

BOROUGH OF MENDHAM
MORRIS COUNTY, NEW JERSEY

RESOLUTION #134-2024

**RESOLUTION TO AMEND RESOLUTION # 010-2024 CASH MANAGEMENT PLAN SCHEDULE A
FOR CALENDAR YEAR 2024
TO INCLUDE A WIRE TRANSFER AND ACH PAYMENTS POLICY**

WHEREAS, the State of New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-14 et seq. requires that municipalities adopt a cash management plan, which is designated to assure to the extent practical investment of local funds in interest bearing accounts and other permitted investments; and

WHEREAS, the Borough is a member of the Municipal Excess Liability Fund (MEL) and the MEL's Joint Cash Management and Investment Program requires municipalities to adopt a Wire Transfer and ACH Payments Policy as part of the municipalities Cash Management Plan; and

WHEREAS, the Finance Committee has reviewed and recommended adoption of Wire Transfer and ACH Payments Policy; and

WHEREAS, the governing body is of the opinion that it is in the best interest of the Borough to amend the Cash Management Plan Schedule "A" to include a Wire Transfer and ACH Payments Policy and annexed hereto, pursuant to the Local Fiscal Affairs Law (N.J.S.A. 40A:5-14).

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Mendham that the Cash Management Plan Schedule "A" is hereby amended to include a Wire Transfer and ACH Payments Policy and annexed hereto shall serve as the Cash Management Plan for the Borough of Mendham for the calendar year 2024.

(Attachment: Amended Schedule A - 2024 Cash Management Plan)

This Resolution shall take effect immediately.

Dated: September 11, 2024

ATTEST

BOROUGH OF MENDHAM

Lauren McBride, Acting Borough Clerk

Christine Serrano Glassner, Mayor

SCHEDULE A

CASH MANAGEMENT PLAN OF THE BOROUGH OF MENDHAM

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 Borough of Mendham, (the "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 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 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. All investments shall be made on a competitive basis insofar as practicable.

IDENTIFICATION OF FUNDS AND ACCOUNTS TO BE COVERED BY THE PLAN

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

01 - Current Fund
02 - Grant Fund
04 - Capital Fund
05 - Sewer Fund
06 - Sewer Capital Fund
09 - Recreation Trust
10 - Housing Trust
11 - Police Forfeited Assets Trust
12 - Animal Control Trust
15 - Open Space Trust
16 - Developers Escrow Trust
17 - Police Special Duty Trust
18 - Public Assistance I Trust
19 - General Trust
20 - Payroll Agency Trust
21 - Unemployment Trust
25 - Public Assistance II Trust
26 - Net Payroll Acct
CL - Clearing/Claims Acct

DESIGNATION OF OFFICIALS OF THE BOROUGH AUTHORIZED TO MAKE DEPOSITS AND INVESTMENTS UNDER THE PLAN

The Chief Financial Officer of the Borough the “Designated Official” is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan and shall thereafter be relieved of any liability for loss of such moneys due to insolvency or closing of any depository designated by, or the decrease in value of any investment authorized, by the Cash Management Plan. Prior to making any such Deposits or any Permitted Investments, such official of the Borough is 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 official.

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 this Plan:

- Lakeland Bank
- Peapack-Gladstone Bank
- Provident Bank
- Valley National Bank
- Santander Bank
- PNC Bank
- TD Bank
- Wells Fargo Bank
- Bank of America
- County of Morris Local Government Investment Program
- State of New Jersey Cash Management Fund

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

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 Official 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 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 referred to in Section III above.

- None at this time

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:

- i. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- ii. Government money market mutual funds;
- iii. Any obligation that a federal agency or 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;
- iv. 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;
- v. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
- vi. Local government investment pools;
- vii. 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
- viii. Agreements for the repurchase of fully collateralized securities if:
 1. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 2. the custody of collateral is transferred to a third party;
 3. the maturity of the agreement is not more than 30 days;
 4. 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
 5. a master repurchase agreement providing for the custody and security of collateral is executed.
 6. 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 other financial intermediary 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. 1997, 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.

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; in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection (a) of this section and 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", 5 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.
- (c) 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.

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. Same as Money Market;
- (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 and borrowing on such U.S. Government securities.

