Cash Flow Management & Operations

cashvest
A PROUD PARTNER WITH NATIONAL ASSOCIATION of COUNTIES NACo.

ALASKA MUNICIPAL LEAGUE

three+one.

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Thank you for having us!

Some of the challenges finance officers tell us we solve

Don't have enough
staff to meet all of their requirements

Need to generate additional
revenue/savings for budgets

Would like to adopt new
technology resources to accelerate
financial innovation

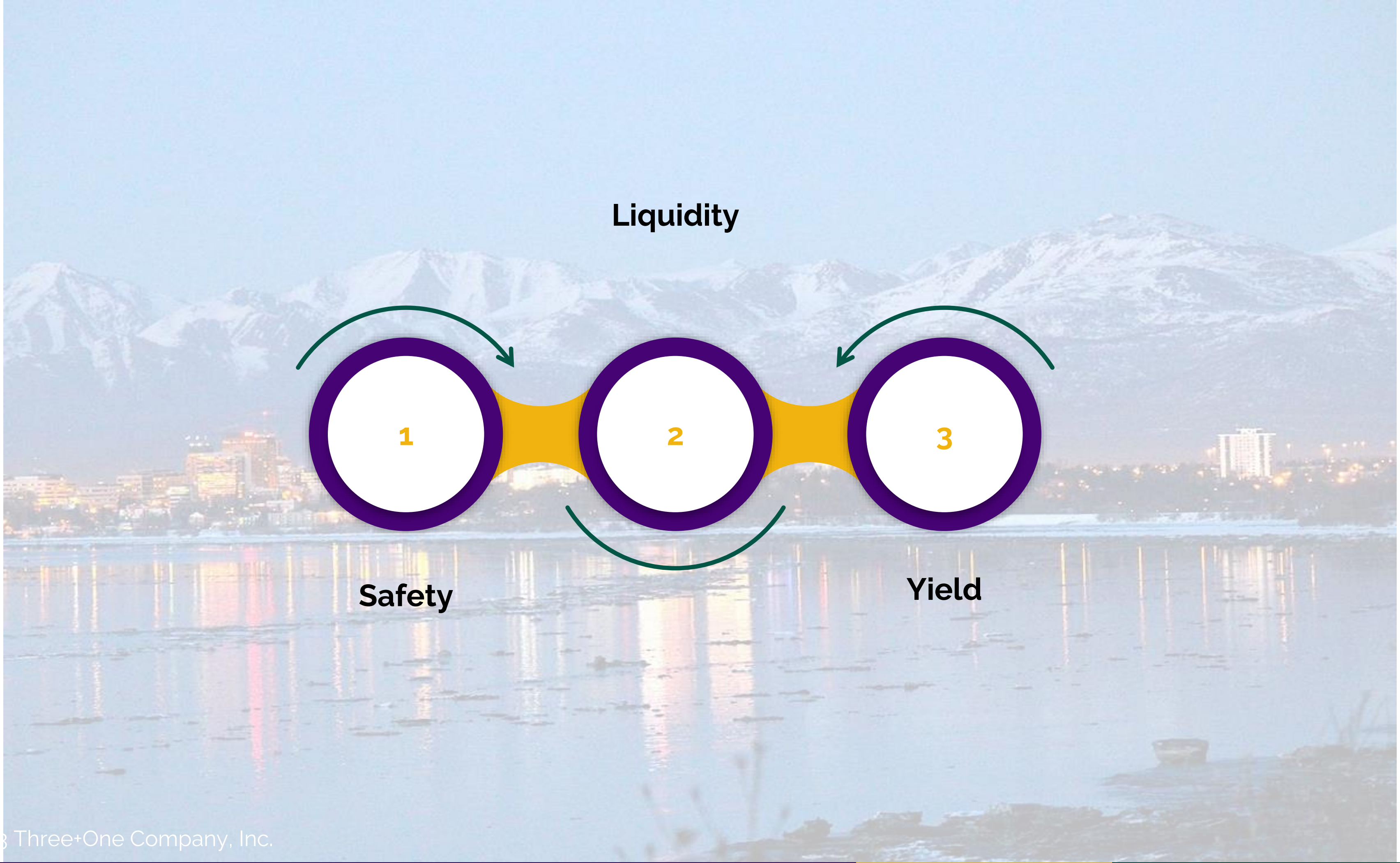
Need continuity of cash
flow projection development with
staffing turnover

Don't have time to analyze
cash & banking services the way
they would like

Difficult measuring
liquidity resilience requested by
rating agencies & Boards

Most public entities say they don't have the time to look at data or document any value found in it.

