



Cashflow Projections – October 2015



**Merced County had no Cashflow projections.**



# Why do cashflow projections?



**Girl Scouts®**

**"Be prepared."**

**&...**



**NO IDLE  
ZONE**

## **IDLE Cash**

is a 4 letter word that you don't want under your watch as treasurer.

Put the **SURPLUS** \$s to work in safe investment options until the monies are needed.

# Types of Cashflow Projections

- ✓ **Daily Cashflow** - Core Liquidity needed today
- ✓ **6 month Liquidity Requirement** – Core Liquidity per G.C.
- ✓ **Identify Core Cash** – for Duration Investing

# Make a List

List “known” predictable cashflow components:

- ✓ Participants
- ✓ In-Flows
- ✓ Out-Flows
- ✓ Present findings
- ✓ Review and update



# In-Flows

- Tax Revenues
- Bond Proceeds
- Federal Pass-thru Funding
- State Reimbursements
- State Apportionments (Treasurer webpage)
- Investment Maturities
- One-time Grants, etc.....





# Out-Flows



- Identify Repetitive payments
  - Payroll
    - County (\$4MM every 2 weeks)
    - Merced County Office of Education & 20 districts (\$30 MM EOM)
    - MCERA Retirement System (\$4MM BOM)
  - Large repetitive payments
    - HSA (Welfare \$2MM EOM plus EBT on-going)
    - Debt Service (\$24MM Feb/Aug majority)
    - Dept of Forestry, etc....
- Identify Non-Repetitive payments
  - Establish communication process with Auditor for notice of large non-repetitive payments.
  - Request Draw-down schedule for CIP from DPW

Establish good communications with other departments/districts to establish a notification process 🚨



# In-Flows & Out-Flows

A daily cashflow projection calculates your daily cash position to make good decisions.

**In-Flows(Out-Flows) = Overage(Shortage)**

or

**Surplus(Deficit) cash positions**



# Banking Services

- **Controlled Disbursement** is used to regulate the flow of checks through the banking system on a daily basis, usually by mandating once-daily distributions of checks (usually early in the day.) This is done in order to meet certain investment or fund management objectives. *Eliminates bank process float.*
- **Check 21** provides virtual check 21 processing, physical check processing and check verification solutions. Next-day or same-day fund availability.
- **Positive Pay with Teller Presentment** is a cash-management service employed to deter check fraud. Banks use positive pay to match the checks a company issues with those it presents for payment. Any check considered to be potentially fraudulent is sent back to the issuer for examination.

# Sacramento LockBox Service

Basic Maintenance Fee	\$	200.00	
Data Transmission Email Monthly Fee	\$	100.00	
Check/Capture/Photocopy/ACH Credit Fee			
(47 at \$3.00 per check)	\$	141.00	
			COST \$ 441.00
Total Receipts Processed	\$	13,494,227	
Earnings @ 28 bps for 3 days Float			
			EARNINGS \$ 314.87
Breakeven for this month = 39 bps			NET \$(126.13)
Past Evaluation			
Earnings @ 4.25% for 3 days Float	\$	4,779.21	
NET Yield	\$	4,338.21	

LAIF	March	June	September	December
1994	4.25	4.45	4.96	5.37

# Why is it important to maintain sufficient liquidity?

- Prevent liquidation of a duration product realizing losses and/or taking on re-investment risk.
- Prevent over-drawn concentration account.
- Loss of peaceful sleep at night due to uncertainty!



# Define Your Safety for safekeeping over Cash

- ✓ Investment Policy
  - Liquidity Options (Over-nights)
  - Short-term Investment Options
  - Longer Duration Investment Options
- ✓ Approved Liquidity Options
  - Local Government Investment Pools (LGIPs)
  - Money Markets
    - SEC liquidity requirements
    - Government funds only
  - Repurchase Agreements
  - Bank Sweep Accounts
  - Bank Compensating Balances



# Liquidity Earnings

## Merced Liquidity Options (September 2015)

- ✓ LAIF (33 bps)
- ✓ CAMP (12 bps)
- ✓ WF Sweep Account (1 bps)
- ✓ WF Compensating Balance (9.7 bps = 25 bps less FDIC & other)
- ✓ Rabobank Money Market (20 bps)
- ✓ UBS Select Money Market (8 bps)
- ✓ ML BofA Premier Money Market (10 bps)



# Soft Dollars –vs- Hard Dollars

Determine if you want...

