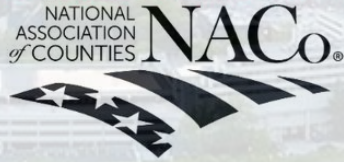




A PROUD PARTNER WITH



# ***Top 10 Trends of a Well Run Treasury Department***

# Presenter



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Vice President

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# 1. Understand that data has power to help drive decision making



“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



DATA



ARRANGED



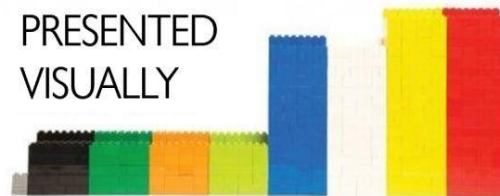
EXPLAINED  
WITH A STORY



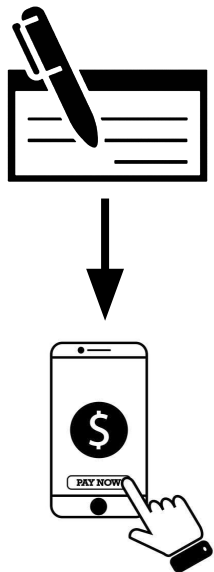
SORTED



PRESENTED  
VISUALLY



# Case Study



## *Electronic Payments*

- Total checks issued < \$100 = 14,901
- Total dollars = \$622,616 for an average size of \$41
- Cost to cut a check is \$0.21 in banking fees + \$1 for envelope & stamp = \$1.21/check.
- 10% of total checks issued between \$1,000 & \$10,000 = 5,733
- 10% of the dollars in this range = \$8,358,704
- **Cost of an ACH is \$0.19. Total potential savings is \$1.02/check**
  - Total # of check reduction = 20,634
  - Savings = **\$21,046 annually**





**2. Has an up to date  
business continuity  
plan in place**

# Business Continuity Planning

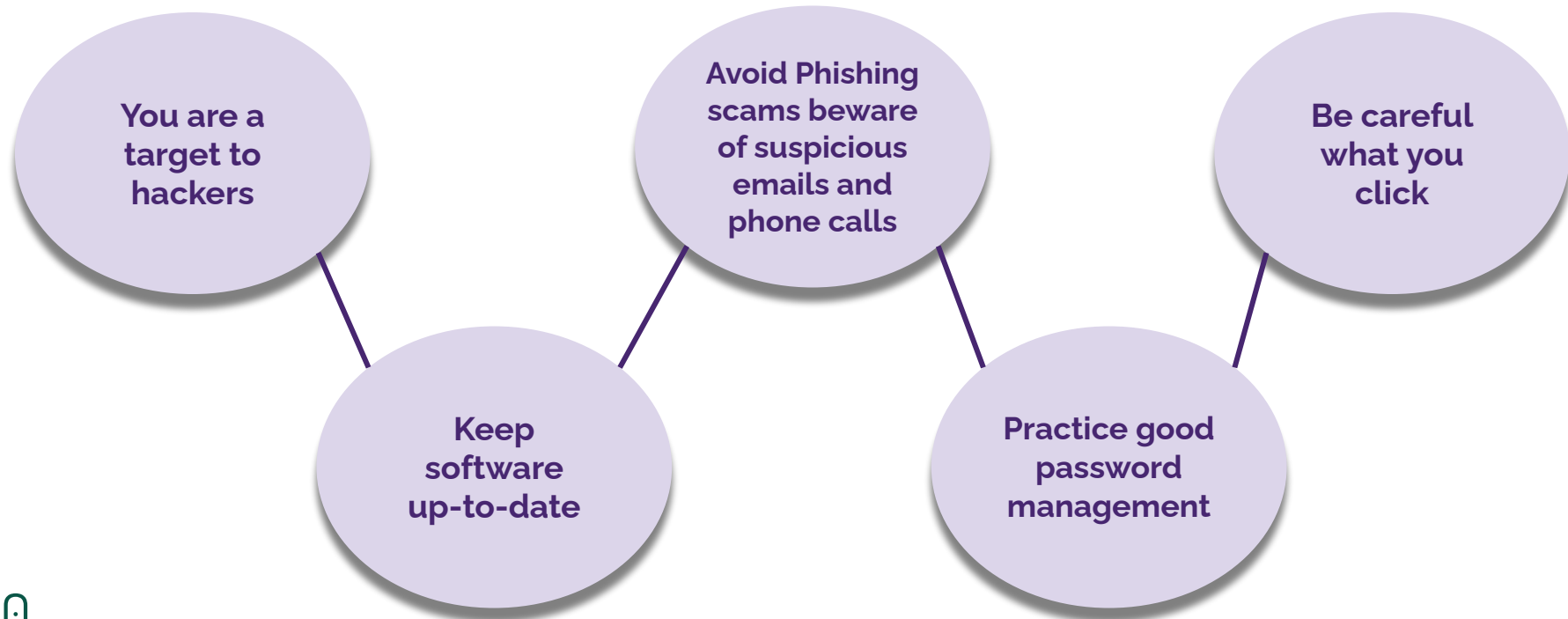
- Can you develop, test, and maintain a plan to continue basic operations during and immediately after disruptive events?
- Covid showed we could perform many treasury functions remotely and we made the choice to work remotely or at least minimize staff in office working. What lessons learned are we incorporating?
- How does our treasury business continuity plan synch up with other financial functions in our government? (i.e. accounting, budget, purchasing)
- Do we have duplicative systems/processes in the event an issue with one of our financial institutions? (Could we make vendor payments from a secondary bank?)



