

RESOLUTION NO. 26-2017
CASH MANAGEMENT PLAN

Councilmember Leckstein introduced and offered the following Resolution for its adoption; seconded by Councilmember Kelly:

WHEREAS, the Director of the Division of Local Government Services requires the annual adoption of a Cash Management Plan pursuant to guidelines in N.J.S.A. 40A:5-14; and

NOW, THEREFORE, BE IT RESOLVED, that the Borough Council of the Borough of Sea Bright, County of Monmouth, State of New Jersey, approve and adopt the 2017 Cash Management Plan; and.

BE IT FURTHER RESOLVED that a copy of this resolution be forwarded to the following:

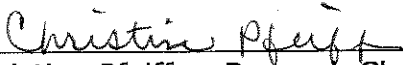
1. Chief Financial Officer
2. Borough Auditor
3. Fiscal Officer

Roll Call: Birdsall,	Keeler,	Kelly,	Lamia,	Leckstein,	Rooney.
Yes	Yes	Yes	Yes	Yes	Yes

January 7, 2017

CERTIFICATION

I, Christine Pfeiffer, Borough Clerk do hereby certify that the foregoing is a Resolution adopted by the Borough Council of the Borough of Sea Bright, County of Monmouth, State of New Jersey, at a Council meeting held on January 7, 2017.



Christine Pfeiffer, Borough Clerk

Borough of Sea Bright
Cash Management Plan

Michael J. Bascom, CMFO, CTC
Chief Financial Officer

FOR 2017

I. Objective

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 for the deposits ("Deposits") and investment ("Permitted Investments") of certain public funds of the Borough of Sea Bright ("Borough") 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 Deposits or otherwise invested in Permitted Investments hereinafter referred to. The intent of the Plan is to provide that the decision made with regard to the Deposits and the Permitted Investments will be done to insure the safety, the liquidity (regarding its availability for the intended purposes), and the maximum investment return within such limits. The Plan is intended to insure that any Deposit or Permitted Investment matures within the time period that approximated 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.

The Cash Management Plan is intended to act as a summary of cash management activities to be undertaken by the various municipal departments, which handle cash in order to ensure maximum cash availability and maximum investment yield on idle Borough cash.

The Borough wishes to manage cash efficiently from the time revenue is earned until the time an expenditure payment clears the bank. The overriding goals of the cash management system are to maximize availability and maximize yield. The first goal is met by decreasing time lags from the earning of revenue until it is converted to cash and by timing expenditures to be made on their due dates, not before or after. The second goal is achieved by maximizing investment yield on cash between its collection and disbursement.

The administrative staff of the Borough exists to provide services to its citizens for which it must collect tax and fee revenue. Effective cash management will operate within the constraints of the purpose of government. Cash should not be maximized at the expense of paying vendors late or alienating taxpayers with intimidating collection procedures. Similarly, yield should not be maximized at the expense of other goals. Where conflicts exist between the two primary goals of the cash management policy, the Borough will put a higher priority on cash availability than yield as the cash management system shall ensure that cash is available to support municipal operations.

The Borough shall comply with all laws and regulations concerning municipal cash management. All municipal funds will be deposited in a manner by which they will be protected under Governmental Unit Deposit Protection Act (GUDPA) regulations. The Borough will comply with directives from the New Jersey Department of Community Affairs, Division of Local Government Services and the Local Finance Board concerning cash management.

The Borough will work to increase non-tax revenues by keeping idle funds in interest bearing accounts at all times. The Borough Finance Department will monitor and project cash flows and schedule expenditure plans accordingly as well as maintaining familiarity with the short-term investment market.

II. Protection of Borough Assets

Cash management is a form of risk management in that any time the Borough earns revenue, makes an investment, or commits to an expenditure, it incurs a certain amount of risk. The Chief Financial Officer must recognize and minimize the Borough's exposure to five distinct types of risk;

Default risk - Default risk applies mainly to investments, but could also apply to basic checking accounts. Default risk is the risk that some or all of the principal amount of an investment or account will not be available due to default by the issuer, securities dealer or broker, bank or other financial institution. Default risk is best avoided by carefully screening investment dealers and banks for potential default problems and by limiting investments to those instruments which are least likely to default. Should a default occur, the Borough will take all recourse actions available through deposit insurance, regulatory and legal systems. It should be noted that no municipality has ever lost funds as a result of a banking default when the funds were protected under GUDPA.

