



BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH

RESOLUTION 22-033

A RESOLUTION AUTHORIZING A CASH MANAGEMENT PLAN

WHEREAS, NJSA 40A:5-14 of the Local Fiscal Affairs Law requires that every local unit shall adopt a "Cash Management Plan" and shall deposit in an interest-bearing account, all available public funds pursuant to the plan;

NOW, THEREFORE, BE IT RESOLVED that the Borough of Highlands, County of Monmouth and State of New Jersey, hereby adopts the following "Cash Management Plan" policy to be utilized by the Borough of Highlands; and

BE IT FURTHER RESOLVED those certified copies of this resolution shall be filed with the Director of the Division of Local Government Services, Borough Auditor, Chief Financial Officer of the Borough of Highlands; and,

BE IT FURTHER RESOLVED, that said banks are hereby authorized to honor checks drawn upon said banks, signed by the Mayor, Chief Financial Officer, Administrator and/or the Borough Clerk. All checks require two signatures, one of which may be a facsimile signature. The payroll account checks may utilize two facsimile signatures.

BE IT FURTHER RESOLVED, The Cash Management Plan for the Borough of Highlands is further set forth as follows:

CASH MANAGEMENT PLAN OF THE BOROUGH OF HIGHLANDS, COUNTY OF MONMOUTH, NEW JERSEY

I. STATEMENT OF PURPOSE

This Cash Management Plan (the "Plan") is prepared pursuant to the provisions of N.J.S.A. 40A: 5-14 in order to set forth the basis of deposits ("Deposits") and investment ("Permitted Investments") of certain public funds of the Borough of Highlands, pending the use of such funds for the intended purposes. The Plan is intended to assure that all public funds identified herein are deposited in interest bearing accounts or otherwise invested in Permitted Investments hereinafter referred to. The intent of the plan is to provide that the decisions made with regard to the Deposits and the Permitted Investments will be done to ensure the safety, the liquidity, (regarding its availability for the intended purposes), and the maximum investment return within such limits. The plan is intended to ensure that any Deposit or Permitted Investment matures within the time period that approximates the prospective need for the funds deposited or invested so that there is not a risk to the market value of such Deposits or Permitted Investments.

II. DEFINITIONS

"Arbitrage" refers to the rules and regulations governing the issuance of bonds or notes and the reinvestment of the proceeds at higher yield. These regulations are promulgated by the Internal Revenue Service, Regulation 1.103.

"Certificate of Eligibility" is the certification issued by the New Jersey Department of Banking and Insurance, Division of Banking, that a Public Depository is eligible to act as a depository for public funds and qualifies as a participant in the New Jersey Governmental Unit Deposit Protection Act, GUDPA.

"GUDPA" requires a bank that accepts public funds to be a public depository. A "Public Depository" is defined as a state bank, a national bank, a savings bank or association which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation, and which received or holds public funds on deposit. A local unit may make deposits in, or purchase certificates of deposit from, banks which are located in New Jersey and which meet the requirements of the "GUDPA".

"The New Jersey Cash Management Fund." The New Jersey Division of Investment is authorized pursuant to N.J.S.A. 52-18A-90.4 to establish, maintain and operate, with the approval of the State Investment Council and the State Treasurer, a common trust fund known as the State of New Jersey-New Jersey Cash Management Fund (the "Fund"). The Fund is authorized to accept deposits from all Local Units of government. The Fund is a "common trust" fund pursuant to the statute that created such funds within the jurisdiction of the Division of Investment. According to the enabling legislation, monies of Local Units deposited in the Fund must be invested in obligations and bonds that meet the investment requirements of the statute. These obligations include, among other things, evidences of indebtedness of U.S. corporations. These obligations are less secure than those permitted to Local Units under the Act. Thus, the Fund is riskier than direct investments in federal securities or GUDPA protected deposits by Local Units.

III. IDENTIFICATION OF FUNDS AND ACCOUNTS TO BE COVERED BY THE PLAN

A) The Plan is intended to cover the deposit and/or investment of the following funds and accounts of the Borough.

Current Fund
Grant Fund
Escrow Trust Fund
General Trust Fund
Unemployment Insurance Trust Fund Serial Bonds Refunding Trust Fund General Capital Fund
Water/Sewer Utility Operating Fund
Water/Sewer Utility Capital Fund Bond & Interest Fund Redevelopment Fund
Payroll Agency Account
Payroll Account
Workers Compensation Account

B) The Plan is not intended to cover the deposit and/or investment of the following Funds and Accounts of the Borough

1. Petty Cash Funds

2. Cash drawn from a Federal Agency under a letter of credit which cash has to be paid out within 5 working days to a vendor.