-Ash Center for Democratic Governance and Innovation at the Harvard Kennedy School


Liquidity
1
2
3
Safety
Yield

Review of Finance 101

Cash Flow vs. Liquidity Analysis

Daily *ins* and *outs*
of revenues & expenditures
- cash flow

The *measurement* &
value of all your entity's cash
- liquidity

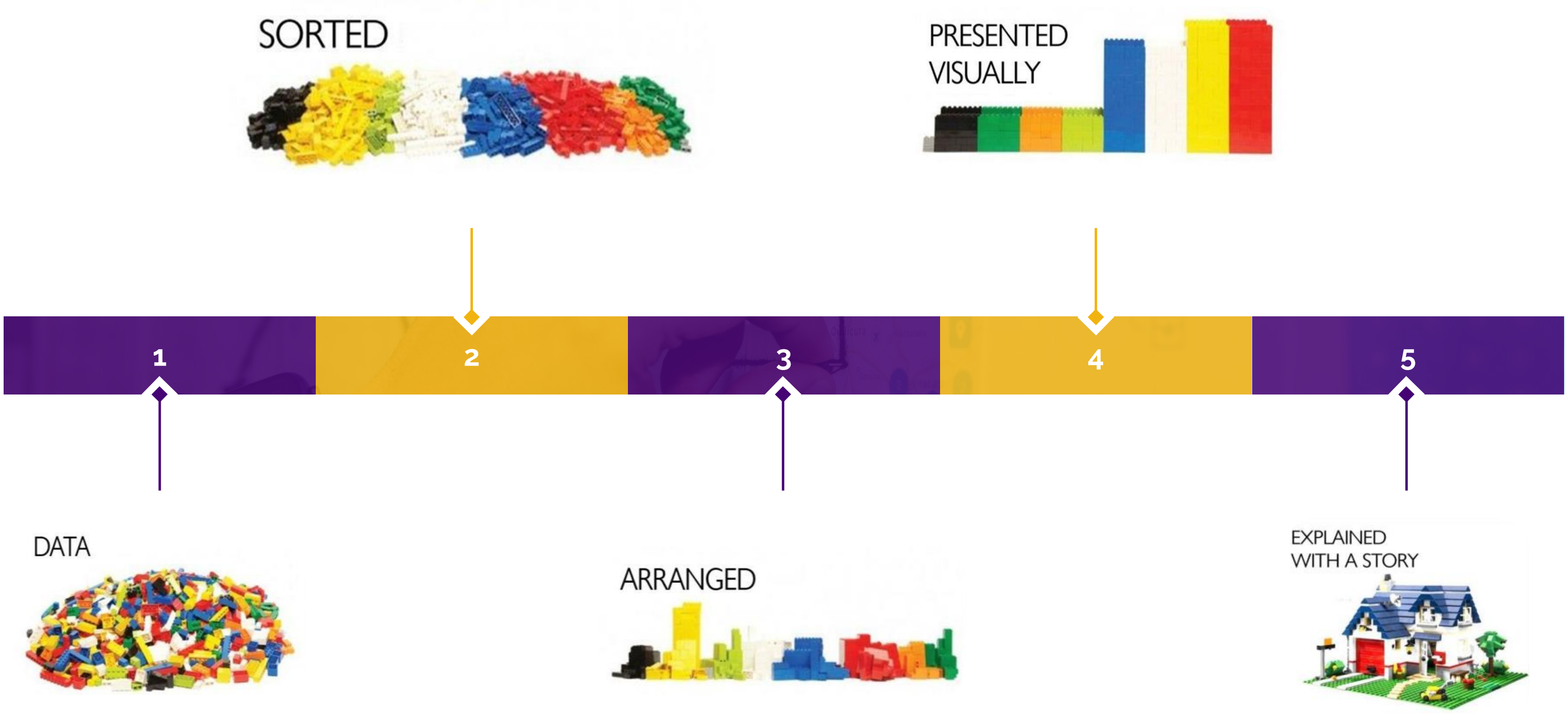
Sample Municipality
General Fund
Cash Flow Projections FY 20XX
(in thousands)