Market Risk - Market risk is the risk that, while the Borough holds an investment instrument, changes in the financial markets reduce the value of the investment. In extreme cases, the market value may fall below the principal amount invested by the Borough. If the Borough sells the investment before it matures, part of the principal will be lost. The Borough's only recourse would be to hold the security until either the market rebounds or it matures, repaying both the face value and the interest. The Borough can protect against market risk by avoiding instruments which are subject to rapid market swings and by investing with the intent to hold all instruments to maturity. The Borough will not invest in instruments that could result in a loss of principal value.

Reputational Risk - An offshoot of the other forms of risk, reputational risk is the risk that the Borough will lose stature by making a cash management mistake. Few events are more damaging to a government's prestige and potential than a well-publicized investment loss. While the most common cause is loss of principal due to default, the Borough's reputation may also be damaged by overzealous collection processes or by late payment of expenditures. Reputational risk may cause long-term harm to the government as citizens question the management capability of both elected officials and the professional staff. A poor reputation may also discourage vendors and potential new businesses and residents from working with or locating in the Borough.

Safekeeping Risk - The rise of electronic funds transfers and creative investment instruments has spawned a new process of investing in which the cash manager may never see the instrument in which they are investing. Many banks, brokers and dealers prefer to issue a safekeeping certificate or use another simple method to evidence receipt of the principal. The most common use of safekeeping certificates is in repurchase agreements, in which the Borough purchases certain securities and the broker agrees to repurchase them with interest at a later date. The broker often issues a certificate that the securities are on hand and being held against the

investment. The Borough may protect itself against the external safekeeping risk by demanding collateral securities be physically delivered to the Borough as a condition of making the investment. This practice may reduce yields, but provides an important form of protection. The internal safekeeping risks of lost monies can be reduced by practicing sound internal controls.

Collection Risk - There can be a significant difference between revenue earned and revenue collected. Nonpayment of taxes, fees, and fines poses a risk that resources budgeted and treated in the accounting system as if they were received may never actually appear. There is also a strong "Word of mouth" factor. If individuals seem to "get away" without paying large amounts in fines, fees or taxes, many others will try this technique. The Borough must protect itself against collection risk by utilizing aggressive collection procedures.

III. Liquidity

Idle cash is only idle and available to invest until it is needed to pay employees or invoices. An important objective of an effective cash management plan is to time investments to that they mature at the same time they are needed to meet these obligations. If they mature too early, the Borough will lose interest earnings, if they mature too late, the Borough risks a potential problem of liquidity. The Borough must strive to guarantee liquidity by carefully forecasting expenditures; determining if each upcoming expenditure obligation is "covered" by cash on hand, incoming revenue, or maturing investments; and timing investments to meet the next "uncovered" obligation. A margin for unexpected expenditures is allowable and expected.

IV. Financial Reports

The Finance Manager shall produce the following expenditure and financial condition reports, forward them monthly to the Chief Financial Officer, and make them available to the elected officials of the Borough;

- Monthly Budget Expenditure Reports (available in Finance Office)
- Monthly Budget Revenue Reports (as submitted by Tax Collector)
- Unaudited Financial Reports (annual)

The Borough shall utilize the encumbrance system as outlined in the Borough of Sea Bright Purchasing Manual. The basis of said manual shall be to comply with all purchasing regulations governing the abilities of the Borough of Sea Bright. The Borough shall utilize Requisitions, Purchase Orders and Voucher forms with signatures required from Department Heads and Borough Council members. The Borough shall encumber funds for contracts and purchase orders once they are approved. The Borough shall pay all invoices in accordance with terms of same. Payments are not to be made late nor earlier than required by said terms. The Borough shall utilize a centralized purchasing system and maintain a comprehensive fixed assets inventory.

The Borough Cash Management Plan shall be provided to all elected officials of the Borough of Sea Bright as well as all appointed officials whom are affected by same.

The Finance Manager shall produce the following revenue and investment reports, forward them monthly to the Chief Financial Officer and make them available to the elected officials of the Borough;

- Investment Analysis (as prepared by the Fiscal Officer)
- Receipts and Expenditure Analysis (as prepared by Fiscal Officer)
- Monthly Cash Receipts Reports (as prepared by Fiscal Officer)

The Tax Collector will be responsible for preparing daily cash receipt reports and submitting same to the Fiscal Officer for cash forecasting and tracking information. The Tax Collector will maintain a monthly analysis of taxes receivable and reports detailing all adjustments, tax sale information and assignments.

V. Debt Management

The Chief Financial Officer shall maintain an analysis of all debt authorized but not issued, recommend cancellations of authorization balances no longer needed, recommend reappropriation of authorization balances no longer needed for their intended use, maintain an analysis of grants receivable for capital improvement projects, handle all facets of bond and bond anticipation note issuance, ensure that the Borough remains in compliance with arbitrage regulations and that an annual analysis and report are compiled concerning arbitrage.