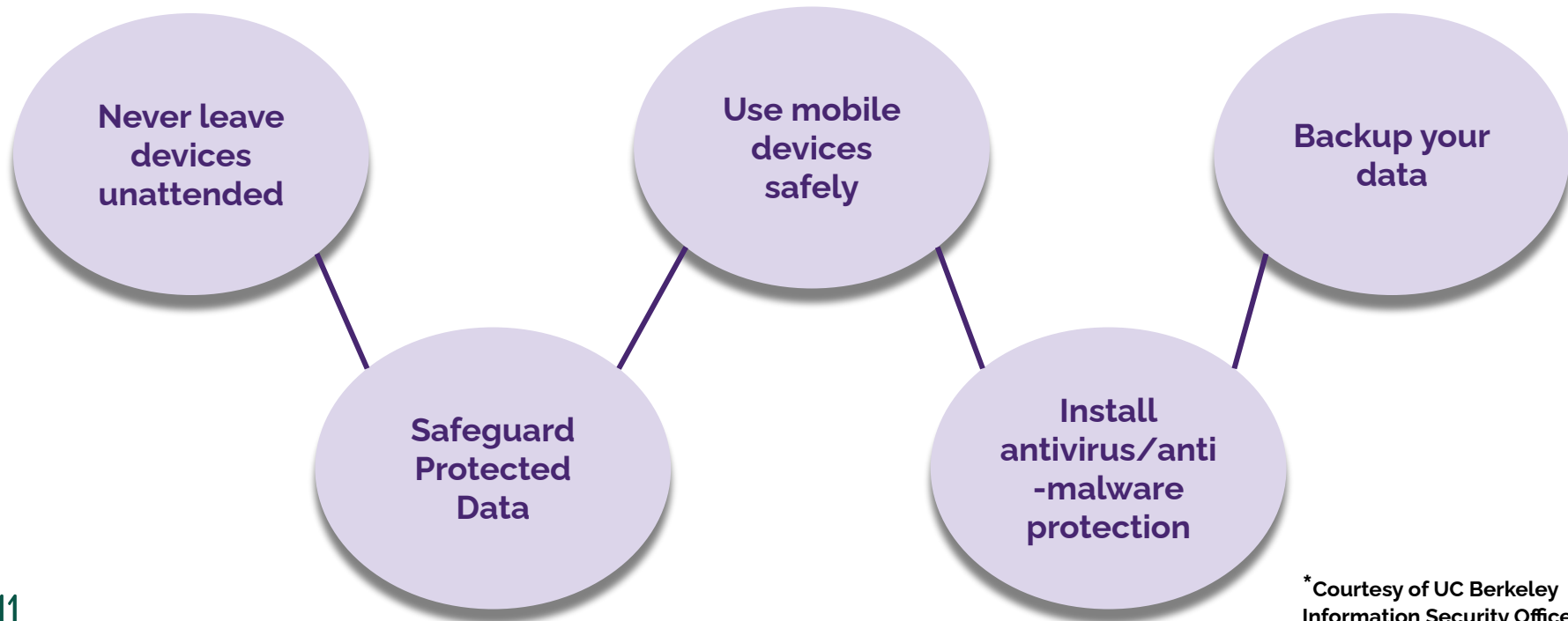
### 3. Is cyber security aware!



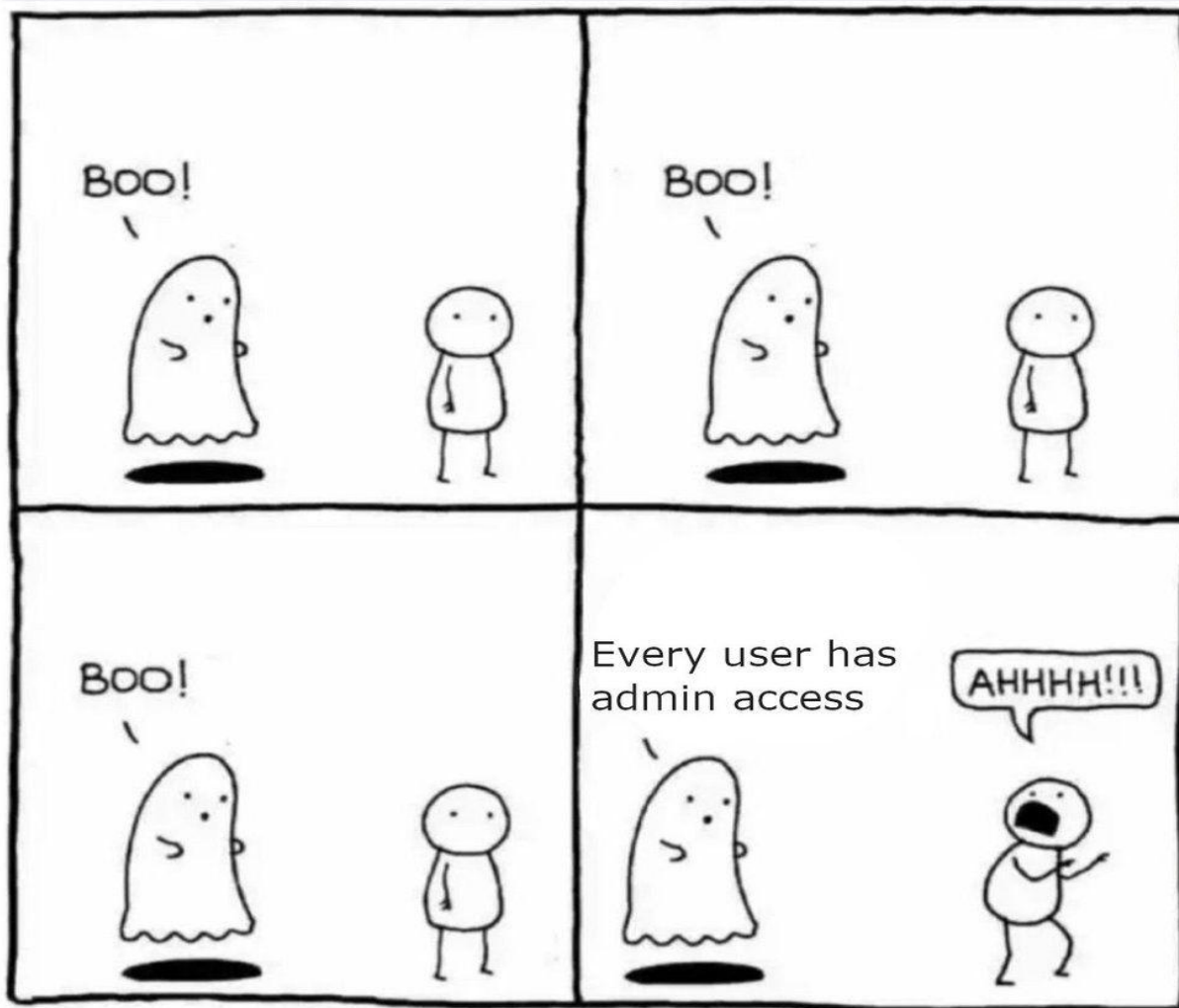
# 10 Tips for Cyber Security and Awareness



