

**East Goshen Township
Chester County, Pennsylvania
Resolution 2017-75**

**A RESOLUTION ESTABLISHING AN INVESTMENT
POLICY STATEMENT FOR TOWNSHIP FUNDS**

WHEREAS, East Goshen Township has never had a formal written investment policy statement for Township Funds;

WHEREAS, a combination of a rising interest rate environment and the passage of Pennsylvania Act 10 allows Pennsylvania municipalities to earn higher rates of returns than they have over the past several years; and

WHEREAS, the Government Finance Officers Association considers an investment policy statement as a best practice;

BE IT RESOLVED THAT the East Goshen Township Board of Supervisors hereby adopts the following investment policy statement for Township funds:

EAST GOSHEN TOWNSHIP INVESTMENT POLICY STATEMENT

Purpose

It shall be the policy of the Board of Supervisors to optimize its return through the investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments. This investment policy statement only pertains to the investment and/or deposit of public funds in the Township's governmental and proprietary (enterprise) funds, as those terms are defined in the Township's annual financial report that is required by law. Deposits in pension funds and irrevocable trusts of the Township are governed by a separate investment policy statement.

The primary objectives of the Township's investment activities, in priority order, shall be:

Legality - All deposits and investments shall be made in accordance with applicable laws of Pennsylvania. In particular, the Township Treasurer shall ensure that all bank deposits in excess of \$250,000 (or the FDIC insurance limit) are collateralized pursuant to Act 72 and that all deposits and investments comply with the Pennsylvania Second Class Township Code and Act 10.

Safety - Safety of principal shall be of highest priority. Preservation of capital in the portfolio of investments shall be ensured through the mitigation of credit risk and interest rate risk. The Township Treasurer shall annually take reasonable steps to ensure that Township-approved depository banks are well capitalized.

Liquidity – The Township shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year’s anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities concurrent with anticipated cash demands. Forecasts for medium-term and long-term liquidity needs shall be conducted as part of the Township’s annual budget planning session in the spring and forecasts for the next fiscal year shall be conducted as part of the budget process in the fall. These forecasts shall guide decisions about liquidity needs.

Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. The Treasurer shall analyze the potential for interest rate increases to impact the value of investments prior to investing in any fixed income security. The Treasurer shall annually review the yield on checking, savings and money market accounts, certificates of deposit and pooled investment trusts to ensure that rates on those products are competitive with rates offered through other banks and financial institutions.

Diversification - Investments shall be diversified by avoiding concentration in obligations of a specific issuer (excluding U.S. Treasury securities).

Delegation of Responsibility

The Township Treasurer has the responsibility for managing the Township’s investment program, in accordance with this investment policy statement.

The Treasurer shall report quarterly to the Board the cash balance of every Township Fund, along with the interest rate on each account and/or investment; the terms of investment and maturity date, if applicable; the names of the institutions where investments are placed; the average weighted maturity of investments; and the average weighted return on all Township deposits and investments.

The Treasurer shall also prepare a long-range forecast for the annual budget planning session in the spring in order to anticipate medium and long-term liquidity needs, and a forecast for the next fiscal year as part of the budget process in the late fall.

Permitted Investments

The Treasurer may deposit available cash balances in any of the following accounts and investments:

1. Federal Deposit Insurance Corporation (FDIC) insured accounts, be they checking accounts, savings accounts, money market accounts, certificates of deposit (CDs) or any other type of account bearing FDIC insurance provided it is permitted under Act 10 and the Second Class Township Code, with the following conditions:

- a. All deposits in checking accounts, savings accounts and money market accounts shall be collateralized pursuant to Act 72 to the extent that total deposits with any

one depository exceed the greater of \$250,000 or the current limit for FDIC insurance.

- b. The Treasurer may invest in CDs either directly from approved Township depositories or through CD purchase programs offered by the Township's approved depositories, provided that any individual CDs are in increments of \$250,000 or less to ensure the FDIC guarantee. Examples of CD purchase programs include the Certificate of Deposit Account Registry Service (CDARS) program and the Pennsylvania Local Government Investment Trust (PGLIT) CD Purchase Program.
- c. To the extent that the Township purchases CDs from or through multiple approved Township depositories, the Treasurer will ensure that each depository is made aware of all the underlying CDs of the other(s) to avoid inadvertently breaching the \$250,000 threshold with any one bank.

2. Local government investment pools, either state-administered or developed through intergovernmental agreement legislation, provided:

- a. The local government investment pool is rated in the highest tier by a nationally recognized rating agency.
- b. The local government investment pool restricts investments to those permitted under Act 10 and the Second Class Township Code. The maturity date on any deposit or investment does not exceed 397 days.
- c. The local government investment pool is an approved Township depository.

3. U.S. Treasury bills.

4. Obligations of the Federal Government or its agencies or instrumentalities backed by the full faith and credit of the United States of America.

5. Obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

6. Any other investments expressly permitted by Act 10 or the Second Class Township Code, including, but not limited to the following types of securities, provided that the Treasurer performs reasonable due diligence on the viability of their respective secondary markets:

- a. Obligations, participations, or other instruments of any Federal agency, instrumentality, or U.S. government-sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities, or U.S. government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two (2) nationally recognized statistical ratings organizations.

- b. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.
- c. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- d. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.
- e. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, provided that the following are met:
 - i. Such investment companies must restrict their investments to those listed in this section.
 - ii. The investment company is managed so as to maintain the value of its shares at a constant net asset value in accordance with federal regulations relating to money market funds.
 - iii. The investment company is rated in the highest category by a nationally recognized rating company.

Bond Proceeds

Bond proceeds shall be invested in accordance with the Local Government Unit Debt Act, applicable federal and state laws and this investment policy statement, subject to approval by bond counsel. Except where further restricted by bond covenants and indentures, all investments listed in Permitted Investments of this Investment Policy are permitted investments for funds related to the proceeds of a specific bond issue, including project or construction funds, capitalized interest, debt service, and any other related funds.

Ownership Records, Security Purchases, and Securities

All securities shall be purchased in the name of the Township, and custody of the securities shall be specified within the Township's investment program. Securities will be held by a custodian that has been approved by the Board of Supervisors and is listed as an approved Township depository.

Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Township to meet all projected obligations. Investments of Township funds shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the Township. Therefore, operating funds shall generally be limited to investments with maturities of one-year or less.

Ethics and Disclosure

Members of the Board of Supervisors and Township staff involved in the investment process shall refrain from personal relationships or personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Members of the Board of Supervisors and Township Staff involved in the Township's investment process shall disclose any personal business activity that could conflict with the proper execution and management of the investment program or could impair their ability to make impartial decisions.

SO RESOLVED AND ADOPTED by this 6th day of JUNE, 2017.

ATTEST:

EAST GOSHEN TOWNSHIP
BOARD OF SUPERVISORS



Secretary










