Sewer Reserve Fund	Santander Bank	9 Month	4.49%	\$1,525,000.00
Restricted Parks	Santander Bank	9 Month	4.49%	\$600,000.00
Post Retirement	Santander Bank	9 Month	4.49%	\$3,600,000.00

The total amount to be invested would be \$19,775,000, which represents 55% of the balance in the Township’s cash accounts based on the January 31, 2023 Treasurer’s Report. In reviewing the Township’s accounts, we are only recommending CDs in the above referenced accounts and institutions. The amounts deposited will be at the discretion of the Board.

GENERAL BANKING

In our analysis, we note that S&T Bank offers the least competitive rates on the Township’s accounts. It is our recommendation that the Township close the accounts with S&T Bank and deposit these funds into Santander Bank and PLGIT on a 75%/25% split, with 75% going to Santander Bank and 25% going to PLGIT, with the exception of the Waste & Recycling Fund and Sewer Reserve Funds, where we would recommend moving 100% of the balances to Santander Bank. This recommendation is due to the need to ensure that the Township maintains a local bank branch for emergency situations. The split outlined above will ensure that a necessary balance is maintained to cover a payroll if needed. While PLGIT does

offer very good interest rates and is a strong institution, they do not have branches and we believe it is important for the Township to maintain at least one (1) additional local branch outside of TD Bank.

CONCLUSION

In reviewing the current rates and institutional balance allocations on our accounts, we estimate that the annual interest revenue realized by the Township would be **\$747,996.30** if all things remained as they are. The steps outlined above would result in projected interest revenue of **\$1,160,130.37**, an increase of **\$412,134.07**. Please find attached a summary spreadsheet outlining this information.

Please let me know if you have questions. Thank you.

**Estimated Total Yearly Interest Yield
All Accounts Remaining at Current Allocation & Banking Institutions**

	TD Bank	PLGIT	S&T Bank	Santander Bank	CD Purchases	Total Interest
General Fund	\$377,605.43	\$2,369.49	\$5,424.00			\$385,398.92
Sewer Fund	\$74,327.26	\$17,340.32	\$4,125.38			\$95,792.96
Waste & Recycling Fund	\$17,865.83	\$291.41	\$15.57			\$18,172.81
Capital Reserve	\$60,569.43	\$32,134.45	\$12,532.18			\$105,236.06
Sewer Reserve Fund			\$31,088.84			\$31,088.84
Restricted Parks				\$24,686.66		\$24,686.66
Post Retirement				\$87,620.05		\$87,620.05
Estimated Total Yearly Interest						\$747,996.30

**Estimated Total Yearly Interest Yield
Adjustments to Balance Allocations & Banking Institutions with Purchase of CD's**

	TD Bank	PLGIT	S&T Bank	Santander Bank	CD Purchases	Total Interest
General Fund	\$231,920.70	\$1,043.98	\$1,364.16	\$6,428.38	\$387,515.68	\$628,272.90
Sewer Fund	\$52,474.55	\$4,664.70	\$1,037.56	\$4,840.20	\$74,505.27	\$137,522.28
Waste & Recycling Fund	\$17,829.22	\$291.41	\$3.93	\$100.50		\$18,225.07
Capital Reserve	\$46,000.95	\$8,375.18	\$3,146.30	\$11,131.19	\$71,688.38	\$140,342.01
Sewer Reserve Fund			\$7,801.14	\$472.55	\$52,129.73	\$60,403.42
Restricted Parks				\$12,239.49	\$20,510.06	\$32,749.55
Post Retirement				\$19,554.81	\$123,060.34	\$142,615.15
Estimated Total Yearly Interest						\$1,160,130.37