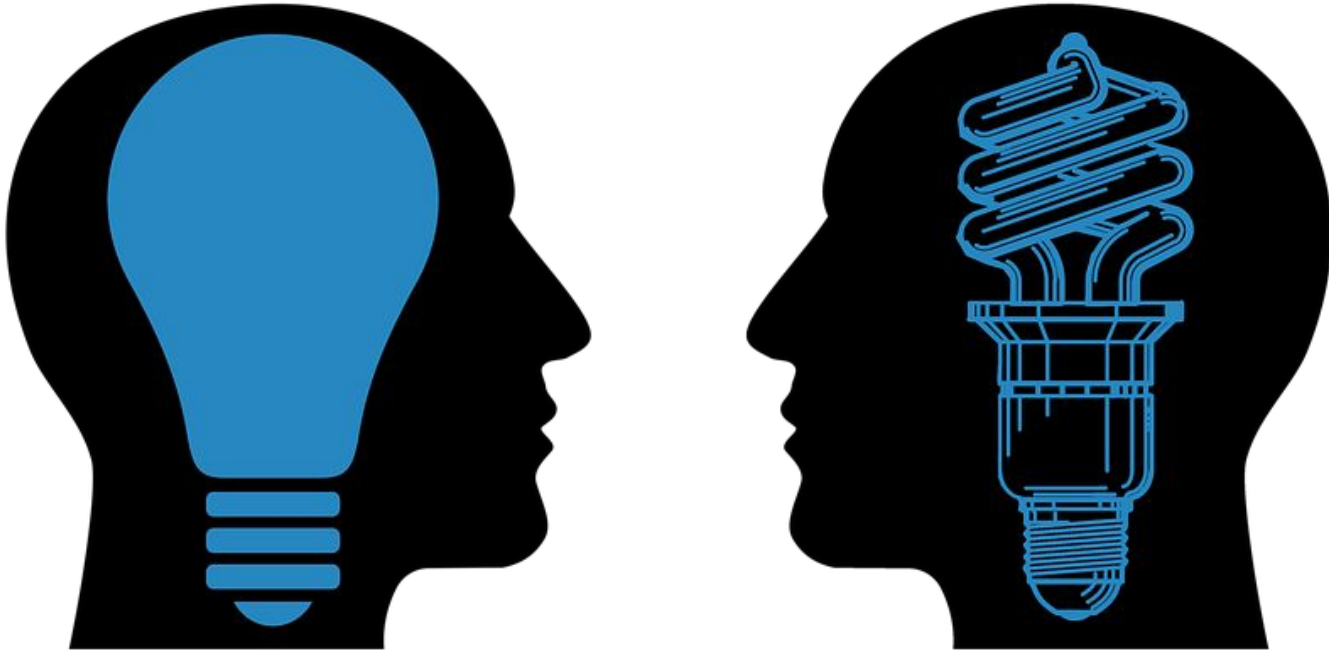
# 10 Tips for Cyber Security and Awareness



\* Courtesy of UC Berkeley Information Security Office



## 4. Open to innovation





93%

of citizens think government  
should accept digital payments\*

---

Accept digital payments for these services and more:



Property, income, and  
business taxes



Vehicle registration,  
parking, and traffic tickets



Public transit



Business licensing



Postal services.



Court fees



Child-support payments.



