

**RESOLUTION 2013-080**

BE IT RESOLVED, this 16<sup>th</sup> day of December, 2013 by the Bordentown Sewerage Authority that the Cash Management Plan of the Authority for the fiscal year ending November 30, 2014, be and the same is hereby approved.

THE BORDENTOWN SEWERAGE AUTHORITY

By:   
Ronald L. Marino, Chairman

ATTEST:

  
Nancy A. Liberman, Secretary

## THE BORDENTOWN SEWERAGE AUTHORITY

### CASH MANAGEMENT PLAN

FISCAL YEAR 2013

DECEMBER 1, 2013 TO NOVEMBER 30, 2014

Pursuant to the requirements of N.J.S.A. 40A:5-14, et seq., and N.J.A.C. 5:31-3.1, the following is the Cash Management Plan of The Bordentown Sewerage Authority ("Authority") for the fiscal year indicated above:

#### I. Designation of Legal Public Depository

A. The designated legal public depository of the Authority shall be a state or federally chartered bank, savings bank or an association located in the State of New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in this State, the deposits of which are insured by the Federal Deposit Insurance Corporation and which receives or holds public funds on deposit and which otherwise qualifies as a "public depository" pursuant to the requirements of the Governmental Unit Deposit Protection Act, N.J.S.A. 17:9-41, et seq. Roma Bank is hereby designated as the legal public depository of the Authority.

#### II. Accounts Held by Designated Legal Public Depository

A. Revenue Account. There shall be maintained in the designated legal public depository a Revenue Account, the purpose of which is to receive all monies from any source by or on behalf of the Authority, except for monies received for connection fees, planning escrow fees or refunds of monies previously paid by the Authority from the Operating Account. Pursuant to the requirements of N.J.S.A. 40A:5-15, all monies received from any source by or on behalf of the Authority, except for monies received for connection fees, planning escrow fees or such refunds shall, within 48 hours after the receipt thereof, be deposited to the credit of the Authority in the Revenue Account. The designated legal public depository shall transfer all funds held in its Revenue Account in excess of \$5,000 to the Revenue Fund held by the Trustee, by wire, as directed by the Trustee, or as otherwise directed by the Authority.

B. Connection Fee Deposit Account. There shall be maintained in the designated legal public depository a Connection Fee Deposit Account, the purpose of which is to receive all monies designated for the payment of sewer connection fees to the Authority. Pursuant to the requirements of N.J.S.A. 40A:5-15, all monies received from any source by or on behalf of the Authority which are designated for the payment of sewer connection fees shall, within 48 hours after the receipt thereof, be deposited to the credit of the Authority in the Connection Fee Deposit Account. Interest earned on monies deposited into the Connection Fee Deposit Account shall be transferred on a monthly basis to the

Revenue Account. Principal paid into the Connection Fee Deposit Account shall be realized as revenue and transferred to the Revenue Account when the respective connections have been physically made, in accordance with the rules and regulations of the Authority.

C. Planning Escrow Account. There shall be maintained in the designated legal public depository a Planning Escrow Account, the purpose of which is to receive all monies which are designated for the payment of planning escrow fees. Pursuant to the requirements of N.J.S.A. 40A:5-15, all monies received by any source by or on behalf of the Authority which are designated for the payment of planning escrow fees shall, within 48 hours after the receipt thereof, be deposited to the credit of the Authority in the Planning Escrow Account. Monies shall be transferred from the Planning Escrow Account on a periodic basis to pay for costs incurred for inspection, engineering review, legal review or for other services provided to or on behalf of the development for which the planning escrow fees were paid, in accordance with the rules and regulations of the Authority.

D. Money Market Operating Account. There shall be maintained in the designated legal public depository a Money Market Operating Account, the purpose of which is to receive, on a monthly basis, Operating Funds from the Trustee in the amount of 1/12th of the Authority's annual operating budget or such other amount as is requisitioned by the Authority to pay the operating expenses of the Authority for the previous month. In addition to the Operating Funds received from the Trustee, and pursuant to the requirements of N.J.S.A. 40A:5-15, all monies received from any source by or on behalf of the Authority which are refunds of monies previously paid by the Authority from the Money Market Operating Account shall, within 48 hours after the receipt thereof, be deposited directly into the Money Market Operating Account.

