

RESOLUTION - ADOPT CASH MANAGEMENT PLAN - 2009

WHEREAS, N.J.S.A. 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 Township of Franklin, County of Somerset and State of New Jersey, hereby adopts the following "Cash Management Plan" policy to be utilized by the Township of Franklin for the year 2009; and

BE IT FURTHER RESOLVED that certified copies of this resolution shall be filed with the Director of the Division of Local Government Services, Township Auditor, Chief Financial Officer of the Township of Franklin (Somerset County).

CASH MANAGEMENT PLAN OF THE TOWNSHIP OF FRANKLIN, COUNTY OF SOMERSET, 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 Township of Franklin, 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 herein after 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 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 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 Township.

- Current Fund
- Grant Fund
- Trust Assessment Fund
- General Trust Fund
- Animal Control Fund
- Unemployment Insurance Trust Fund
- Self Insurance Trust Fund
- Serial Bonds Refunding Trust Fund
- General Capital Fund
- Water Utility Operating Fund
- Water Utility Capital Fund
- Public Assistance Fund
- Bond & Interest Fund
- Affordable Housing Trust Fund
- Open Space Trust Fund
- Acquisition and Preservation of Historical Structures Account
- Green Acres Trust Account
- Employee Payroll Deduction Account
- Payroll Account
- Environmental Impairment Account
- Workers Compensation Account

Warrant Account
Developers Escrow

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

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 Township for such things as faithful performance, if the Township would be required by law to pay back any interest earned to the provider of the deposit, except where the Township 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 TOWNSHIP OF FRANKLIN AUTHORIZED TO MAKE DEPOSTS AND INVESTMENTS

The Chief Financial Officer, and The Township Treasurer, (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 Township.
3. The Chief Financial Officer, under the direction of the Township Manager, is responsible for establishing and maintaining internal control. The controls should ensure that the assets of the Township 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 Township 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 Township 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 Township 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 30th and December 31st of each year.

VII. DESIGNATION OF DEPOSITORIES

The Township Council authorized resolution on January 2, 2009 which designated the following banks and financial institutions as official depositories for the Deposit of all public funds referred to in the Plan, including any certificates of Deposits which are not otherwise invested in "Permitted Investments as provided for in this Plan".

BANK OF AMERICA
PNC
OCWEN FEDERREAL BANK FSB
WACHOVIA BANK
NEW MILLENIUM BANK
TD BANK
INVESTORS SAVINGS BANK
MAGYAR SAVINGS BANK
OCEAN FIRST BANK
THE PROVIDENT BANK
SOVEREIGN BANK
NEW JERSEY CASH MANAGEMENT FUND
NEW JERSEY ASSET AND REBATE MANAGEMENT PROGRAM

VIII. AUTHORIZED INVESTMENTS

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 Obligations that a Federal Agency or a Federal Instrumentality has issued in accordance with an 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.52:18A-90.4) or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. The underlying securities are permitted investments pursuant to paragraphs "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
- c. repurchase agreements that are collateralized by such U.S. Government Securities; and
- d. 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 security and exchange commission pursuant to the "Investment Advisors Act of 1940," is U.S.C. Sec 806-1 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 eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that 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 investments 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 an borrowing on such U.S. Government securities.

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 Township of Franklin, 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 insure that such Permitted Investments are either received by the Township of Franklin or by a third party custodian prior to or upon the release of the Township of Franklin’s 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 Township of Franklin 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 Township of Franklin 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 Township of Franklin.

XI. TOWNSHIP AUDITOR

The Township 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 Township 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 and Treasurer shall be covered by surety bonds. During the annual audit, the Township 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 Treasurer (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

This Plan shall be in effect from January 1, 2009 to December 31, 2009. Attached to this Plan is a resolution of the governing body of the Township of Franklin 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 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.

CERTIFICATION

I, Ann Marie McCarthy, Clerk of the Township of Franklin, in the County of Somerset, do hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by the Township Council at a regular meeting held on the 6th day of January 2009.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of said Township this 7th day of January 2009.

Ann Marie McCarthy
Township Clerk