VI. Audit and Review

All employees will work with the Borough auditing firm to ensure a thorough and accurate audit review. The Chief Financial Officer shall arrange an Audit Exit Conference with Borough Auditor and prepare a Corrective Action Plan in response to any audit comments or recommendations. The Corrective Action Plan will be submitted to the Borough Council for approval and submitted to the Division of Local Government Services in accordance with regulations concerning same.

VII. Operational Cash Management Objectives

1. Increase non-tax revenue when it is not needed for current obligations
 - A. Schedule due dates for licenses during the first three months of the calendar year.
 - B. Schedule contractual payments to be made monthly
2. Keep idle funds working even at a lower interest rate when necessary

Invest all available monies in overnight investments such as the New Jersey State Cash Management Fund or an interest bearing investment account

3. Understand present cash flow

Cash flow projections shall be updated monthly and project the following 3 months

4. Estimate pattern of future cash flows

A. The Borough is aware that major cash flow periods occur within the General Account during the first ten days of each tax paying period. The Borough Sewer Operating Account is most active during the thirty day collection periods established therefore. The Borough Beach Utility Account is most active during the summer months.

B. The Borough shall schedule payments and obligations in a manner as such as the majority of obligations that can be scheduled will be made payable after a period of increased collections as described above.

5. Identify and become familiar with the short-term money market.
The Borough will maintain analysis of available investment terms at the point that each investment decision is made. Where practical, the Borough shall invest in the product that is most beneficial to the Borough both by yield and availability. The Borough shall maintain a relationship with all of the brokers, dealers, bank officers and investment officials outlined in the cash management resolution adopted annually by the Borough Council.

6. Bidding specifications for banking relationships shall be adopted so as to compare banking practices when deemed necessary or appropriate.

The Chief Financial Officer shall maintain an analysis of banking proposals and information concerning the basis for which a banking relationship has been established.

7. The Borough of Sea Bright shall project a knowledgeable image to the banking firms with which it established relationships. A knowledgeable cash manager will gain the respect of banking officers who will work harder to offer conditions desirable to the Borough.

The Chief Financial Officer shall handle all relationships with bank officers, with the exception of day to day transfers and routine banking methods.

8. The Borough will not entertain political considerations in its cash management policies.

All banking relationships shall be established on the basis of what is best for the Borough's cash management position.

9. The Borough will select a lead bank with which it will deal with concerning day to day activity.

The lead bank will be determined based on its size and reputation, location convenience, ability to draw large payments and other considerations as detailed herein.
10. Profitability of bank accounts to be compared when selecting a bank.

The Borough shall consider the amount required for compensating balances or bank fees and the "float".
11. A Cash Management resolution shall be adopted annually by the Borough Council upon receipt of recommendations for the Chief Financial Officer.
 - A. The resolution shall list all Borough bank accounts, the reason for the account, the average balance of the account during the preceding twelve months, the source and nature of deposits and the source and nature of withdrawals.
 - B. The resolution shall provide a statement which eliminates the need for additional resolutions to provide the authority to invest funds. The resolution shall act as a guideline by which the Chief Financial Officer and Finance Department employees act, but shall not limit their ability to legally invest funds on behalf of the Borough.
12. Cash disbursements shall be scheduled to be released on a regular basis in order to provide for accurate investment policies.
 - A. It shall be the policy of the Borough of Sea Bright to authorize payment of bills at each of the two regular Borough Council meetings held on the first and third Tuesday's of each month. Checks authorized for release at said meetings will become available after 3:00 PM of the Thursday following said action. This policy will not limit the Borough Council from authorizing payments at any other Borough Council meeting, including workshop meetings properly advertised for such action nor limit the Chief Financial Officer's ability to issue a disbursement between meetings to be confirmed by the Borough Council at a later date.
 - B. In order to comply with this policy, all department heads must ensure that completely executed vouchers with invoices are submitted to the Finance Department by 9:00 AM of the Wednesday preceding the meeting night on which they are intended to be paid. Department heads and the Finance Department should review all payments to ensure that they are paid within the terms set forth by the purchase order.