E. Checking Operating Account. There shall be maintained in the designated legal public depository a Checking Operating Account. Monies shall be transferred from the Money Market Operating Account into the Checking Operating Account on a periodic basis to pay the operating expenses of the Authority.

F. Payroll Account. There shall be maintained in the designated legal public depository a Payroll Account. Monies shall be transferred from the Money Market Operating Account into the Payroll Account on a weekly basis to meet the payroll requirements of the Authority.

G. Petty Cash Fund. The Authority shall maintain a Petty Cash Fund in the office of the Authority. The purpose of the Petty Cash Fund is to pay small miscellaneous expenses of the Authority in cash, as authorized by the Executive Director or Administrative Manager. The Petty Cash Fund shall not exceed \$150.00 in cash at any one time. A record shall be maintained of all monies withdrawn from the Petty Cash Fund.

H. All accounts maintained in the designated legal public depository shall be interest bearing accounts obtaining the highest interest rate available from the designated legal public depository for similar type accounts.

### **III. Accounts Held By The Trustee**

A. Pursuant to the requirements of Article V of the Resolution Authorizing the Issuance of Revenue Bonds, adopted July 24, 1986, the Trustee is required to make payments as of the first day of each month from the Revenue Fund into the several funds created by the Resolution. Payments are to be made into each fund up to the maximum limit set for the fund in the following order:

1. Into the Operating Fund so that the amount therein equals the Operating Requirement, which is generally defined as the amount required for the payment of operating expenses for a period of four months as shown by the annual budget;

2. Into the Bond Service Fund so that the amount therein equals any unpaid interest then due on outstanding bonds, plus an amount which will equal the interest to become due on outstanding bonds at or before the first day of December next ensuing, plus the principal amount of any outstanding bonds then matured, plus the principal amount of outstanding bonds maturing at or before the first day of December next ensuing;

3. Into the Sinking Fund, if required;

4. Into the Bond Reserve Fund so that the amount therein equals the bond reserve requirement, which is generally defined as an amount equal to maximum annual debt service;

5. Into the Renewal and Replacement Fund so that the amount therein equals the System Reserve Requirement which has been established by the Authority; and

6. Into the General Fund, to the extent available.

#### **B. Special Instructions to Trustee:**

1. All monies in the Revenue Fund shall be transferred by the Trustee on a monthly basis, first, into the Operating Fund, and then, into the several funds created by the Resolution in the following order, but only to the extent necessary to meet the respective required fund balances:

	<u>Required Balance</u>
a.) Operating Fund	\$987,858.00
b.) Bond Service Fund:	
<u>Series F</u>	
through payment of 6/1/14:	\$1,189,027.50
	(Interest due 6/1/14: \$89,513.75)
	(Interest due 12/1/14: \$89,513.75)
	(Principal due 12/1/13: \$1,010,000.00)
through payment of 12/1/14:	\$1,099,513.75
	(Interest due 12/1/14: \$89,513.75)
	(Principal due 12/1/13: \$1,010,000.00)
<u>Series H</u>	
through payment of 6/1/14	\$534,212.50
	(Interest due 6/1/14: \$262,106.25)
	(Interest due 12/1/14: \$262,106.25)
	(Principal due 12/1/14: \$10,000.00)
through payment of 12/1/14:	\$272,106.25
	(Interest due 12/1/14: \$262,106.25)
	(Principal due 12/1/14: \$10,000.00)
<u>Series G</u>	
through payment of 6/1/14:	\$131,932.13
	(Interest due 6/1/14: \$13,550.00)
	(Interest due 12/1/14: \$12,800.00)
	(Principal due 12/1/14: \$104,082.13)
through payment of 12/1/14:	\$116,882.13
	(Interest due 12/1/14: \$12,800.00)
	(Principal due 12/1/14: \$104,082.13)
2012 Energy Audit Improvements:	
through payment of 6/1/14:	\$116,057.99
	(Interest due 6/1/14: \$18,109.00)
	(Interest due 12/1/14: \$17,659.00)
	(Principal due 12/1/14: \$84,839.99)
through payment of 12/1/14:	\$102,498.99
	(Interest due 12/1/14: \$17,659.00)
	(Principal due 12/1/14: \$84,839.99)

c.) Sinking Fund:	\$ - 0 -
d.) Bond Reserve Fund:	\$2,245,567.12
e.) Renewal and Replacement Fund:	\$400,000.00
f.) General Fund:	the balance