3. Deposit, retainage, or amounts posted by way of bond, held by the Borough for such things as faithful performance, if the Borough would be required by law to pay back any interest earned to the provider of the deposit, except where the Borough is required by law or court decision to invest the fund.

4. Amounts derived from the sale of bonds or notes, only to the extent that a specific written opinion of counsel states that the earning of (full) interest would result in the bonds or notes being classified as an arbitrage (not Federally Tax Exempt) issue pursuant to federal regulations. To the extent that some interest is allowable, it shall be deposited at the most favorable rate obtainable.

IV. DESIGNATION OF OFFICIALS OF THE BOROUGH OF HIGHLANDS AUTHORIZED TO MAKE DEPOSITS AND INVESTMENTS

The Chief Financial Officer, and The Borough Administrator, (The "Designated Officials") are hereby authorized and directed to deposit and/or invest the Funds referred to in the plan.

V. STANDARDS OF CARE

1. The Designated Officials involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

2. The Designated Officials shall disclose any material interests in the financial institutions with which business is conducted and they shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Borough.

3. The Chief Financial Officer, under the direction of the Borough Administrator, is responsible for establishing and maintaining internal control. The controls should ensure that the assets of the Borough are protected from loss, theft, or misuse.

VI. PROCEDURES FOR THE RECEIPT OF MONIES

A. Department Procedures

1. A receipt shall be issued in duplicate for all transactions involving the receipt of money. A copy of the receipt shall be given to the paying party and the duplicate shall be maintained by the receiving department. All payments and receipts must be recorded.

2. All monies collected or received from any source by or on behalf of the Borough shall be deposited within forty-eight (48) hours of receipt to the designated bank pursuant to N.J.S.A. 40A: 5-15.

3. All monies received shall be placed in a secured place until forwarded for deposit.

4. No department, division or agency shall engage in the practice of cashing checks with public funds. Cashing of employee pay checks is prohibited.

B. Chief Financial Officer (Designated Official)

1. The Chief Financial Officer shall:

- a. Deposit all monies collected or received from any source by or on behalf of the Borough within forty-eight (48) hours of receipt to the designated bank pursuant to N.J.S.A. 40A: 5-15.
- b. Ensure that all monies deposited are in interest bearing accounts.
- c. Make recommendations of legal public depositories to the Borough Council who shall by resolution designate said depositories at the first meeting of the calendar year.

- d. Ensure that each of the various accounts for which there is a separate bank statement is reconciled with that bank statement by the end of the following month.
- e. Verify that designated official depositories submit to the Chief Financial Officer a copy of the State of New Jersey, Department of Banking and Insurance, Governmental Unit Deposit Protection Act notification of Certificate of Eligibility, which must be filed semi-annually in the Department of Banking as of June 30 and December 31 of each year.

VII. DESIGNATION OF DEPOSITORIES

The following financial institutions are designated official depositories:

TD Bank, National Association;
Ocean First Bank;
United Roosevelt; and
Valley National Bank

Designated official depositories are required to submit to the Chief Financial Officer of the Municipality a copy of the State of New Jersey, Department of Banking, Governmental Unit Deposit Protection Act notification of eligibility, which must be filed semiannually in the Department of Banking as of June 30th and December 31st of each year.
Said notices must be available for annual audit.

VIII. AUTHORIZED INVESTMENTS

Investments shall be limited to the following:

- a.) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- b.) Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase and has a fixed rate of interest not dependent on any index or external factors.
- c.) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
or
- d.) Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury for investment by local units.
- e.) Debt obligations of federal agencies or government corporations with maturities not greater than twenty (20) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through the New Jersey Division of Investment and are consistent with the Division's own investment guidelines, and providing that the investment has a fixed rate of interest not dependent on any index or external factors.

