

**Agenda Summary
September 11, 2024**

**Agenda Item No. A-2
Cash Management of Excess Funds**

Summary: The Town requested sealed bids from commercial banks with access to an Insured Cash Sweep {ICS} Money Management Savings Option through Promontory Interfinancial Network for the deposit of excess cash during the year. The Town uses a pooled cash method of accounting, where cash from all governmental and enterprise funds are combined to maximize earning potential. Currently, most cash balances are maintained with Union Bank and excess balances are swept nightly through a current ICS agreement through Union Bank to other banks up to \$250,000 increments, which is the limit covered by FDIC Insurance. During the fiscal year, the Town Clerks receive Property Tax Payments for the Municipal tax, School tax and State Education tax. The amounts collected for School tax and State Education tax are held in trust until they are required to be remitted to each entity. As a result, the Town of Stowe maintains excess cash beyond the General & Enterprise Fund balances. The Invitation to Bid was advanced to solicit quotes for maintaining the excess cash balances held in trust, securing alternative interest options from other ICS networked commercial banks.

The Banking Service Requirements included FDIC insurance coverage for all deposits, Insured Cash Sweep {ICS} for short term cash through Promontory Interfinancial Network, no fees or cost for the service provided, Interest rate period to be reviewed and adjusted annually, 3-year agreement for services, online access, ability to transfer between Union Bank and new commercial bank.

We received four bid documents from the following:

- **Union Bank** offered the {ICS} Promontory Interfinancial Network for the Stowe School and State of Vermont Education funds at an interest rate of 4.90%, with a review on September 1, 2025, and annually thereafter. They will also offer a 4.90% interest rate to the Town's existing {ICS} agreement for General and Enterprise Funds, with a review on September 1, 2025, and annually thereafter.
- **Mascoma Bank** offered the {ICS} Promontory Interfinancial Network for the Stowe School and State of Education funds at an interest rate of 4.74%. The interest rate period after one year will be reviewed and adjusted on an annual basis.
- **Community Bank** offered the {ICS} Promontory Interfinancial Network for the Stowe School and State of Education funds at an interest rate of 3.50%. The interest rate period after one year will be reviewed and adjusted on an annual basis.
- **Northfield Bank** offered the {ICS} Promontory Interfinancial Network for the Stowe School and State of Education funds at an interest rate of 2.50%. The rate is a fixed rate set by the bank. The interest rate period after one year will be reviewed and adjusted on an annual basis.

We currently receive 4.50% for all cash balances in the {ICS} Sweep accounts through Union Bank. Receiving an additional .40% of interest from the Union Bank offer on the EXCESS cash funds held in trust would generate around \$47,000 annually. Additionally, another .40% of interest on the General & Enterprise cash balances through {ICS} Sweep account with Union Bank would generate an additional \$11,000 of interest income for the Town. A potential total of \$58,000 of annual interest income if the Town accepts the Union Bank proposal.

Town Plan Impact: N/A

Fiscal Impact: See above.

Recommendation: Move to accept the Union Bank Bid for {ICS} Sweep Agreement of 4.90% which would be in effect until review on September 1, 2025.