	Actual													TOTAL
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	13	
Operating Revenues														
Unrestricted Revenue	70,096	67,863	121,799	194,162	54,994	91,039	90,580	59,693	182,265	231,552	59,871	100,487	2,016	1,326,416
Restricted Revenue	111,610	105,314	100,858	341,041	162,024	132,336	147,208	152,763	150,005	153,304	168,967	164,927	84,841	1,975,196
Total Revenue	181,706	173,177	222,658	535,202	217,017	223,375	237,788	212,455	332,270	384,856	228,837	265,415	86,857	3,301,613
Expenditures														
Salaries & Benefits	59,430	69,543	49,349	55,842	50,227	52,291	47,593	73,137	51,624	47,009	52,401	52,410	1,057	661,912
Welfare	95,977	99,526	83,546	107,524	103,817	96,191	101,811	108,664	93,948	111,273	112,481	106,719	0	1,221,476
Grants & Subsidies	38,136	36,459	58,339	34,582	31,770	104,111	63,087	39,733	22,902	58,169	49,308	24,102	156	560,853
Debt Service	1,499	27,814	1,646	16,581	14,096	179	798	412	5,439	10,065	11,324	(7)	(3)	89,843
Capital Expenditures	2,385	2,254	3,346	2,969	2,061	1,931	1,745	8,013	1,769	2,569	3,945	3,889	(22)	36,853
Inter-Agency Grants	96,093	63	0	93	279	29	66	7	46	10	73	88	166	97,013
Other	22,238	30,711	21,875	209,111	25,882	40,086	48,769	29,202	31,856	41,123	40,755	46,714	7,007	595,328
Total Expenditures	315,758	266,370	218,101	426,702	228,132	294,819	263,868	259,166	207,585	270,218	270,285	233,914	8,361	3,263,278
Incr (Decr) in A/P	89,672	(5,106)	(10,347)	(7,132)	(8,001)	(8,426)	(8,315)	(4,775)	(10,131)	(5,684)	(2,997)	(17,376)	0	1,383
Total Cash Uses	226,085	271,476	228,447	433,834	236,133	303,245	272,183	263,941	217,715	275,902	273,282	251,291	8,361	3,261,896
Net Cash Provided by Operations	(44,380)	(98,300)	(5,790)	101,369	(19,116)	(79,870)	(34,395)	(51,486)	114,555	108,954	(44,445)	14,124	78,496	39,717
Other Sources (Uses)														
Transfer In	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to Benefits Fund	(15,029)	(15,089)	(14,903)	(14,919)	(15,633)	(14,824)	(1,963)	(10,761)	(14,834)	(15,302)	(15,162)	(15,838)		(164,257)
Bond Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(633)	73,403	4,085	(5,741)	9,820	(9,661)	(2,892)	5,374	2,186	(5,353)	50,035	(6,809)	53,059	166,873
Total Other	(15,662)	58,314	(10,818)	(20,660)	(5,813)	(24,485)	(4,855)	(5,386)	(12,648)	(20,655)	34,873	(22,648)	53,059	2,616
Net Incr (Decr) in Cash	(60,041)	(39,986)	(16,608)	80,709	(24,929)	(104,355)	(39,250)	(56,872)	101,907	88,299	(9,572)	(8,524)	131,555	42,333
Cash - Beginning	383,570	323,529	283,543	266,935	347,644	322,715	218,360	179,110	122,238	224,145	312,444	302,872	294,348	383,570
Cash - Ending	323,529	283,543	266,935	347,644	322,715	218,360	179,110	122,238	224,145	312,444	302,872	294,348	425,903	425,903

Cash Forecasting

Every finance/treasury office should do some sort of **cash forecast** that as much as possible can be reconciled back to the municipality's budget.

Preparing this type of forecast allows the treasury function to look across government and be one of the important **pillars of public financial management**. Preparing and monitoring this type of forecast gives us **early warning signals** that our intuition and data may not recognize.