- C. Invoices properly presented for payment will not be withheld from inclusion on the regular bill list so long as sufficient funds are available for said payment.
13. Cash flow shall be estimated for a twelve month period, as detailed in the budget document, with more formal and accurate analyses provided for lesser periods as described herein.
- A. Estimation of revenues shall include anticipated receipts from: Municipal Revenues, Federal Revenue, State Revenues, and Bond Issues.
- B. Estimation of expenditures should include; salaries and wages, payroll taxes, debt service, capital expenditures, employee benefit plans, and operating budgets.
14. Investments will be timed and calculated based on the projections and analyses detailed herein.
15. The Chief Financial Officer shall remain informed concerning the legal implications involved in the investment of municipal funds.
- A. The Borough may invest in Repurchase Agreements that are fully collateralized, Certificates of Deposit, United States Treasury Bills, Saving Accounts and other tools which are properly protected by GUDPA and other state and federal regulations.
16. Internal controls shall be utilized to ensure maximum availability of funds.
- A. Tax bills and delinquent notices shall be mailed promptly.
- B. The Borough will remain aggressive in its strategies to collect delinquent charges.
- C. All funds collected before 2:30 PM will be posted and deposited the same day they are collected. Funds collected after 2:30 PM will be posted and deposited by 2:30 PM on the following business day.
- D. The Tax Collector will prove the daily cash receipts report to the bank deposits before the deposit is sent to the bank.
- E. A police officer shall be made available to transport all municipal funds to the proper depository.
17. Discretion of Chief Financial Officer will be permitted in allowing some variance in the policies outlined herein, when, said variances are caused by unforeseen circumstances, emergency situations and other situations where the CFO feels that

conformance with the policy would be detrimental to the financial operation of the municipality.

VIII. 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;

Bank Accounts

Valley National Bank

Checking Accts.

Current
Payroll
Beach Capital Fund
Beach Utility Checking
Animal
General Capital Fund
Health Insurance Fund
Law Enforcement (Mac)
Law Enforcement Trust
NJ Unemployment
Petty Cash
Sewer Capital Fund
Sewer Utility
Trust Other
Redemption
Municipal Court
Municipal Court Bail Fund

Escrow Accounts:

Developer's Escrow

Investment Accounts:

N J Cash Management
N J Cash Mgt–Beach
N J Cash Mgt–Sewer

IX. DESIGNATION OF OFFICIALS OF THE BOROUGH OF SEA BRIGHT AUTHORIZED TO MAKE DEPOSITS AND INVESTMENT UNDER THE PLAN.

The Chief Financial Officer of the Borough of Sea Bright (the "Designated Official") is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan. Prior to making any such Deposits or any Permitted investments, such officials of the Borough are directed to supply to all depositories or any other parties with whom the Deposits or Permitted Investments are made a written copy of this Plan which shall be acknowledged in writing by such parties and a copy of such acknowledgment kept on file with such officials.

X. DESIGNATION OF DEPOSITORIES.

The following banks and financial institutions are hereby designated as official depositories for the Deposit of all public funds referred to in the Plan, including any certificates of Deposit which are not otherwise invested in Permitted Investments as provided for in the Plan:

Valley National Bank
JP Morgan Chase
TD Bank
New Jersey Cash Management Fund

All such depositories shall acknowledge in writing receipts of this Plan by sending a copy of such acknowledgment to the Designated Official (s) referred to in Section III above.

XI. DESIGNATION OF BROKERAGE FIRMS AND DEALERS WITH WHOM THE DESIGNATED OFFICIALS MAY DEAL.

The following brokerage firms and/or dealers and other institutions are hereby designated as firms with whom the Designated as firms with whom the Designated Official(s) of the Borough referred to in this Plan may deal for purposes of buying and selling securities identified in this plan as Permitted Investments or otherwise providing for the Deposits. All such brokerage firms and/or dealers shall acknowledge in writing receipt of this plan by sending a copy of such acknowledgment to the Designated Official (s) referred to in Section III above.

MBIA, TD Bank, US Bank

XII. AUTHORIZED INVESTMENTS.

A. Except as otherwise specifically provided for herein, the Designated Official is hereby authorized to invest the public funds covered by this Plan, to the extent not otherwise held in Deposits, in the following Permitted Investments:

- (1.) Bonds or other obligations of the United States of America or Obligations guaranteed by the United States of America;

- (2.) Government money market mutual funds;
- (3.) Any obligation that a federal agency or a federal instrumentality has issued in accordance with any act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4.) 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;
- (5.) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Local Units;
- (6.) Local government investment pools;
- (7.) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18 A-90.4); or
- (8.) Agreements for the repurchase of fully collateralized securities if:
 - (a.) the underlying securities are permitted investments pursuant to Paragraph to (1) and (3) of this subsection a;
 - (b.) the custody of collateral is transferred to a third party;
 - (c.) the maturity of the agreement is not more than 30 days;
 - (d.) The underlying securities are purchased through a public depository As defined in section 1 of P.L. 1970, c. 236 (C.17:9-41); and
 - (e.) a master repurchase agreement providing for the custody and security of collateral is executed.