Soft Dollar Compensating Bank Balances or “Out-of-Pocket” Hard Dollars to pay for your Bank Analysis fees.

What pays more for similar safety?

- ✓ Soft \$
  - WF Compensating Balance (9.7 bps)
  
- ✓ Hard \$
  - LAIF (28 bps)
  - WF Sweep (1 bps)
  - CAMP ( 7 bps)
  - ML BofA Premier Money Market (2 bps)

Six Months Ago

# Soft Dollar Wins

- ✓ Soft \$
  - WF Compensating Balance (9.7 bps)
  
- ✓ Hard \$
  - ~~LAIF (28 bps)~~
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Six Months Ago

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✓ Hard \$

- LAIF (33 bps)
- WF Sweep (1 bps)
- CAMP (12 bps)
- ML BofA Premier Money Market (5 bps)

Today

# Hard Dollar Wins

- ✓ Soft \$
  - WF Compensating Balance (9.7 bps)
  
- ✓ Hard \$
  - ~~LAIF (33 bps)~~
  - WF Sweep (1 bps)
  - CAMP ( 12 bps)
  - ML BofA Premier Money Market (2 bps)

Today

Merced County Treasury  
CashFlow - Controlled Disbursement

Sep-15			
Date		9/1/2015	9/2/2015
<b>InFlows</b>			
1	Opening Available Balance	13,939,793.18	11,708,797.75
2	Lockbox		228,084.00
3	Investment Maturities		
4	Coupon Pymts		
5	Misc Wires IN		
<b>TOTAL \$s IN</b>		13,939,793.18	11,936,881.75
Date		9/1/2015	9/2/2015
<b>OutFlows</b>			
6	Controlled Disbursements	15,233,431.54	2,045,250.29
7	County Wires Out**	882,923.41	40,000.00
8	County Payroll Direct		154,687.82
9	County Payroll Taxes		
10	Debt Service Pymts OUT**	55,662.50	
11	Foreign Wires OUT**		
12	HSA Direct Deposit		
13	Investments Wires OUT**	10,012,720.00	
14	MCOE Payroll	4,972,023.96	
15	College Payroll		
16	MCERA (Retirement Payroll)	618,898.60	
17	MCERA Taxes		
18	MCERA Wires OUT**		
19	Pebasco Wires OUT**		
20	Misc Wires OUT**	79,280.75	9,927.81
21	Risk		
22	Workers Comp		
23	Special checking		
<b>TOTAL \$s OUT</b>		31,854,940.76	2,249,865.92
<b>CASH POSITION</b>		(17,915,147.58)	9,687,015.83
<b>CASH TRANSFER - IN (OUT)</b>		28,000,000.00	1,000,000.00
<b>PROJECTED CASH BALANCE</b>		10,084,852.42	10,687,015.83

x:\CashFlow\CashFlow

\*\* OUT means Treasury wires o

Camp	Camp
Lorraine	Lorraine

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**Merced County Treasury**  
**CashFlow - Controlled Disbursement**

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x:\CashFlow\CashFlow

Camp  
Lorraine

Camp  
Lorraine

**\*\* OUT means Treasury wires out.**

1. Projected current day ending balance determines the need for any Transfers IN/OUT.
2. Overages - Transfers OUT of bank into investment option (liquidity acct or investment).
3. Underages - Transfers IN bank from liquidity account.



# Core Liquidity –vs Core Cash

**\$ Core Liquidity** forecast for six months (year).

**\$ Core Cash** not needed for operational use.

*Cash Management Slogan:*

**Get the \$s in “Fast” and pay bills  
“Just in Time”!**

# Get the Monies in *Fast*

	FY 14/15	
	Amount Collected	%
Total Taxes Collected	\$ 244,695,914.02	
Cash	\$ 4,337,331.23	2%
Check	\$ 151,555,466.88	62%
Large Taxpayers	\$ 39,678,841.61	16%
Debit card	\$ 14,729,764.84	6%
Credit card	\$ 3,110,028.24	1%
E-Checks	\$ 29,940,025.35	12%
System Journals	\$ 2,538,128.99	1%
	\$ 244,695,914.02	100%



