



NCGFOA

Cash Flow Analysis

December 9, 2020

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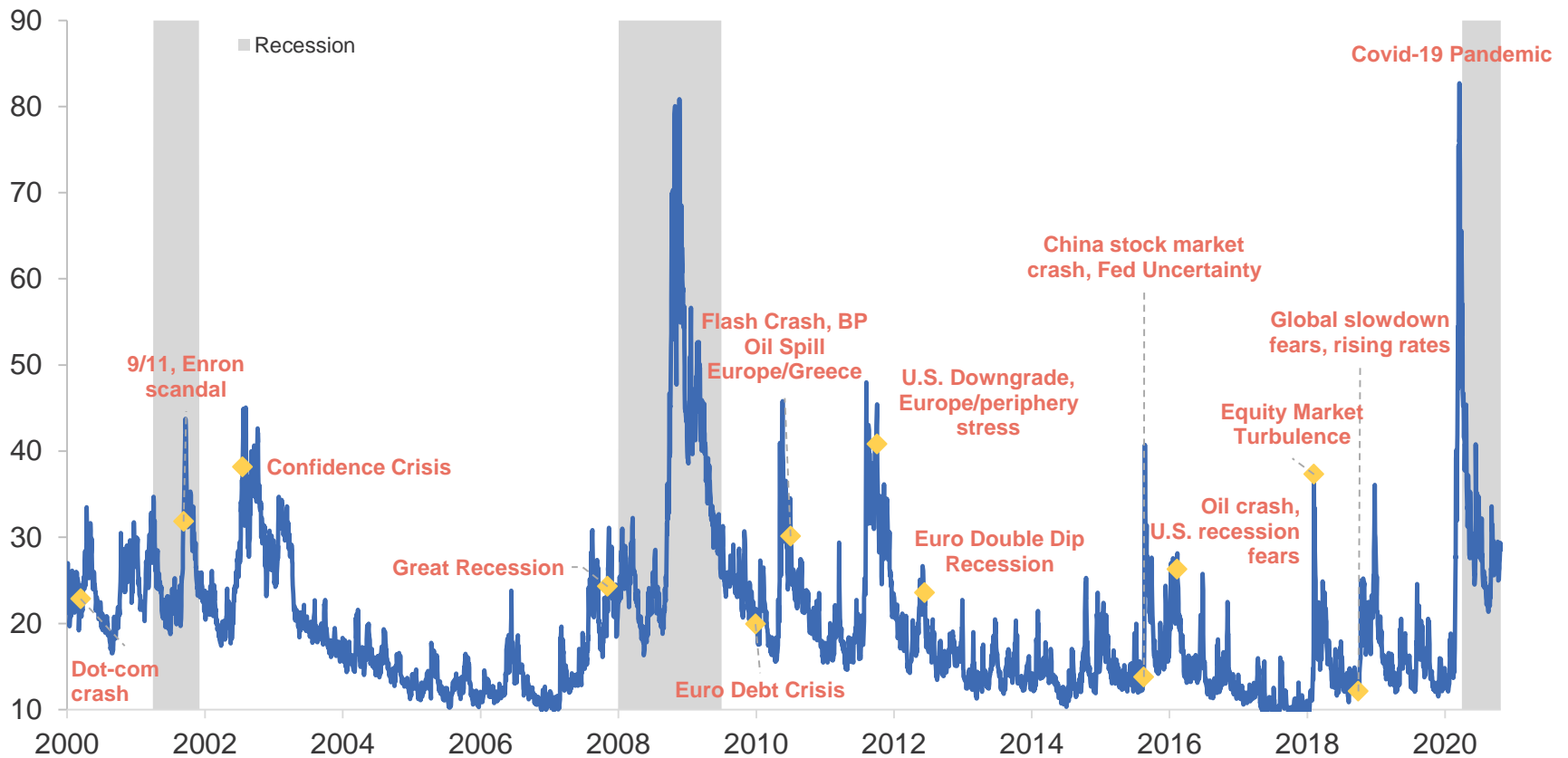
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Major Financial Events are a Frequent Fact of Life

Market Uncertainty Over Time



Source: Bloomberg, as of September 30, 2020. CBOE VIX Index



Cash Flow Analysis

- ◆ Identifies cash flow needs in the near term
- ◆ Determines “seasonality” and historical seasonal factors
- ◆ Helps properly allocate assets into portfolio segments to optimize portfolio and maximize investment income