2. On a monthly basis, the Trustee shall transfer by wire from the Operating Fund into the Authority's Operating Account maintained in the designated legal public depository, 1/12th of the Authority's annual operating budget or such amount as is requisitioned by the Authority to pay operating expenses for the previous month.

3. On a monthly basis, the Trustee shall determine whether the balances in the Operating Fund, Bond Service Fund, Sinking Fund, Bond Reserve Fund and Renewal and Replacement Fund are in excess of the required balance for each respective fund. Any amounts in excess of the required balance for each fund shall be transferred by the Trustee on a monthly basis, first, into the Operating Fund, and then, into the several funds created by the Resolution in the order provided in the preceding paragraph, but only to the extent necessary to meet the respective fund required balances. If the required balances of all funds are satisfied, any excess funds shall be paid into the General Fund.

#### **IV. Investment Broker**

A. Pursuant to the requirements of N.J.S.A. 40A:5-15.1.d. any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool or the State of New Jersey Cash Management Fund, shall be purchased and redeemed only 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 N.J.S.A. 49:3-56 and has at least \$25 million in capital stock, 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 and borrowing on such U.S. Government Securities. MorganStanley SmithBarney (attn: Stephen R. Schaeffer), 1600 Market Street, Suite 1200, Philadelphia, PA 19103 is hereby designated as Investment Broker for the Authority.

B. The Authority authorizes the Investment Broker to act for and on behalf of the Authority and to use monies which the Authority may have on hand for investment purposes in the Operating Fund, Bond Service Fund, Bond Reserve Fund, Renewal and Replacement Fund and General Fund, as well as in any open Construction Fund which may have been authorized under any bond resolution, to purchase only the types of securities which are authorized by law and this cash management plan to be purchased by the Authority and which, if suitable for registry, shall be registered in the name of the Bordentown Sewerage Authority. The Investment Broker shall be guided by the investment policies of this cash management plan but shall otherwise use its best

professional judgment and expertise in making investment decisions.

C. The Investment Broker shall provide a prior written disclosure and explanation to the Authority for any securities which are to be sold and which will result in a loss to the Authority. Such notice shall be directed to the Cash Management Plan Administrator via facsimile with hard copy to follow. The notice should be of the type that would enable a lay person to understand the reason for the sale and subsequent loss. Unless the Cash Management Plan Administrator or Authority expressly approves or requests the transaction (as confirmed in writing), the mere receipt of such notice will not constitute approval by the Authority of the transaction since the Authority is relying upon the professional judgment and expertise of the Investment Broker in making such investment decisions.

D. The Investment Broker shall be provided with, and sign an acknowledgment that the Investment Broker has seen and reviewed the cash management plan of the Authority. The Investment Broker shall also sign an acknowledgment that the government money market mutual fund whose securities are being sold to the Authority meets the criteria of a government market mutual fund as defined in this cash management plan.

**V. Securities Which May Be Purchased By or on Behalf of the Authority**

A. Pursuant to N.J.S.A. 40A:5-15.1, the Authority hereby authorizes the Investment Broker to purchase the following types of securities:

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 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 Authority, the City of Bordentown, the Township of Bordentown or school districts of which the City of Bordentown or the Township of Bordentown are 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. Agreement for the repurchase of fully collateralized securities, if:
  - (a) The underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection A herein;
  - (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.

B. Any investment instruments in which the security is not physically held by the Authority shall be covered by a third party custodial agreement which shall provide for the designation of such investments in the name of the Authority and prevent unauthorized use of such investments;

C. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Authority or a third party custodian prior to or upon the release of the Authority's funds.

D. Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, shall be purchased and redeemed 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. 93 (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.