# Duration Investing to meet our unique needs

Today 09/23/15	To Buy	Purch	Bal	# of Months
Oct-15	5	10	-5	1
Nov-15	5	5	0	2
Dec-15	5	15	-10	3
Jan-16	15	11.6	3.4	4
Feb-16	20	8.5	11.5	5
Mar-16	20	9	11	6
<b>Apr-16</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>7</b>
May-16	10	13.4	-3.4	8
Jun-16	20	22.3	-2.3	9
<b>Jul-16</b>	<b>20</b>	<b>22.4</b>	<b>-2.4</b>	<b>10</b>
Aug-16	20	23.6	-3.6	11
Sep-16	15	0	15	12
Oct-16	5	5	0	13
Nov-16	5	17.4	-12.4	14
Dec-16	5	5	0	15
Jan-17	15	15	0	16
Feb-17	20	5	15	17
<b>Mar-17</b>	<b>20</b>	<b>1.1</b>	<b>18.9</b>	<b>18</b>
Apr-17	5	17.9	-12.9	19
May-17	10	10	0	20

\* Buys are in \$MM

# Daily Treasury Yield Curve Rates

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## Daily Treasury Yield Curve Rates

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XML These data are also available in XML format by clicking on the XML icon.  
 XSD The schema for the XML is available in XSD format by clicking on the XSD icon.

If you are having trouble viewing the above XML in your browser, click here.

To access interest rate data in the legacy XML format and the corresponding XSD schema, click here.

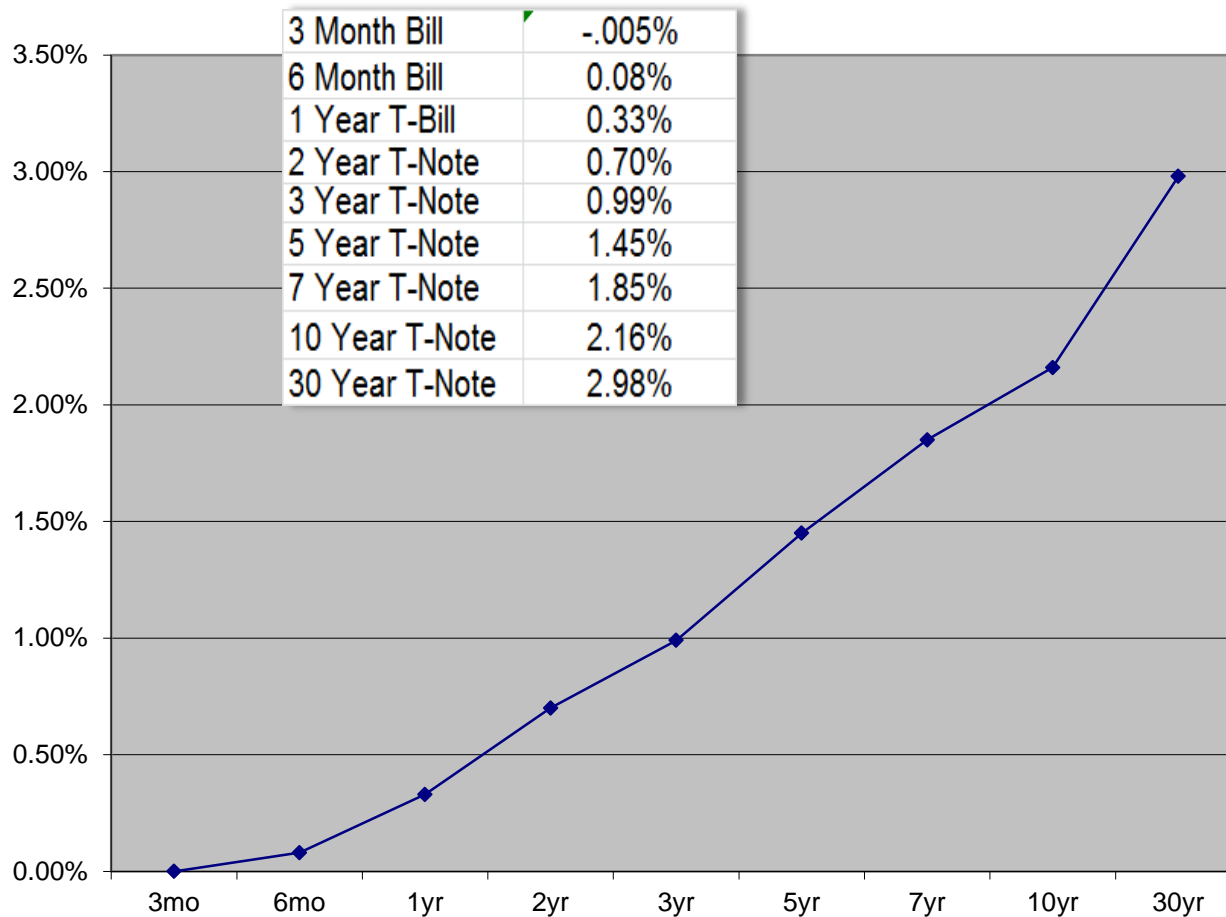
Select type of Interest Rate Data  
 Daily Treasury Yield Curve Rates Go

