

6700 INVESTMENTS/CASH MANAGEMENT PLAN

A. Purpose

To adopt Policy establishing a formal "Cash Management Plan".

B. Authority

Board of Education, Point Pleasant.

C. Statement of Policy

It shall be the policy of the Board of Education of Point Pleasant to adopt a Cash Management Plan, and to authorize the School Business Administrator/Board Secretary, Point Pleasant Schools to administer said Cash Management Plan, for the purpose of deposit and investment of maximum available funds in interest bearing instruments.

D. Definitions

Eligible Public Depositories

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 which receives or holds public funds on deposit. The Board of Education may make deposits in, or purchase certificates of deposit from banks which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act. The Board of Education shall designate said depositories, by resolution, at the annual reorganization meeting.

Interest Bearing Account

An account or time deposit in an eligible public depository, earning interest, or any deposit in the State of New Jersey Cash Management Plan.

Compensating Balance Account

An account at an eligible depository which pays no interest (or interest lower than one half of one percent of maximum) in return for specific services, i.e. check sorting and printing, reconciliations, payroll, bond and coupon accounts, and wire transfers.



Bond Proceeds

Proceeds of a bond sale or from Bond Anticipation Notes are potential sources of cash for investment. There are restrictions on the percent of interest that bond money can earn. There are no restrictions on the investment of proceeds from Bond Anticipation Notes.

Arbitrage

Arbitrage refers to the rules and regulations governing the issuance of bonds or notes and the reinvestment of the proceeds at a higher yield. These regulations are governed by the Internal Revenue Service (reg. 1.103.1).

Cash Management Fund

The New Jersey Cash Management Fund is a professionally managed investment fund which any local Board of Education may use in lieu of or as part of their own investment program.

E. Requirements

Although not required by, but pursuant to N.J.S.A. 40A:5-15, all monies collected or received from any source by or on behalf of the Board of Education shall be paid to the "Point Pleasant Board of Education", who shall deposit all such funds within seventy-two hours after receipt, to the credit of the Point Pleasant Board of Education in designated legal depository.

F. Exceptions

The following types of funds are not required to be placed in interest bearing accounts:

1. Petty cash funds;
2. Cash drawn from a Federal agency under a letter of credit, which cash is to be paid out within five working days to a vendor;
3. Deposits, retainage, or amounts posted by way of bond, held by the Board of Education for such things as faithful performance, if the Board of Education would be required by law to pay back any interest earned to the provider of the deposit, except where the Board of Education is required by law or court decision to invest the funds; and



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 such a rate if such a rate is obtainable.
- G. Responsibilities
- School Business Administrator/Board Secretary
- The School Business Administrator/Board Secretary, Point Pleasant Board of Education or his/her designee, as appointed by him/her shall be responsible for:
1. Designating Depositories

Shall make recommendations of legal public depositories to the Board of Education who shall, by resolution, designate said depositories at the annual reorganization meeting.
 2. Analyzing Cash Flow

An important part of establishing the Board of Education investment program includes detailed study of "cash flow" - when money comes in, when it goes out, and how much cash lies available for how long. Such an analysis provides the information needed to plan a viable investment procedure, including the projected length of time that funds can be invested in order to take full advantage of maturity periods with the highest yields. To determine and apply cash flow data, the School Business Administrator/Board Secretary should:

 - a. Analyze and chart the monthly total receipts, disbursements and bank balances to establish normal patterns. This will indicate when, during the year, balances are high and low;
 - b. Analyze and chart by month for the same period, selected major categories of receipts and disbursements - income from local sources, tax levy, State aid accounts, Federal agency accounts, expenditures and capital outlay. This will alert the School Business Administrator/Board Secretary to possible rescheduling of payments that will result in extending the life of short-term investments;



- c. Project the monthly data for each fund for six months; and
- d. Review the projections bi-monthly in light of actual figures and refine the data collected to account for changes in income and expenditures - then revise to improve cash availability for future investments. Revisions may include changing expenditure dates to lengthen the time that money remains on deposit, and improving methods for the collection of cash receipts.
- e. The School Business Administrator/Board Secretary is authorized to project average monthly available cash balances and prepare a request for proposals to seek competitive proposals from banking institutions to maximize interest on available cash balances and minimize banking costs.

3. Determining Available Funds

A thorough analysis of cash flow, as outlined above, will give the School Business Administrator/Board Secretary the ability to determine available funds for investment at any given time.

4. Choosing Investments

The School Business Administrator/Board Secretary shall seek the most advantageous investments and evaluate such investments based upon the following criteria: maturity, length of investment, and liquidity or opt to bid for the highest possible interest return on anticipated available cash balances.

Market prices fluctuate according to economic conditions and can change daily. The Wall Street Journal and The New York Times carry listings of available Federal Securities and their approximate daily prices. Generally, the larger denominations of securities will carry higher interest rates. The School Business Administrator/Board Secretary, therefore, may find it advantageous to pool various accounts in order to make one \$100,000.00 investment (for example), rather than several smaller investments.

As permitted by Section 1 of P.L. 1977, c.177 (c.18A:20-37), amended under Chapter 148 (Second Annual Session - 1997, Assembly No. 832), the Board of Education may use monies which may be on hand, for the purchase of the following types of securities, when authorized by resolution adopted by a majority vote of all its members:



- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, which collateral shall be delivered to or held by the investment company or investment trust, either directly or through an authorized custodian;
- b. Government money market mutual funds;
- c. 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 three hundred ninety seven days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- d. Bonds or other obligations of the school district, or bonds or other obligations of the local unit or units within which the school district are located;
- e. Bonds or other obligations, having a maturity date of not more than three hundred ninety seven days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by school districts;
- f. Local government investment pools;
- g. 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
- h. Agreements for the repurchase of fully collateralized securities, if
 - (1) The underlying securities are permitted investments pursuant to paragraphs a. and c. of this section;
 - (2) The custody of collateral is transferred to a third party;
 - (3) The maturity of the agreement is not more than thirty days; and
 - (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 for which a master repurchase agreement providing for the custody and security of collateral is executed.



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

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

Any investments not purchased and deemed 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 twenty five million dollars 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 the purposes 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 a. and c. of this section; and



- (c) Which is rated by a nationally recognized statistical rating organization.
- (2) A "local government investment 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) 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 a. and c. of this section;
 - (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, a 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 twenty-five million dollars



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.

Investments in, or deposits or purchases of financial instruments made pursuant to this section shall not be subject to the requirements of the "Public School Contracts Law", N.J.S.A. 18A:18A-1 et seq.

Note: The investment in derivative securities is not allowed.

Auditor

The Board of Education's investment practices and the agreement for banking services and compensation thereof shall be reviewed by the Auditor as part of the annual audit.

N.J.S.A. 17:9-41 et seq.; 17:12B-241

N.J.S.A. 18A:17-34; 18A:17-36; 18A:20-37; 18A:24-47

N.J.S.A. 40:3-7

N.J.S.A. 40A:5-14; 40A:5-15.1

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