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The Key to Maximizing ARP Funds

Presenters



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Learning Objectives

- 1- Learn what liquidity data is and how to use it.
- 2- Investigate the impacts of an economic shock on your entity's liquidity position.
- 3- Forecast liquidity to plan for different scenarios in 2021.
- 4- Evaluate financial partners to maximize value for the taxpayers.
- 5- Use data to share your entity's changing financial picture with stakeholders.

California ARP by the Numbers

State = \$26.3B

Cities = \$7.1B

Counties = \$7.7B



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California ARP Breakdown

- **“Periodic reports” required**
- **Must be spent by 12/2024**
- **Track how it is spent**
- **Maximize the value on liquidity**



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What does data have to do with it?

In 10 years, we may look back at this time and ask: *Which entities merely spent their money, and which maximized the value of it?*

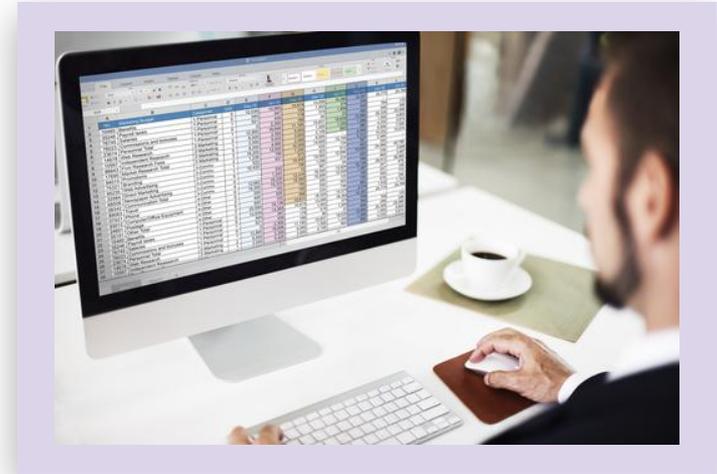


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What is *Data*?

2241	29.3784	17.84832	28837	687792	691968
5019	20.64456	29.3784	28746	692088	687792
127	17.79048	20.64456	28817	689904	692088
11	27.1464	17.79048	28758	691608	689904
98	36.2352	27.1464	28715	690192	691608
5	44.0064	36.2352	28824	690192	690192
	61.2912	44.0064	28859	689160	690192
		61.2912	28789	691776	689160
				692616	691776
				690936	



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Liquidity vs. Cash Flow



Liquidity = How the market
values your cash

*Use data to optimize each
ARP dollar*



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Why Does Liquidity Matter?

NON-RATING ACTION COMMENTARY

FitchRatings U.S. Local Government Liquidity to Face Stress Due to Coronavirus

Cash management tools are not typically the focus of Fitch's analysis of U.S. local governments, as liquidity is sufficient for operating needs for nearly all issuers through cyclical downturns. However, given the uncertain nature of the coronavirus pandemic and the depth and duration of its impact on the economy, Fitch believes many local governments may explore extraordinary cash flow support measures in the near term, particularly those governments that do not carry large liquidity balances relative to operating needs. These may include financial market solutions such as lines of credit and tax/revenue anticipation notes, either through public sales or private placements. Since local governments are generally labor-intensive, these working capital management measures might also include layoffs and furloughs that necessitate service reductions, or payroll deferrals. In addition, Fitch expects some entities to delay vendor payments, reduce equipment purchases and postpone capital spending.



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Monthly Net Change in Cash

	Positive Cash Flows	Negative Cash Flows	Net Monthly Impact*
February 2020	148,588,754	(92,186,307)	56,402,447
March 2020	39,046,523	(54,964,214)	(15,917,691)
April 2020	71,444,468	(49,877,781)	21,566,687
May 2020	57,199,262	(58,172,717)	(973,455)
June 2020	19,576,909	(35,824,586)	(16,247,677)
July 2020	16,611,500	(36,204,725)	(19,593,225)
August 2020	40,891,243	(52,070,235)	(11,178,992)
September 2020	37,224,811	(10,135,212)	27,089,598
October 2020	41,354,641	(43,754,450)	(2,399,808)
November 2020	46,671,052	(52,406,544)	(5,735,492)
December 2020	60,439,614	(75,432,425)	(14,992,811)
January 2021	29,062,295	(38,762,368)	(9,700,073)