- f.) Repurchase agreements of fully collateralized securities, subject to rules and conditions established by the N.J. Department of Community Affairs.
- g.) Bonds, notes, or other obligations issued by an agency or corporation of the federal government or a governmental agency established under the laws of this State, provided that the(issuer) is not in default as to the payment of principal or interest upon any of its outstanding obligations, and provided further that the bonds, notes or other obligations are purchased at fair market value, guaranteed as to interest and principal, and have a credit rating of A3 or higher by Moody's Investor Services, Inc., A- or higher by Standard and Poor's Corporation and A- or higher by Fitch Ratings, except that two of the three ratings is sufficient.
- h.) The cash management plan may provide for the purchase of certificates of deposits (CDARS) in accordance with the following conditions:
 - (1) The funds are initially invested through a public depository as defined in section 1 of P.L.1940, c.236 (C.17:9-41) designated by the local unit.
 - (2) The designated public depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured banks or savings and loans association, for the account of the local unit;
 - (3) 100 percent of the principal and accrued interest of each certificate of deposit is insured by the Federal Deposit Insurance Corporation;
 - (4) The designated public depository acts as custodian for the local unit with respect to the certificates of deposit issued for the local unit's account; and
 - (5) At the same time the local unit's funds are deposited and certificates of deposits are issued, the designated public depository receives an amount of deposits from customers or other banks and savings and loan associations, wherever located, equal to the amount of funds initially invested by the local unit through the designated public depository.

No investment or deposit shall have a maturity longer than twenty (20) years from date of purchase, unless the fund seeks prior approval from the Department of Banking and Insurance and the Division of Local Government Services in the Department of Community Affairs to enter into a longer-term investment of a longer duration.

IX. SAFEKEEPING CUSTODY PAYMENT

To the extent that any Deposit or Permitted Investment involves a document or security which is not physically held by the Borough of Highlands, then such instrument or security shall be covered by all custodial agreements with an independent third party, which shall be a bank or financial institution in the State of New Jersey. Such institution shall provide for the designation of funds or the Permitted Investments or Deposits. Purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to ensure that such Permitted Investments are either received by the Borough of Highlands or by a third-party custodian prior to or upon the release of the Borough of Highlands funds.

X. REPORTING REQUIREMENTS

On the first day of each month during which this Plan is in effect, the Designated Officials referred to in Section IV hereof shall supply to the governing body of the Borough of Highlands a written report of any Deposits of Permitted Investments made pursuant to this Plan, which shall include, at a minimum, the following information:

- a. The name of any institution holding funds of the Borough of Highlands as a Deposit of a Permitted Investment.
- b. The amount of securities or Deposits purchased or sold during the immediately preceding month.
- c. The class or type of securities purchased, or Deposits made.
- d. The book value of such Deposits or Permitted Investment.
- e. The earned income on such Deposits or Permitted Investments. To the extent that such amounts are actually earned at maturity, this report shall provide an accrual of such earnings during the immediately preceding month.
- f. The fees incurred to undertake such Deposits or Permitted Investments.
- g. The market value of all Deposits or Permitted Investments as of the end of the immediately preceding month.
- h. All other information which may be deemed reasonable from time to time by the governing body of the Borough of Highlands.

XI. BOROUGH AUDITOR

The Borough Investment practices (including compliance with N.J.S.A. 40A:5-14) and the agreement for banking services and compensation thereof shall be reviewed by the Borough Auditor as part of the annual audit, as required by N.J.S.A. 40A:5-4. Where a conflict exists between this Cash Management Plan and State Statute, the applicable State Statute shall apply.

XII. SURETY BONDS

- a. The Chief Financial Officer shall be covered by surety bonds. During the annual audit, the Borough Auditor shall examine said bonds to determine that proper coverage has been obtained.
- b. Staff members of the Chief Financial officer's office other than the C.F.O. (See a above) shall be covered by a public employee's faithful performances bond in the minimum amount of \$10,000.

XIII. TERM OF PLAN

The Plan may be amended from time to time. To the extent that any amendment is adopted by the Council, the Designated Official is directed to supply copies of the amendments to all of the parties who otherwise have received the copy of the originally approved Plan, which amendment shall be acknowledged in writing in the same manner as the original Plan was so acknowledged.

Motion to Approve R-22-033:

	INTRODUCED	SECONDED	AYE	NAY	ABSTAIN	ABSENT
Cervantes						
Chelak						
Melnyk						
Olszewski						
Broullon						

I, Michelle Hutchinson, Municipal Clerk of the Borough of Highlands, in the County of Monmouth, State of New Jersey, hereby certify this to be a true copy of the action of the Governing Body, at its Council Meeting, held January 1, 2022.

Michelle Hutchinson

Municipal Clerk