E. For the purpose of this section:

(1) a "government money market mutual fund" means 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. § 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7;

(b) the portfolio of which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection A herein; and

(c) which is rated by a nationally recognized statistical rating organization.

(2) a "local government pool" means an investment pool:

(a) which is managed in accordance with 17 C.F.R. §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. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection A herein;

(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.93 (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.

F. Investments in, or deposits or purchases of financial instruments made pursuant to this section shall not be subject to the requirements of the "Local Public Contracts Law," P.L.1971, c. 198 (C.40A:11-1 et seq.).

## **VI. Investment Policies**

A. The policies to be used for selecting and evaluating investment instruments shall include preservation of capital, liquidity, current and historical investment returns, diversification, maturity requirements, costs and fees, and when appropriate, policies of investment instrument administrators and further, shall be based on a cash flow analysis prepared by the Cash Management Plan Administrator and shall be commensurate with the nature and size of the funds held by the Authority. All investments shall be made on a competitive basis insofar as practicable. When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

## **VII. Records**

A. When the securities so purchased are received by the Authority, or by the Trustee or Investment Broker on behalf of the Authority, the Cash Management Plan Administrator shall duly record the receipt thereof in an appropriate manner and, at the next regular or special meeting after such receipt, shall transmit a written report to the members of the Authority setting forth the amount of securities so received, the series, date, numbers and interest periods, if any, thereof and shall transmit said securities to Trustee, for safe keeping. The written report shall be recorded in the minutes of such meeting.

B. The Cash Management Plan Administrator shall prepare a monthly report to the Authority summarizing all investments made or redeemed since the last meeting of the Authority. The report shall set forth each organization holding Authority funds, the amount of securities purchased or sold, class or type of securities purchased, book value, earned income, fees incurred and market value of all investments as of the report date as well as any other information that may be required from time to time by the Authority.

## **VIII. Approval, Amendment and Administration of Plan**

A. The cash management plan shall be approved annually by majority vote of the Authority and may be modified from time to time in order to reflect changes in federal or state law or regulations, or in the designations of depositories, funds or investment instruments or the authorization for investments.

B. The Executive Director or, in his or her absence, the Administrative Manager, shall be charged with administering the plan and is hereby designated as the Cash Management Plan Administrator. The Cash Management Plan Administrator shall consult with the Authority solicitor, auditor and investment broker from time to time to insure the proper administration of the plan. The Cash Management Plan Administrator shall deposit or invest the monies of the Authority as designated or authorized by the cash management plan and shall thereafter, be relieved of any liability for loss of such monies due to the insolvency or closing of any depository designated by, or the decrease in value of any investments authorized by, the cash management plan.

C. Any official of the Authority involved in the designation of depositories or in the authorization for investments as permitted pursuant to the cash management plan, or any combination of the proceeding, or the selection of an entity seeking to sell an investment to the Authority, who has a material business or personal relationship with the organization, shall disclose that relationship to the Authority and to the Local Finance Board or the Municipal Ethics Board, as appropriate.

#### **IX. Payment of Bills by Authority**

A. The Authority shall not pay out any of its monies:

1. unless the person claiming or receiving the same shall first present a detailed bill of items or demand, specifying particularly how the bill or demand is made up, with the certification of the party claiming payment that it is correct, and

2. unless it carries a certification of some supervisory personnel of the Authority having knowledge of the facts that the goods have been received by, or the services rendered to, the Authority.

B. Notwithstanding the provisions of paragraph A herein, the Authority may, by resolution:

1. provide for and authorize payment of advances to officers and employees of the Authority toward their expenses for authorized official travel and incidental expenses, in a manner consistent with N.J.S.A. 40A:5-16.1;

2. provide for and authorize payment of an advance to any nonprofit organization or agency with which the Authority has entered into a service contract, for the purpose of meeting service programs start up costs, in a manner consistent with N.J.S.A. 40A:5-16.2; or

3. provide for and authorize payment in advance of estimated

administrative or direct service costs to the Authority or to any other party participating in a statutorily authorized joint, inter-local or other cooperative activity, in a manner consistent with N.J.S.A. 40A:5-16.3.

**X. Check Cashing Prohibited**

A. The Authority shall not engage in the practice of cashing checks with public funds.