**Know your inflows
on a cash basis**

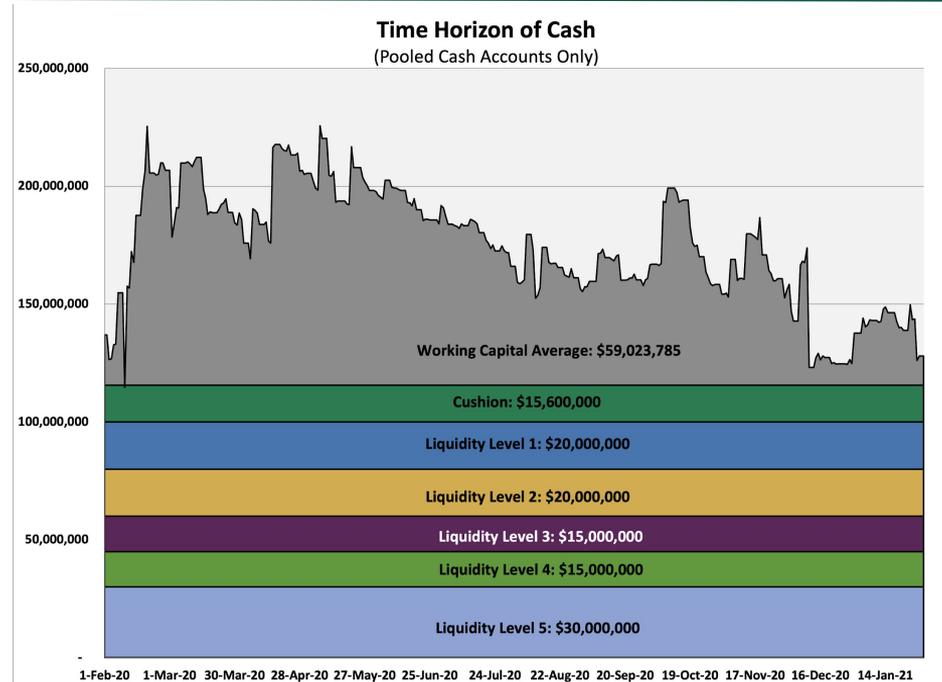
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**Know your outflows
on a cash basis**