SORTED
PRESENTED VISUALLY
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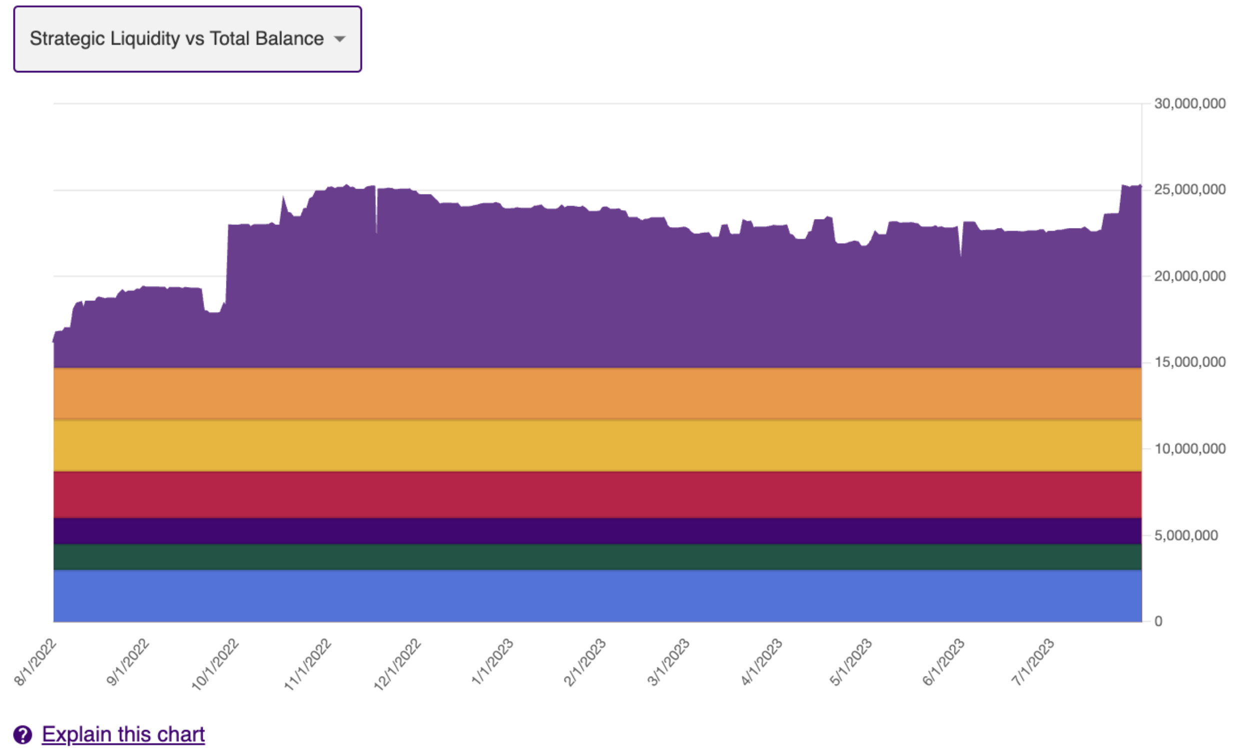
5
DATA
ARRANGED
EXPLAINED WITH A STORY

Liquidity Displayed For Decision Making



Liquidity Displayed for Decision Making

	Level $0	Level $0	Level $2	Level $2	Level $2.5	Cushion $2.8	Working Capital $6,327,343	Total $15,627,343
Duration	24-30 Month	18-24 Month	12-18 Month	06-12 Month	01-06 Month	Up to 30 days	Daily	Varies
Benchmark rates	3.45%	3.48%	3.50%	3.32%	2.86%	2.40%	2.40%	2.70%
Benchmark Value	$0	$0	$70,000	$66,400	$71,500	$67,200	$151,856	$426,856

Prudently investing public funds is a bit like climbing a staircase

Stable, steady, upward progression is the key. The sooner you put available cash to work earning interest, the higher your net earnings will be. A series of safe, dependable, laddered investments that take into consideration the factors of, “how much”, for “how long”, and then researching the most advantageous interest rates available, is the key to success.

Comparing Interest Rates
Can Make A Huge Difference In Earnings

#	Term	Rate
Option #1	12-month CD	5.62%
Option #2	12-month T-bill	5.44%
Option #3	6-month T-bill	5.53%
Option #4	6-month CD	5.72%
Option #5	90-day T-bill	5.47%
Option #6	90-day CD	5.67%
Option #7	money-market	3.75%
Option #8	IBC (Interest Bearing Checking	2.75%

Benchmarking bank rates against U.S. Treasury rates, and against other comparable banks, ensures that you are **receiving full marketplace value** on all cash and liquidity**.**

This chart shows actual interest rate quotes on a $5,000,000 investment as of 9/18/2023:

$5.0m @ 5.72% = **$ 286,000** 1 year earnings

$5.0m @ 2.75% = **$ 137,500** 1 year earnings

$ 148,500 = Net additional revenue on just ***one*** *investment!*

Takeaways

Use your data, stress test it and display it in a way that allows you to ***"see" how long you can invest it.***

Use the yield curve and treasuries to ***increase prudently the return on your cash.***

Review your bank fees and ECR for "hidden" opportunities to nudge ***your expected return higher****.*

THANK YOU

Do you have any questions?