Recreation and park fees



# Ideas

➤ *Online payment portal*

➤ *Self-services and intelligent chat*

➤ *Touchless transactions and automation*

➤ *Liquidity monitoring tools*

➤ *Letting the bank cut checks*

➤ *Electronic payment policy*

➤ *Budgeting tools*

➤ *Using innovative payment options like PayPal or Venmo*

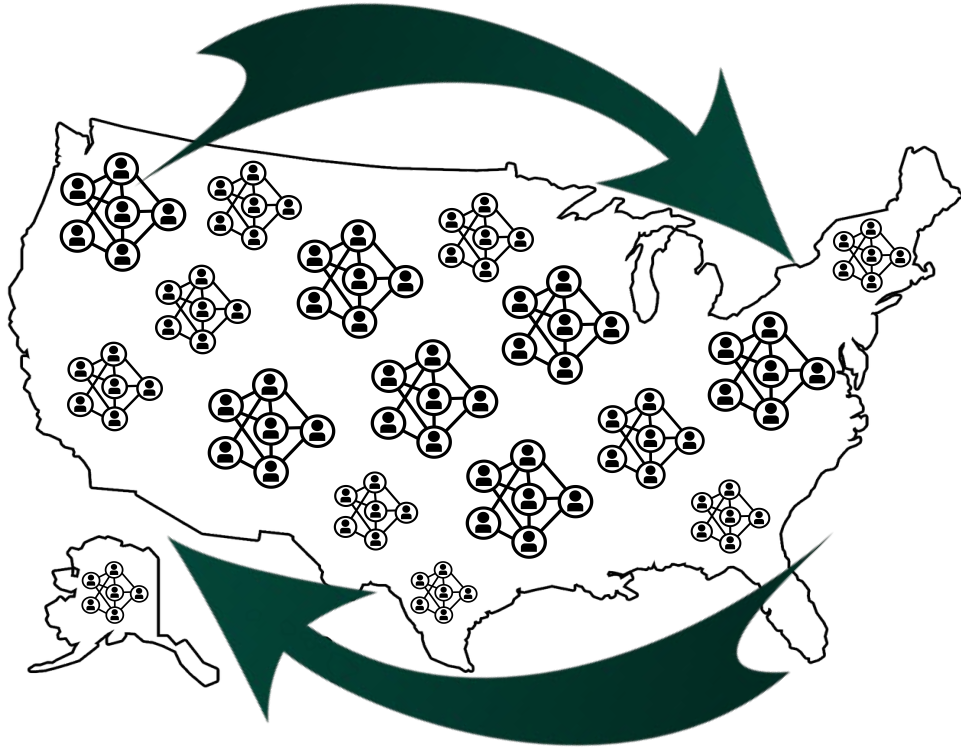
## 5. Has an active investment policy



# Ask yourself - “What is an ‘active Investment policy’?”

- Do we use all the available tools?
- Do we get feedback from investment professionals?
- Does it support our internal controls?
- Is it reviewed annually by employees?
- Is it approved by your governing body?
- Are we familiar with what is in it?





**6. Knows peer  
and market  
benchmarks**

# Comparing peer bank benchmarks can make a real difference in earnings!

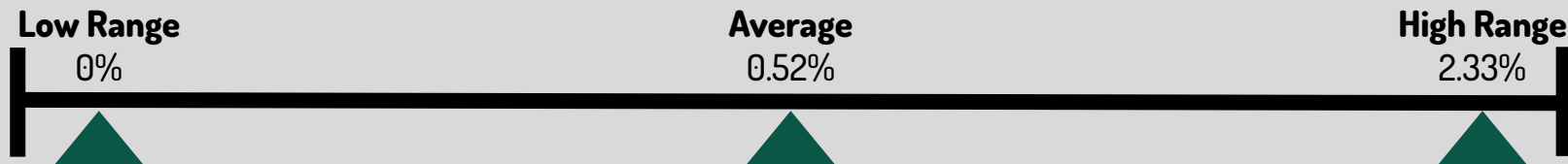
Benchmarking bank rates against U.S. Treasury rates, and against other comparable banks, ensures that you and your taxpayers are **receiving full marketplace value** on deposits.

	Term	Rate
Option #1	12-month CD	3.75%
Option #2	12-month T-bill	4.16%
Option #3	6-month T-bill	3.91%
Option #4	6-month CD	3.25%
Option #5	90-day T-bill	3.35%
Option #6	90-day CD	2.95%
Option #7	Liquid	2.75%

## Range of actual interest rate quotes on a \$5,000,000 investment as of September, 2022:

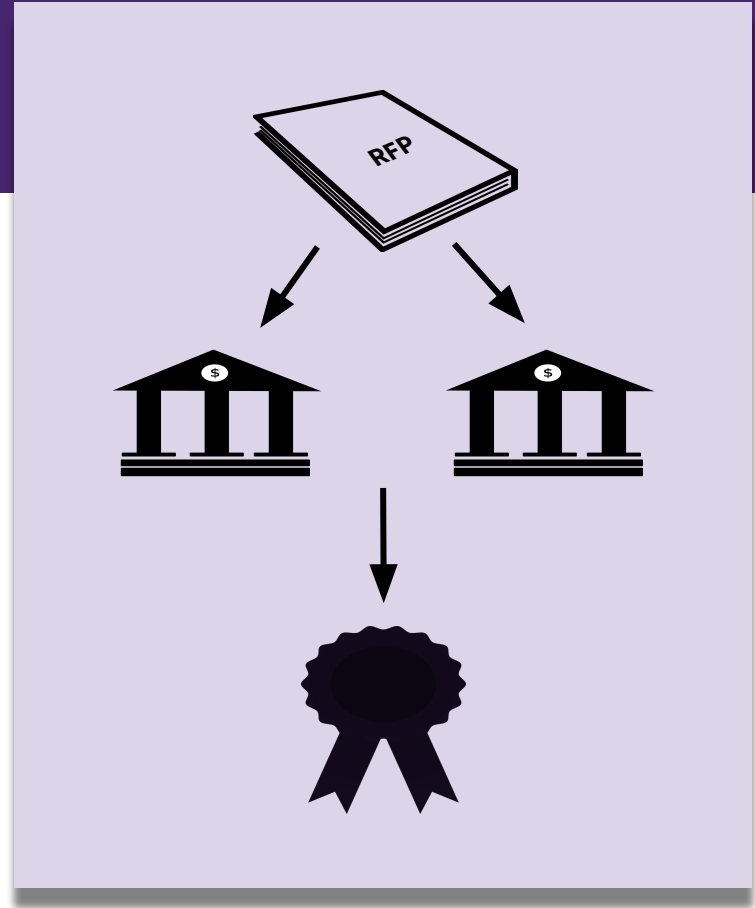
- Benchmarks help you know more about what your cash is worth, and they ensure you are always maximizing the value on all financial resources.
- \$5m @ 4.16% = **\$208,000** interest revenue
- \$5m @ 3.75% = **\$187,500** interest revenue

# Current Range of ECRs





## 7. Knows when to go out for a Request for Proposal (RFP)



# What are some reasons why I should go out for an RFP?

**R** *equest*  
**F** *or*  
**P** *roposal*



- Poor existing service.
- Rates are slow to be adjusted or bank is difficult to negotiate rate adjustments in line with market place.
- Local presence is not there anymore.
- Show taxpayers that the entity is fulfilling their fiduciary responsibility to get the most value out of their tax dollars.
- Potentially lock in an agreement for a set amount of time.