Any official involved in the designation of depositories or in the authorization for investments as permitted pursuant to section 8 of P.L. 1977, c.396 (C.40A:5-15.1), or any combination of the preceding, or the selection of an entity seeking to sell an investment to the local unit who has a material business or personal relationship with that organization shall disclose that relationship to the governing body of the local unit and to the Local Finance Board or a county or municipal ethics board, as appropriate.

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 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 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 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.

REPORTING REQUIREMENTS

On the first day of each month during which this Plan is in effect, the Designated Official(s) referred to in Section III hereof shall supply to the governing body of the Borough a written report of any Deposits or 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 as Deposit or 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.
- E. The earned income on such Deposits or Permitted Investments.
- 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.

TERM OF PLAN

This Plan shall be in effect from January 1, 2024, to December 31, 2024. The Plan may be amended from time to time by resolution of the governing body. To the extent that any

amendment is adopted by the Borough, 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.

WIRE TRANSFERS AND ACH PAYMENTS POLICY

The following requirements are part of the Borough's wire transfer and ACH payments policy:

- a) The authorized officials to initiate/set-up and release wire transfers and ACH payments are the Chief Financial Officer (initiates) and Borough Administrator or Deputy Borough Administrator (release) respectively. The Official with financial administrative rights that is tasked with this process is required to have an appropriate level of responsibility. This official will set up the wire transfer or the ACH payment. The other official, also with an appropriate level of responsibility will authorize the release of the wire or ACH payment directly with the bank utilizing a separate platform other than the electronic platform utilized to initiate the wire, i.e., Telephone call or Phone Text, not an email on the same network.
- b) Free form wire transfers and ACH payments must be blocked in the banking system. Only wire transfers where an approved wire or ACH template is authorized are allowed. Wire and ACH Template authorizations should go through the same approval process as noted in a) above, wherein the Chief Financial Officer initiates and the Borough Administrator or Deputy Administrator releases/confirms. Also, any changes to a template must be authorized using this same process. A wire transfer or ACH payment requires at least two forms of verification from the vendor bank before a transfer can be authorized. The verification should include: (i) multi-factor authentication for each authorized user; (ii) user verbal authorization and verbal confirmation using phone contact information on file, not the phone number in an email; and (iii) a limited email exchange to confirm the wire transfer. The additional factor(s) can be a text with a code sent to an authorized user's smartphone, a hard token, or biometrics. The email exchange shall never contain specific information relating to the actual contents of the transfer.
- c) For all wire/ACH transfer of funds, the following information is required:
 - i. Must create a template for all transactions.
 - ii. Name of person spoken to, including the recipient vendor title and telephone number.
 - iii. Name of the two individuals that verbally and in writing confirmed the authorization of the transfer, and the receiving bank information, including routing number, account number and dollar amount.
 - iv. Confirming telephone call to vendor/receiving entity verifying transfer authorization, receiving bank information including routing number, account number and dollar amount.
 - v. Memorialization of the transfer and confirmation of completion of the transaction.

vi. Exception to the above is when a recurring transaction with an established template is transacted, steps iii-v will not have to be completed.

d) Memorialization of each transfer/payment must be filed with the Chief Financial Officer/Treasurer and made available for audit.

e) A detailed description of all wire transfers and ACH payments must be filed with the Borough Administrator and the Clerk.

f) Verbally confirm, within 24 hours, with receiving vendor/entity that the funds were credited to their account.

g) Wire transfers are restricted to infrequent or emergent matters, and real estate transactions, rather than for routine payments to vendors. Templates must be set up for wire transfers and ACH payments.

h) Maximum transfer amounts shall be set for wire transfers and ACH payments with the banks and financial institutions designated as the Borough's Official depositories.

i) Establish on-line banking alerts for all wires & ACHs changes to a template. The online banking policy must include a requirement that the wire/ACH is not released until the recipient of the alert approves it.

j) International wires transfers are prohibited.

k) The Chief Financial Officer/Treasurer must use blocks and alerts in their banking system to ensure that any transactions not specifically authorized will be flagged by the banking system, and the Chief Financial Officer/Treasurer must authorize each flagged transaction. The use of a Payee Positive Pay system for all checks and ACH transactions is required.

l) Notify the bank and Chief Financial Officer/Treasurer immediately if suspicious activity is detected.