

**CASH MANAGEMENT PLAN
OF THE TOWNSHIP OF LIVINGSTON
IN THE COUNTY OF ESSEX, 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 for the deposits ("Deposits") and investment ("Permitted Investments") of certain public funds of the Township of Livingston, 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 or dividend bearing accounts, except for those funds restricted by Federal or State regulations, 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 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 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. CASH MANAGEMENT POLICY

Objectives:

The priority of investing policies shall be, in order of descending importance, security, liquidity, and yield.

(1) **Security:** The safety of principal is the foremost objective of the cash management plan. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk.

(2) **Credit Risk:** Credit risk is the risk of loss due to failure of the security issuer or backer. Credit risk may be mitigated by:

(a) Limiting investment to the safest types of securities.

(b) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which an entity will do business.

(c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

(3) **Interest Rate Risk:** Interest rate risk is the risk that the market value of the securities in the Portfolio will fall due to changes in general interest rates. Interest rate

risk may be mitigated by:

(a) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and

(b) By investing operating funds primarily in shorter-term securities.

(4) **Liquidity:** The investment portfolio must remain sufficiently liquid structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

(5) **Yield:** The investment portfolio must be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investments of least importance compared to the safety and liquidity objective described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The Chief Financial Officer shall carefully evaluate any investment offering above market yields. Securities shall not be sold prior to maturity with the following exceptions:

(a) A declining credit security could be sold early to minimize the loss of principal.

(b) A security swap would improve the quality, yield, or target duration in the portfolio.

(c) Liquidity needs of the local unit require that the security be sold.

(6) Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio in accordance with the State Law and this policy. The Chief Financial Officer, acting in accordance with the written procedures and this cash management plan and exercising due diligence shall be relieved of personal responsibility of an individual security's credit risk or market price changes, provided that the liquidity of the sale of securities are carried out in accordance with the terms of the cash management plan and policy.

(7) Ethics and Conflicts of Interest

The designated officials involved in the investment process shall not have 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.

Actions of individuals involved in administering the cash management plan shall be governed by the Local Government Ethics Law. They shall disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. The designated officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Township of Livingston.

(8) Delegation of Authority

Authority to manage the cash management plan is granted to the Chief Financial Officer pursuant to N.J.S.A.40A:5-14. Responsibility for the operation of the cash management plan is hereby delegated to the Chief Financial Officer. No person may engage in a cash or investment transaction except as provided under the terms of the policy and the written procedures established by the Chief Financial Officer. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

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

The Plan is intended to cover the deposit and/or investment, whenever not legally prevented, of all funds and accounts of the Township of Livingston.

IV. DESIGNATION OF OFFICIALS OF THE TOWNSHIP OF LIVINGSTON AUTHORIZED TO MAKE DEPOSITS AND INVESTMENTS UNDER THE PLAN.

The Chief Financial Officer 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, the Chief Financial Officer of the Township of Livingston is authorized to supply to all depositories or any other parties with whom the Deposits or Permitted Investments are made a written copy of this Plan.

V. DESIGNATION OF DEPOSITORYES.

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 this Plan:

Bank of America
Bank of New York Mellon
Capital One Bank
Citibank, N.A.
Haven Savings Bank
Investor's Bank

J.P. Morgan Chase Bank
Lewellyn-Edison Savings Bank
M.B.I.A. (Municipal Investors Service Corporation)
M&T Bank
New Jersey Cash Management Fund
Regal Bank
Santander Bank
TD Bank
Valley National Bank
Wells Fargo

Also, for purposes of investing, any other institution presenting a GUDPA certificate may be used. All such depositories shall acknowledge in writing receipt of this Plan by sending a copy of such acknowledgment to the Designated Officials referred to in Section IV above.

VI. AUTHORIZED INVESTMENTS.

Except as otherwise specifically provided for herein, the Chief Financial Officer 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 federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date no greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no 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 of within which the school district is located.
- (5) Bonds or other obligations, having a maturity date no 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-90A); or
- (8) Agreements for the repurchases of fully collateralized securities if

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;

(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, c236 (C.17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

For the 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 of 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. 270.2A7.

(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.41 O(c.52: 14B-1 et seq.) by 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 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 and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

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

To the extent that any Deposit or Permitted Investment involves a document or security which is not physically held by the Township of Livingston, then such instrument of 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 such investments in the name of the Township of Livingston to assure that there is not unauthorized use of the 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 Township of Livingston or by a third-party custodian prior to or upon the release of the Township of Livingston's funds.

To assure that all parties with whom the Township of Livingston deals with 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 the Plan in writing, a copy of which shall be on

file with the Chief Financial Officer.

VIII REPORTING REQUIREMENTS

The Chief Financial Officer shall issue a written report within fifteen (15) calendar days of the close of each month, detailing 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 Livingston 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 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.

(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.

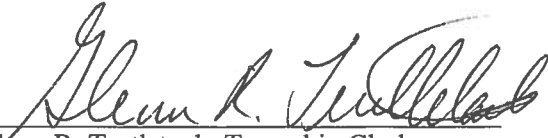
(h) All other information which may be deemed reasonable from time to time by the governing body of the Township.

IX TERM OF PLAN.

The Plan shall be in effect from January 1, 2017 to December 31, 2017. To the extent that any amendment is adopted by the Township Council, the Chief Financial Officer is directed to supply copies of the amendments to all of the parties who otherwise have received the copy of the originally approved Plan.

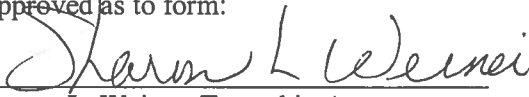


Shawn R. Klein, Mayor



Glenn R. Turteltaub, Township Clerk

Approved as to form:



Sharon L. Weiner, Township Attorney

Adopted: 1/2/17