= Confidence

+ real results

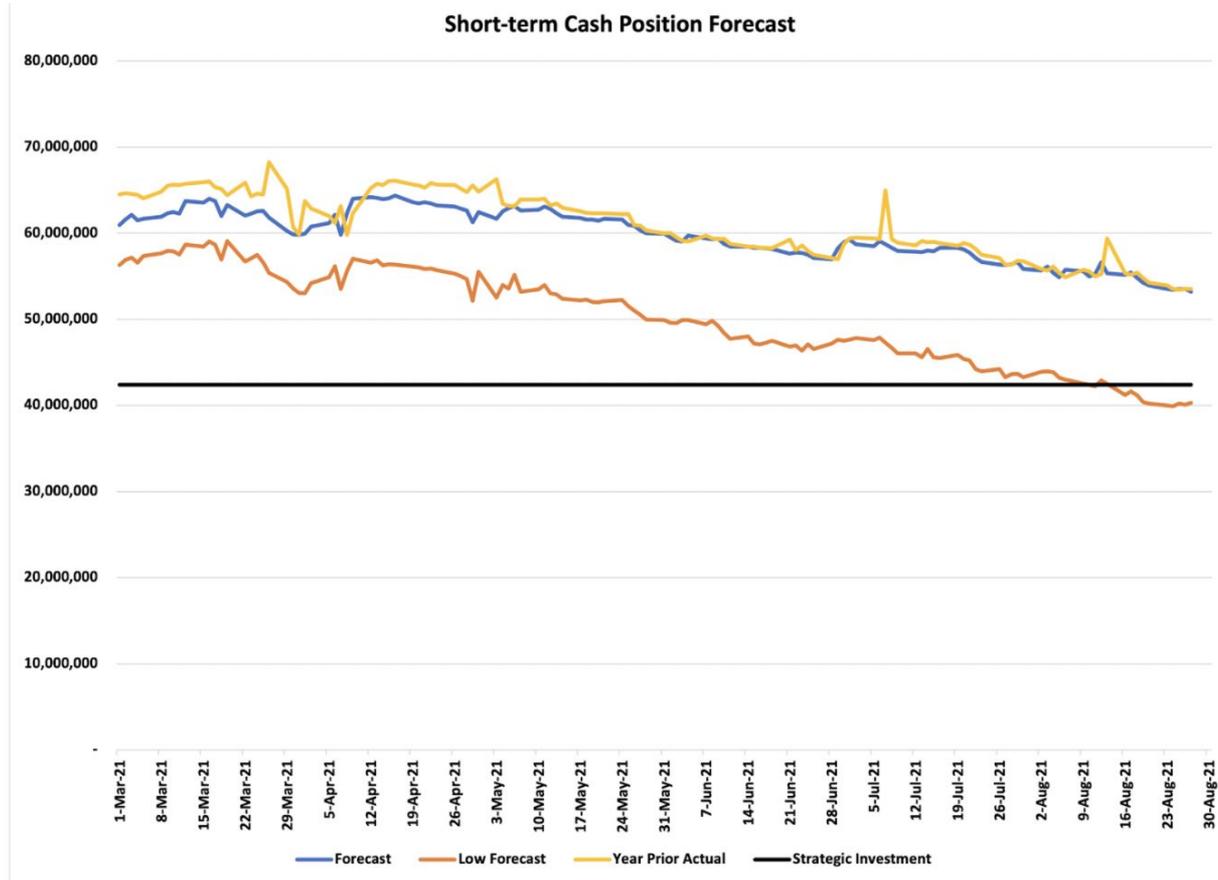
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Strategic Liquidity: \$115.6 million							Working Capital	Total**
	Level 5	Level 4	Level 3	Level 2	Level 1	Cushion		
Amount	30,000,000	15,000,000	15,000,000	20,000,000	20,000,000	15,600,000	59,023,785	\$174,623,785
Duration	24-30 months	18-24 months	12-18 months	6-12 months	Up to 6 months	Up to 30 days	daily	Varies

+ real results

three+one is an independent financial technology company offering data solutions that drive innovation, efficiency, and better financial outcomes for taxpayers and stakeholders.



Banking arrangements amid COVID-19

	A	B	C	D
1	<i>SUM of Cost</i>	Bank Name		
2	Fee Category	Bank #1	Bank #2	Bank #3
13	Annual Fee Total	\$15,000.00	\$44,594.49	\$63,973.25
15	MMDA Rate	0.25%	0.15%	0.03%
16	ECR	N/A	0.38%	0.25%
17	FDIC	N/A	0.13%	0.00%
18	eECR	N/A	0.25%	0.25%
19	Historical Average Balance	\$5,891,556	\$5,891,556	\$5,891,556
20	FDIC Fee (\$)	N/A	\$7,659	0
21	Historical Balance Adjusted for RR	\$5,891,556	\$5,891,556	\$5,891,556
22	RR	0	0	0
23	Days in Proposed Settlement Cycle	31	31	31
24	ECR Allowance	N/A	\$14,729	\$14,729
25	Required Balance to pay zero fees	\$6,000,000	\$14,774,185	\$25,589,300
26	Excess Balance	\$0	\$0	\$0
27	Net Value	\$0	\$0	\$0
28	Net FDIC	N/A	\$36,935.46	\$63,973.25
29	Hard fee	\$ (15,000.00)	\$ (22,206.57)	\$ (49,244.36)

Recent County RFP - \$341 million budget

1. Monitor
2. Know the benchmarks
3. Understand your account structure and how it works with your overall treasury operation.

+ So what about peer benchmarks?