# What are some reasons why I should go out for an RFP?

**R** *equest*  
**F** *or*  
**P** *roposal*

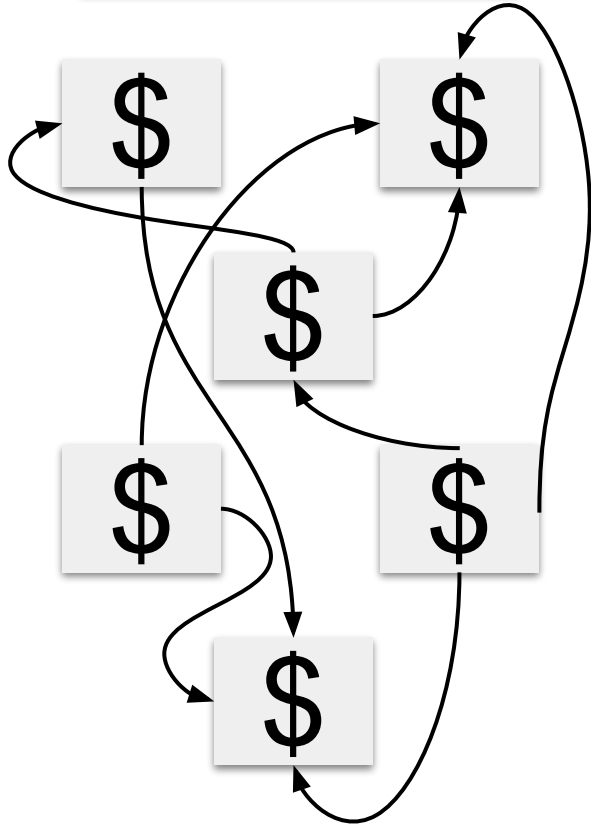


- Some pricing on high use services, like ACH or checks, is higher than competitors but bank won't negotiate.
- Technology or products offered are not robust enough to meet the needs of the municipality, meaning our needs as a client have changed and our bank can't keep up.
- State law requires it.
- It has been 3/5/7/10 years since the last RFP.

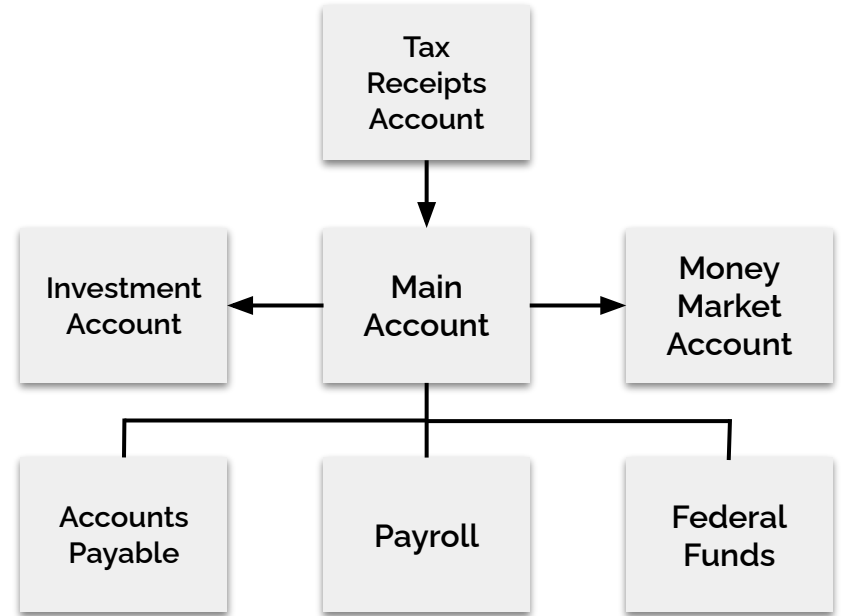
## 8. Optimizes its banking structures

1. Review bank account structure for efficiency and cost.
2. Look at business processes for both efficiency and internal controls and risks.
3. Monitor banking arrangements and products.
4. Understand your account structure and make sure you have a complete picture of your banking and business processes.

## Before



## After



	A	B	C	D
1		<b>Current</b>	<b>Initial</b>	<b>Negotiated</b>
2	Total Fees	\$63,973	\$36,935	\$10,000
3	Substitutes (additions)	\$41	\$7,659	\$0
4	<b>Total Fees w/ Substitutes</b>	<b>\$64,014</b>	<b>\$44,594</b>	<b>\$10,000</b>
5	<b>Market Rate</b>	0.20%	0.20%	0.20%
6	<b>DDA Rate</b>	N/A	N/A	0.25%
7	<b>MMDA Rate</b>	<b>0.03%</b>	<b>0.15%</b>	<b>0.40%</b>
8	<b>ECR</b>	0.25%	0.38%	N/A
9	<b>FDIC</b>	0.00%	0.13%	N/A
10	<b>eECR</b>	<b>0.25%</b>	<b>0.25%</b>	<b>N/A</b>
11	<b>Historical Average Balance</b>	\$5,891,556	\$5,891,556	\$5,891,556
12	<b>FDIC Fee (\$)</b>	\$0	\$7,659	\$0
13	<b>RR</b>	0%	0%	0%
14	<b>Historical Balance Adjusted for RR</b>	\$5,891,556	\$5,891,556	\$5,891,556
15	<b>Days in Proposed Settlement Cycle</b>	365	365	N/A
16	<b>ECR Allowance</b>	\$14,729	\$14,729	N/A
17	<b>Required Balance to Pay Zero Fees</b>	<b>\$25,605,500</b>	<b>\$14,774,176</b>	<b>\$5,000,000</b>
18	<b>Excess / Deficit Balance</b>	-\$19,713,944	-\$8,882,620	\$891,556
19	<b>Net Value / Hard Fees</b>	<b>-\$49,285</b>	<b>-\$22,207</b>	<b>-\$10,000</b>