Select Time Period  
 Current Month Go

Date	1 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
09/01/15	0.01	0.03	0.26	0.39	0.70	1.03	1.49	1.89	2.17	2.62	2.93
09/02/15	0.01	0.03	0.25	0.37	0.72	1.04	1.52	1.92	2.20	2.66	2.97
09/03/15	0.02	0.02	0.24	0.36	0.71	1.00	1.49	1.90	2.18	2.64	2.95
09/04/15	0.02	0.02	0.23	0.36	0.71	1.00	1.47	1.85	2.13	2.58	2.89
09/08/15	0.02	0.06	0.27	0.39	0.74	1.05	1.53	1.92	2.20	2.66	2.97
09/09/15	0.02	0.03	0.26	0.39	0.75	1.06	1.53	1.91	2.21	2.64	2.96
09/10/15	0.02	0.02	0.25	0.39	0.75	1.06	1.55	1.93	2.23	2.66	2.98
09/11/15	0.04	0.04	0.25	0.40	0.71	1.03	1.52	1.89	2.20	2.63	2.95
09/14/15	0.02	0.07	0.26	0.40	0.73	1.03	1.51	1.88	2.18	2.62	2.95
09/15/15	0.00	0.07	0.27	0.47	0.82	1.12	1.61	1.99	2.28	2.73	3.06
09/16/15	0.00	0.06	0.24	0.46	0.82	1.13	1.62	2.01	2.30	2.75	3.08
09/17/15	0.00	0.01	0.16	0.39	0.70	1.00	1.50	1.90	2.21	2.69	3.02
09/18/15	0.00	0.00	0.10	0.35	0.69	0.97	1.45	1.83	2.13	2.58	2.93
09/21/15	0.00	0.01	0.11	0.36	0.72	1.01	1.51	1.90	2.20	2.67	3.02
09/22/15	0.00	0.00	0.10	0.35	0.69	0.97	1.44	1.83	2.14	2.60	2.94
09/23/15	0.00	0.01	0.09	0.34	0.70	1.00	1.47	1.85	2.16	2.60	2.95

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 Link to daily chart <http://www.treasury.gov/resource-center/data-chart-center/Pages/index.aspx>

# Treasury Yield Curve Sept 23, 2015



# Scenario

You determined that you have sufficient liquidity and \$40 MM is not needed for 6 months. What investment would meet your need if LAIF is maxed out?

Offerings - Sept 23, 2015					
CLASSIFICATION	ISSUER	S&P RATING	MATURITY	YIELD	DAYS
LGIP	LAIF	not rated	overnight	0.33%	0
LGIP	CAMP	AAAm	overnight	0.12%	0
AGENCY BULLET	FNMA	AA+	2/24/2016	0.14%	151
COMMERCIAL PAPER	CREDIT AG	A-1	2/23/2016	0.44%	150
MEDIUM TERM NOTE	BK NY Mellon	A+	3/4/2016	0.44%	161
TREASURY	USTN	AA+	3/23/2016	0.08%	180

# GET YOUR CASH FLOWING



**Let's share more!**