

TOWN OF BETHLEHEM

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<p style="text-align: center;">TOWN OF BETHLEHEM ANNUAL INVESTMENT REPORT FOR THE YEAR ENDED 12/31/2022</p>
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There are eight (8) designated depositories for the Town. All institutions, with the exception of Key Bank and Pioneer Commercial Bank, which have a deposit limits of \$40 million due to the timing of tax collections and distributions, have a deposit limits of \$20 million. The following chart identifies each bank and the balances invested at year-end:

Key Bank of New York, NA Four Corners Office Delmar, NY 12054	\$15,386,725
Capital Bank 1365 New Scotland Road Slingerlands, NY 12159	502,593
Green County Commercial Bank 425 Main Street Catskill, NY 12414	1,595,079
Pioneer Commercial Bank 184 Delaware Avenue Delmar, NY 12054	11,657,708
National Bank of Coxsackie 331 RTE 9W Glenmont, NY 12077	1,001,303
Community Bank 197 Delaware Avenue Delmar, NY 12054	726,991.00
NYCLASS Municipal Investment Cooperative	1,986,302
JP Morgan Chase 12 Corporate Woods Boulevard Albany, NY 12211	-
Total Cash	\$32,856,701

Fees Paid to Brokers: None.

Investment Guidelines: See **Exhibit A** for a copy of the 2022 Investment Policy, which was passed by the Town Board on January 12, 2022 – the Town's 2022 Organizational Meeting.

Amendments to Guidelines: None.

Results of Annual Independent Audit: The firm of BST & Co. CPAs, LLP has been engaged to perform an audit of the 2022 financial activity. The audit is primarily complete and the report is expected to be issued in June 2023. Copies will be on file on the Town’s website.

Inventory of Existing Investments as of 12/31/22: See **Exhibit B** for a summary of accounts held at year-end.

Investment Income Record: See **Exhibit C** for a detailed schedule of interest earned. The interest earnings for 2022 were equal to \$237,729 (excluding an offsetting service charge of \$6,559), a 586.8% increase from the 2021 earnings of \$57,173 (excluding an offsetting service charge of \$23,515). This was due to interest rates steadily climbed throughout 2022.

The following schedule lists information on interest rates on the Town’s largest accounts:

2022

Type of Investment	Low	High	Avg.
United States Treasury Bills/Notes	0.37%	4.04%	1.68%
Key Bank Money Market	0.01%	0.60%	0.14%
National Bank of Coxsackie Money Market	0.20%	0.87%	0.40%
Community Bank Money Market	1.08%	1.26%	1.22%
Capital Bank Money Market / ICS	0.10%	1.64%	0.46%
Pioneer Commercial Money Market	0.10%	0.24%	0.11%
NYCLASS Municipal Cooperative	0.04%	3.82%	1.39%
Bank of Greene County	0.12%	2.43%	0.85%

2021

Type of Investment	Low	High	Avg.
Key Bank Money Market	0.00%	0.01%	0.00%
Chase Money Market	0.10%	0.10%	0.10%
National Bank of Coxsackie Money Market	0.20%	0.20%	0.20%
National Bank of Coxsackie CD	0.25%	0.25%	0.25%
Capital Bank Money Market / ICS	0.12%	0.20%	0.13%
Pioneer Commercial Money Market	0.10%	0.20%	0.14%
NYCLASS Municipal Cooperative	0.04%	0.05%	0.04%
Bank of Greene County	0.12%	0.20%	0.14%

- Many of the Town’s funds are maintained in Money Market Accounts which provide a safe, liquid, and competitive return, with minimal investment of administrative time to manage.
- The Town maintains an ICS (Insured Cash Sweep) account at Capital Bank. This investment program acts similar to a Money Market, but provides full FDIC protection on 100% of the

Town's deposit by spreading the funds to multiple banks within the program; each deposit being held below the federally insured threshold. The account is fully liquid and managed by Capital Bank at no cost to the Town.

- In August 2017, the Town began investing in United States Treasury Bills (T-bills) and Treasury Notes (T-notes) for periods of one year or less. These investments are backed by the full faith and credit of the United States government and provide an alternative to Money Market accounts which often pay interest at lesser rates. The primary downside to Treasuries are that the funds are tied up for periods of time unlike with a Money Market account.
 - In 2021, due to the unusually low rates, the Town did not invest in Treasuries.
- In May 2019, the Town opened an investment account with NYCLASS, a municipal investment cooperative. NYCLASS provides a short-term, highly liquid investment fund which has been created specifically for the public sector in order to meet NYS's highly restrictive investment criteria.
- The Town's Tax Receiver accounts, held at Key Bank, National Bank of Coxsackie, Pioneer, and Capital Bank, do not provide cash interest. However, the funds do provide an offset toward bank service charges as described below.
- The Town's bond account are set up to avoid arbitrage situations, which have been less of a concern in recent years due to lower interest rates.

Non-Monetary Compensation: The Town receives numerous bank services and benefits, beyond interest payments, for the balances deposited at our approved banking institutions. In 2021 and 2022, the Town shifted some services from Key Bank to Pioneer Bank, most notably Lockbox, as approved by the Town Board at the October 31, 2021 town board meeting. At Key Bank, in 2022, earned interest credits offset \$25,106 of \$31,664 in service charges while Pioneer Commercial did not break down the earned interest credits, nor service charges offset. Despite the services provided by Pioneer, there were no service fees charged.

Service Received from Key Bank included,

- Positive Pay - checks written on the Payroll account are matched to a master file;
- Reconciliation Services - verification of outstanding checks;
- Debit blocks - ACH debits rejected unless preapproved;
- KTT - online access to view current and historical banking data as well as transfer and wire;
- Accelerated earnings for compensating credits (Average 0.45%);

Services Received from Pioneer Commercial Bank included,

- Payment Processing ("Lockbox") – receipt and processing of water/sewer payments, Property tax and some school tax payments;
- Positive Pay - checks written on the Disbursement account are matched to a master file;
- Debit blocks - ACH debits rejected unless preapproved;
- Online access to view current and historical banking data as well as transfer and wire;

While most of these services do not have a direct monetary value associated with them, the lockbox services deployed in 2012 have allowed the Town to absorb the attrition from one full time position, and contributed to the savings from a second full time position. The total saving is over \$100K annually in salary, fringe and other contractual costs. At the Town's other banking and investment institutions, the Town's service are fully paid for through non-monetary compensation balances.