For purposes of the above language, the terms "government money market mutual fund" and "local government investment pool" shall have the following definitions:

Government Money Market Mutual Fund. An investment company or investment trust:

- (a.) which is registered with the Securities and Exchange Commission under The "Investment Company Act of 1940, " 15 U.S.C. sec. 80a-1 et seq., and operated in accordance with 17 C.F.R. sec, 270. 2a-7.

- (b.) the portfolio of which is limited to U.S. Government securities that meet The definition of any eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities; and
- (c.) which has:
 - (i) attained the highest ranking or the highest letter and numerical rating of a nationally recognized statistical rating organization; or
 - (ii) retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission Pursuant to the "Investment Advisors Act of 1940," 15 U.S.C. sec. 80b-1 et seq., with experience investing in U.S. Government securities for at least the most recent past 60 months and with assets under management in excess of \$500 million.

Local government investment Pool. An investment pool:

- (a.) which is managed in accordance with 17 C.F.R. sec. 270,2a-7;
- (b.) which is rated in the highest category by a nationally recognized statistical rating organization;
- (c.) which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. sec 270,2a-7 and repurchase agreements that are collateralized by such U.S. Government securities;
- (d.) which is in compliance with rules adopted pursuant to the "Administrative" Procedure Act, " P.L. 1968,c .410 (c.52:14B-1 et seq.) by the Local Finance Board of the Division of Local Government services in the Department of Community Affairs, which rules shall provide for disclosure and reporting requirements, and other provisions deemed necessary by the board to provide for the safety, liquidity and Yield of the investments;
- (e.) which does not permit investment in instruments that: are subject to high price volatility with changing market conditions; cannot reasonably be expected, at the time of interest rate adjustment, to have a market value that approximates their par value; or utilize an index that does not support a stable net asset value; and

- (f.) which purchases and redeems investments directly from the issuer, government money market mutual fund, or the State of New Jersey Cash Management Fund, or through the use of a national or State bank located within this State, or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L. 1967 c.9 (C.49:3-56) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

XIII. SAFEKEEPING CUSTODY PAYMENT AND ACKNOWLEDGMENT OF RECEIPT OF PLAN.

To the extent that any Deposit of Permitted Investment involves a document or security which is not physically held by the Borough, then such instrument or security shall be covered by a custodial agreement 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 such investments in the name of the Borough. To assure that there is no unauthorized use of the funds of the Permitted Investments or Deposits. Purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to insure that such Permitted Investments are either received by the Borough or by a third party custodian prior to or upon the release of the Borough's funds.

To assure that all parties with whom the Borough deals either by way of Deposits or Permitted Investments are aware of the authority and the limits set forth in this Plan, all such parties shall be supplied with a copy of this Plan in writing and all such parties shall acknowledge the receipt of that Plan in writing, a copy of which shall be on file with the Designated Official(s).

XIV. AUTHORIZED SIGNATURES

The following persons are authorized, and their signature is required, to withdraw funds from the below listed, existing bank accounts. Facsimile signatures of the Mayor and Borough Clerk may be applied by the Finance Office upon checks of the Borough for the disbursement of funds as authorized by resolution or for payroll.

No other municipal official shall be permitted to open a bank account or accept funds on behalf of the Borough unless specifically authorized to do so herein or in an amendment hereto as approved by resolution of the governing body.

Valley National Bank

<u>Account Name</u>	<u>Required Signatures</u>
Current Payroll Beach Capital Fund Beach Utility Checking Animal General Capital Fund Law Enforcement Trust NJ Unemployment Petty Cash Sewer Capital Fund Sewer Utility Trust Other	Clerk, Mayor, CFO, Tax Collector, Finance Manager (Any 2)
Redemption Account	Tax Collector, Finance Manager, Clerk
Health Insurance Fund	Clerk, Mayor, CFO, Tax Collector Finance Manager (Any 2), and (Designated Benemax Representatives)
Law Enforcement (Mac)	Chief of Police or Lieutenant, Sergeant of Police
Municipal Court Municipal Court Bail Fund	Court Administrator or Judge
<u>NJ CASH MANAGEMENT:</u> NJ Cash Management NJ Cash Mgt-Beach NJ Cash Mgt-Sewer	Clerk, Mayor, CFO, Tax Collector, Finance Manager (Any 2)

X. TERM OF PLAN.

This Plan shall be in effect from January 1, 2017 to December 31, 2017. Attached to this Plan is a resolution of the governing body of the Borough of Sea Bright, approving this plan for such period of time. 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 that copy of the originally approved Plan, which amendment shall be acknowledged in writing in the same manner as the original Plan was so acknowledged.