## Potential Results

### \$345MM budget County

1. Monitor processes and structure
2. Know the benchmarks
3. Understand your account structure and make sure you have a complete picture



## 9. Complements cash flow with liquidity management



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

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


# Traditional Cash Flow Forecasting

## Sample Municipality General Fund

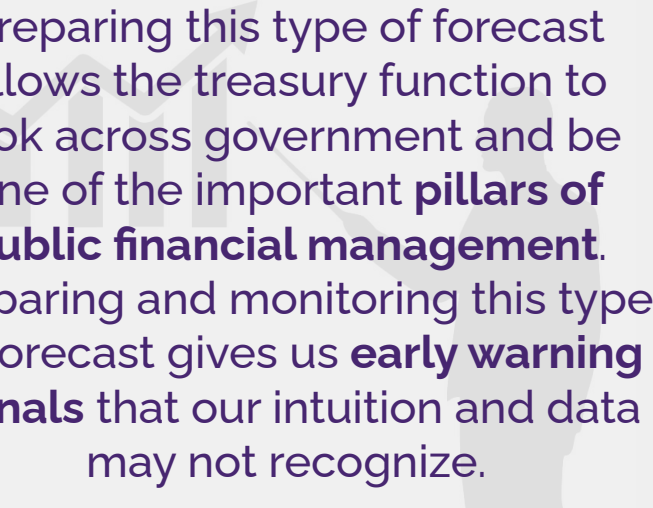
Cash Flow Projections FY 20XX  
(in thousands)

	Actual													TOTAL
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	13	
<b>Operating Revenues</b>														
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
<b>Total Revenue</b>	<b>181,706</b>	<b>173,177</b>	<b>222,658</b>	<b>535,202</b>	<b>217,017</b>	<b>223,375</b>	<b>237,788</b>	<b>212,455</b>	<b>332,270</b>	<b>384,856</b>	<b>228,837</b>	<b>265,415</b>	<b>86,857</b>	<b>3,301,613</b>
<b>Expenditures</b>														
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
Social Services Programs	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
<b>Total Expenditures</b>	<b>315,758</b>	<b>266,370</b>	<b>218,101</b>	<b>426,702</b>	<b>228,132</b>	<b>294,819</b>	<b>263,868</b>	<b>259,166</b>	<b>207,585</b>	<b>270,218</b>	<b>270,285</b>	<b>233,914</b>	<b>8,361</b>	<b>3,263,278</b>
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
<b>Total Cash Uses</b>	<b>226,085</b>	<b>271,476</b>	<b>228,447</b>	<b>433,834</b>	<b>236,133</b>	<b>303,245</b>	<b>272,183</b>	<b>263,941</b>	<b>217,715</b>	<b>275,902</b>	<b>273,282</b>	<b>251,291</b>	<b>8,361</b>	<b>3,261,896</b>
<b>Net Cash Provided by Operations</b>	<b>(44,380)</b>	<b>(98,300)</b>	<b>(5,790)</b>	<b>101,369</b>	<b>(19,116)</b>	<b>(79,870)</b>	<b>(34,395)</b>	<b>(51,486)</b>	<b>114,555</b>	<b>108,954</b>	<b>(44,445)</b>	<b>14,124</b>	<b>78,496</b>	<b>39,717</b>
<b>Other Sources (Uses)</b>														
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
<b>Total Other</b>	<b>(15,662)</b>	<b>58,314</b>	<b>(10,818)</b>	<b>(20,660)</b>	<b>(5,813)</b>	<b>(24,485)</b>	<b>(4,855)</b>	<b>(5,386)</b>	<b>(12,648)</b>	<b>(20,655)</b>	<b>34,873</b>	<b>(22,648)</b>	<b>53,059</b>	<b>2,616</b>
<b>Net Incr (Decr) in Cash</b>	<b>(60,041)</b>	<b>(39,986)</b>	<b>(16,608)</b>	<b>80,709</b>	<b>(24,929)</b>	<b>(104,355)</b>	<b>(39,250)</b>	<b>(56,872)</b>	<b>101,907</b>	<b>88,299</b>	<b>(9,572)</b>	<b>(8,524)</b>	<b>131,555</b>	<b>42,333</b>
<b>Cash - Beginning</b>	<b>383,570</b>	<b>323,529</b>	<b>283,543</b>	<b>266,935</b>	<b>347,644</b>	<b>322,715</b>	<b>218,360</b>	<b>179,110</b>	<b>122,238</b>	<b>224,145</b>	<b>312,444</b>	<b>302,872</b>	<b>294,348</b>	<b>383,570</b>
<b>Cash - Ending</b>	<b>323,529</b>	<b>283,543</b>	<b>266,935</b>	<b>347,644</b>	<b>322,715</b>	<b>218,360</b>	<b>179,110</b>	<b>122,238</b>	<b>224,145</b>	<b>312,444</b>	<b>302,872</b>	<b>294,348</b>	<b>425,903</b>	<b>425,903</b>

# 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.

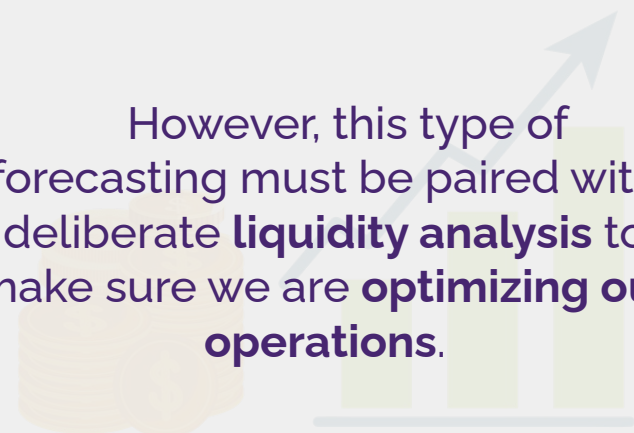


Preparing this type of forecast allows the treasury function to look across government and be one of the important **pillars of public financial management**. Preparing and monitoring this type of forecast gives us **early warning signals** that our intuition and data may not recognize.