Bank	Length	Rate
Bank #1	12-month	0.45%
Bank #2	12-month	0.40%
Bank #3	12-month	0.30%
Bank #4	12-month	0.25%
Bank #5	12-month	0.13%
Bank #6	12-month	0.10%
Bank #7	12-month	0.10%

\$1 million 1-year CD

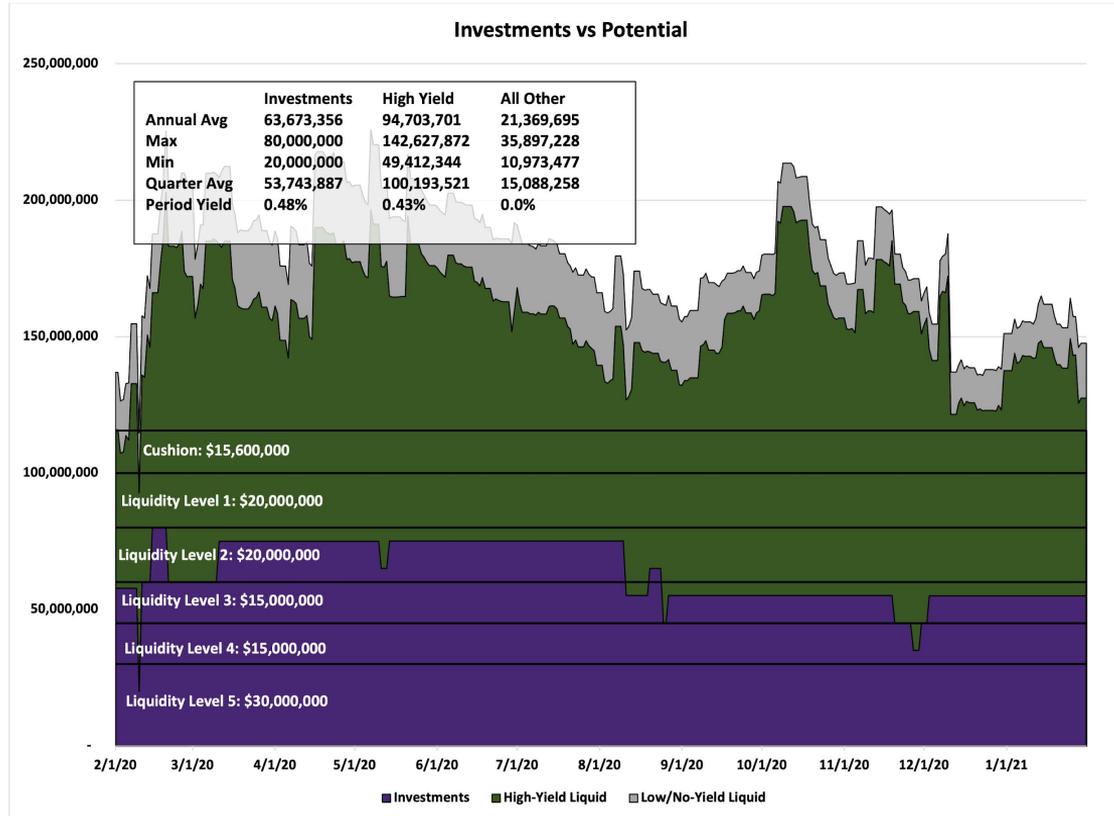
1. Benchmarks help you know more about ***what your cash is worth.***
2. Ensure you're always maximizing the value on all financial resources.
3. Maintain a bank fee structure that is equitable in any rate environment.



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What are the impacts?



+ Benefits of Liquidity Management

- Knowing how much & how long cash is available.
- Assurance that your bank fee structure is equitable in any rate environment.
- Strengthened credit rating.
- Confirmation that you have sufficient liquidity to satisfy expenditures while earning & saving the most possible.
- Peer benchmarking to ensure your cash is performing at the highest possible level.
- Liquidity stress-testing to show how vulnerable cash positions are in worst-case scenarios.
- Confidence that you're maximizing all financial resources based on objective third-party data.

Contact us for more information



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