Additional Interest to be Gained \$412,134.07

CD Purchase Summary

	Banking Institution	Term	Rate	Amount
General Fund	TD Bank	9 Month	5.01%	\$10,000,000.00
General Fund	PLGIT	9 Month	4.75%	\$150,000.00
Sewer Fund	TD Bank	9 Month	5.01%	\$1,500,000.00
Sewer Fund	PLGIT	9 Month	4.75%	\$475,000.00
Capital Reserve	TD Bank	9 Month	5.01%	\$1,000,000.00
Capital Reserve	PLGIT	9 Month	4.75%	\$925,000.00
Sewer Reserve Fund	Santander Bank	9 Month	4.49%	\$1,525,000.00
Restricted Parks	Santander Bank	9 Month	4.49%	\$600,000.00
Post Retirement	Santander Bank	9 Month	4.49%	\$3,600,000.00

WEST GOSHEN TOWNSHIP
FINANCIAL INSTITUTION ACCOUNTS
1/31/2023

TD Bank	Balance as of 1/31/23	Account Rate 1/31/23	3 Month CD	6 Month CD	9 Month CD
General Fund	\$15,782,823	1.93%	4.73%	4.93%	5.01%
Capital Reserve Fund	\$3,547,394	1.93%	4.73%	4.93%	5.01%
State Liquid Fuels	\$78,566	1.93%	4.73%	4.93%	N/A
Waste and Recycling Fund	\$1,102,268	1.94%	4.73%	4.93%	5.01%
Sewer Fund	\$3,716,496	1.93%	4.73%	4.93%	5.01%
Cold Springs Bridge	\$57,928	1.93%	N/A Escrow Account	N/A Escrow Account	N/A Escrow Account
Escrow Fund (Zoning) - Zoning Hearing	\$17,579	1.93%	N/A Escrow Account	N/A Escrow Account	N/A Escrow Account
Woodlands Escrow	\$76,168	1.93%	N/A Escrow Account	N/A Escrow Account	N/A Escrow Account
Little Shiloh	\$15,024	1.93%	N/A Escrow Account	N/A Escrow Account	N/A Escrow Account
American Rescue Plan	\$2,135,734	1.93%	N/A	N/A	N/A
Payroll	\$424,919	1.89%	N/A Zero Balance Account	N/A Zero Balance Account	N/A Zero Balance Account
Employee Benefits	\$10,092	1.94%	N/A Zero Balance Account	N/A Zero Balance Account	N/A Zero Balance Account
General Disbursements	\$186,934	1.89%	N/A Zero Balance Account	N/A Zero Balance Account	N/A Zero Balance Account
PLGIT					
General Fund	\$54,394	4.28%	4.70%	4.75%	4.75%
Capital Reserve Fund	\$737,700	4.28%	4.70%	4.75%	4.75%
Waste and Recycling Fund	\$6,690	4.28%	4.70%	4.75%	4.75%
Sewer Fund	\$398,075	4.28%	4.70%	4.75%	4.75%
S&T Bank					
General Fund	\$448,395	1.20%	0.05%	0.05%	2.00%
Capital Reserve Project Fund	\$108,516	1.20%	0.05%	0.05%	2.00%
Capital Reserve Fund	\$673,479	1.65%	0.05%	0.05%	2.00%
Waste and Recycling Fund	\$2,813	0.55%	0.05%	0.05%	2.00%
Sewer Fund	\$341,039	1.20%	0.05%	0.05%	2.00%
Sewer Reserve Fund	\$1,544,865	1.99%	0.05%	0.05%	2.00%
Santander Bank					
Restricted Parks Capital Fund	\$939,753	1.00%	3.53%	4.31%	4.49%
Miscellaneous Funds & Escrow (Greystone)	\$26,304	1.00%	N/A Escrow Account	N/A Escrow Account	N/A Escrow Account
Police Post-Retirement Health Insurance Fund	\$2,010,371	1.00%	3.53%	4.31%	4.49%
Non-Uniformed Post-Retirement Health Insurance Fund	\$1,639,632	1.00%	3.53%	4.31%	4.49%