# Cash Forecasting

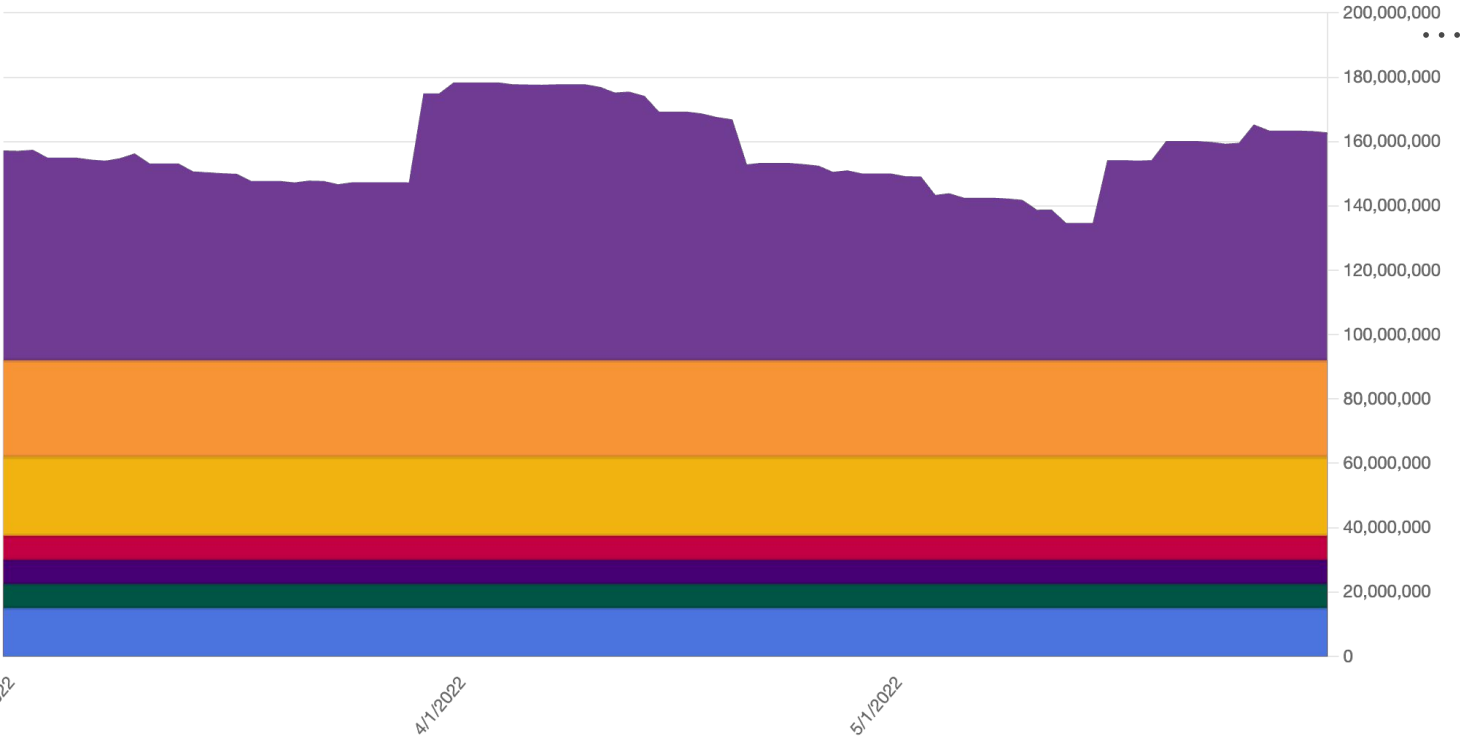
A faint, light gray icon of a balance scale is centered in the background of the left text box.

This type of forecasting also helps **synch up coordination** between debt and cash management.

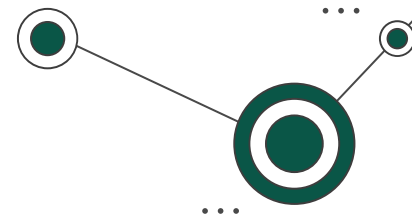
A faint, light gray icon of a bar chart with three bars of increasing height and a blue arrow pointing upwards and to the right is centered in the background of the right text box.

However, this type of forecasting must be paired with deliberate **liquidity analysis** to make sure we are **optimizing our operations**.

# Liquidity Displayed for Decision Making



# Liquidity Displayed for Decision Making



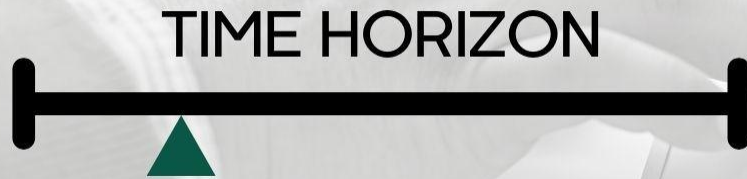
	LEVEL 5 \$15M	LEVEL 4 \$7.5M	LEVEL 3 \$7.5M	LEVEL 2 \$7.5M	LEVEL 1 \$24.5M	Cushion \$30M	Working Capital <sup>?</sup> \$62,057,560	Total \$154,057,560
Duration	48-60 months	36-48 months	24-36 months	12-24 months	1-12 months	Up to 30 days	Daily	Varies
Benchmark Rates *	2.76%	2.71%	2.53%	2.08%	1.18%	0.73%	0.73%	1.25%
Benchmark Values	\$414,000	\$203,250	\$189,750	\$156,000	\$290,325	\$219,000	\$453,020	\$1,925,345

\* Treasury Yield Curve Rates as of 5/31/2022





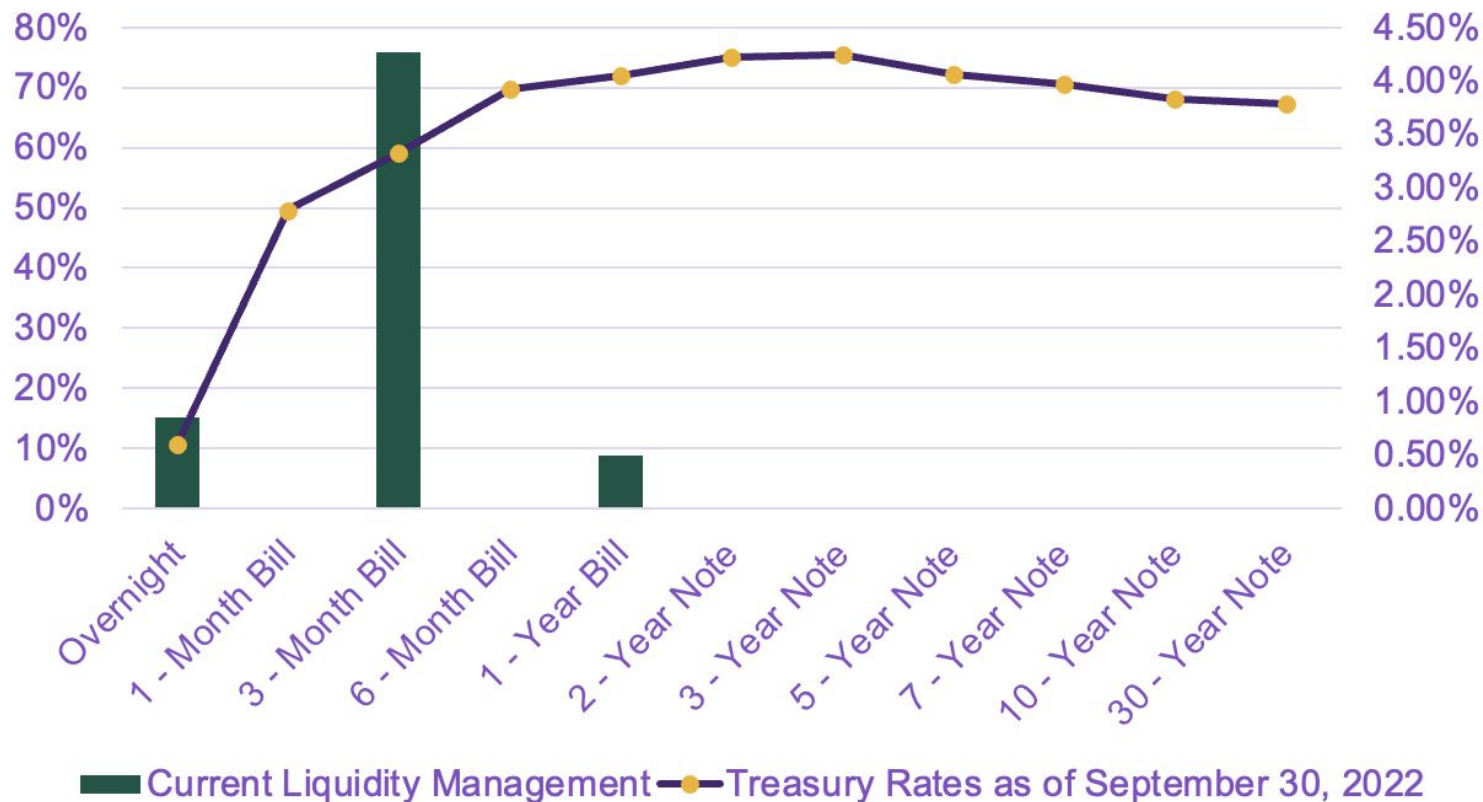
## 10. Balances liquidity with yield



## Current Treasury Yield Curve



## Where Treasurers Invest vs. Where Treasurers Could Invest using their own Data



## Where Treasurers Invest vs. Where Treasurers Could Invest using their own Data



## Where Treasurers Invest vs. Where Treasurers Could Invest using their own Data



# Comparing the two “strategies”

38

**Portfolio 1 -**  
expected return of 2.98%

**Portfolio 2 -**  
expected return of 3.57%

- Increased expected return of 0.59% on a base of \$10 million **means \$59,000 more resources.**
- Moving from an expected return of 2.98% to 3.57% is a 20% increase in expected interest earnings.
- Most importantly....this has been achieved without taking on credit risk (we are only using Treasuries).

# 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.

# Key Takeaways

1

*Understand that data has power to help drive decision making*

6

*Knows peer and market benchmarks*

2

*Has an updated business continuity plan in place*

7

*Knows when to go out for a Request for Proposal (RFP)*

3

*Is cyber security aware!*

8

*Optimizes its banking structures*

4

*Open to innovation*

9

*Complements cash flow with liquidity management*

5

*Has an active investment policy*

10

*Balances liquidity with yield*



# our team is your team

threeplusone.us



cashvest.



rfp**Prep**

# Thank you!



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