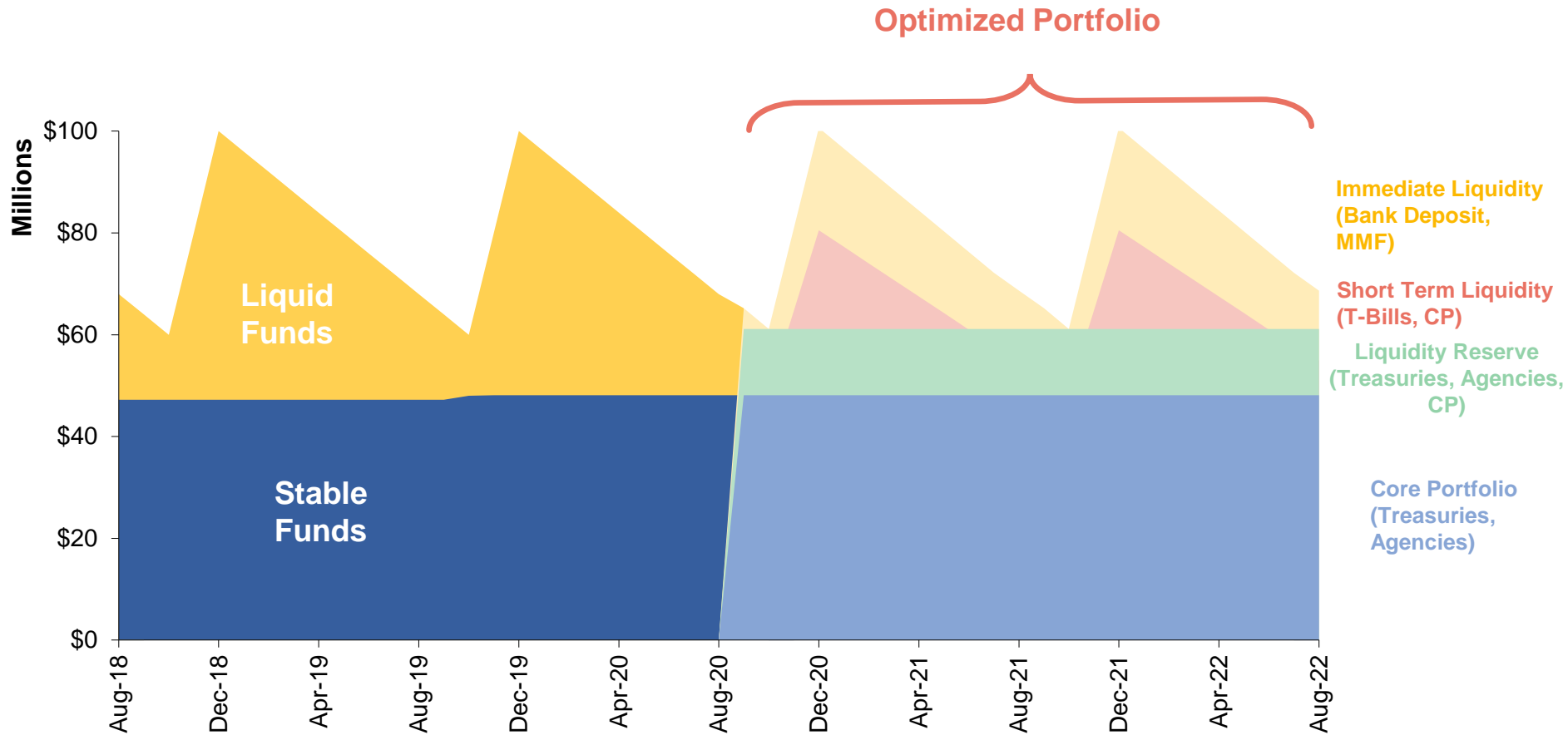


Portfolio Segmentation and Strategy Considerations

Portfolio Segment	Strategy Consideration	Potential Characteristics
Immediate Liquidity	Daily Liquidity	<ul style="list-style-type: none"> • Bank operating cash • Money Market Funds
Short-Term Liquidity	Maturity matched to expenditures (3-12 Months)	<ul style="list-style-type: none"> • Maturities matched to know cash flow needs (i.e. debt service, construction, etc.) • T-Bills, Commercial paper,
Liquidity Reserve	Short Duration Target (6 Months-2 Year Duration)	<ul style="list-style-type: none"> • Highly liquid securities <ul style="list-style-type: none"> - Securities/sectors with active secondary markets - Limited structure/optionality risk • Allocation to high-quality, diversified credit securities to maximize the income potential of short duration needs • Treasuries, Agencies Commercial paper,
Core Portfolio	Longer Duration Target (1-3, 1-5 years)	<ul style="list-style-type: none"> • Diversified across high-quality asset classes • Realize the benefits of a positively sloped yield curve • Greater focus on income generation (lower liquidity profile) <ul style="list-style-type: none"> - Treasuries, federal agencies



Cash Flow Analysis is Used to Optimize Portfolio Segmentation



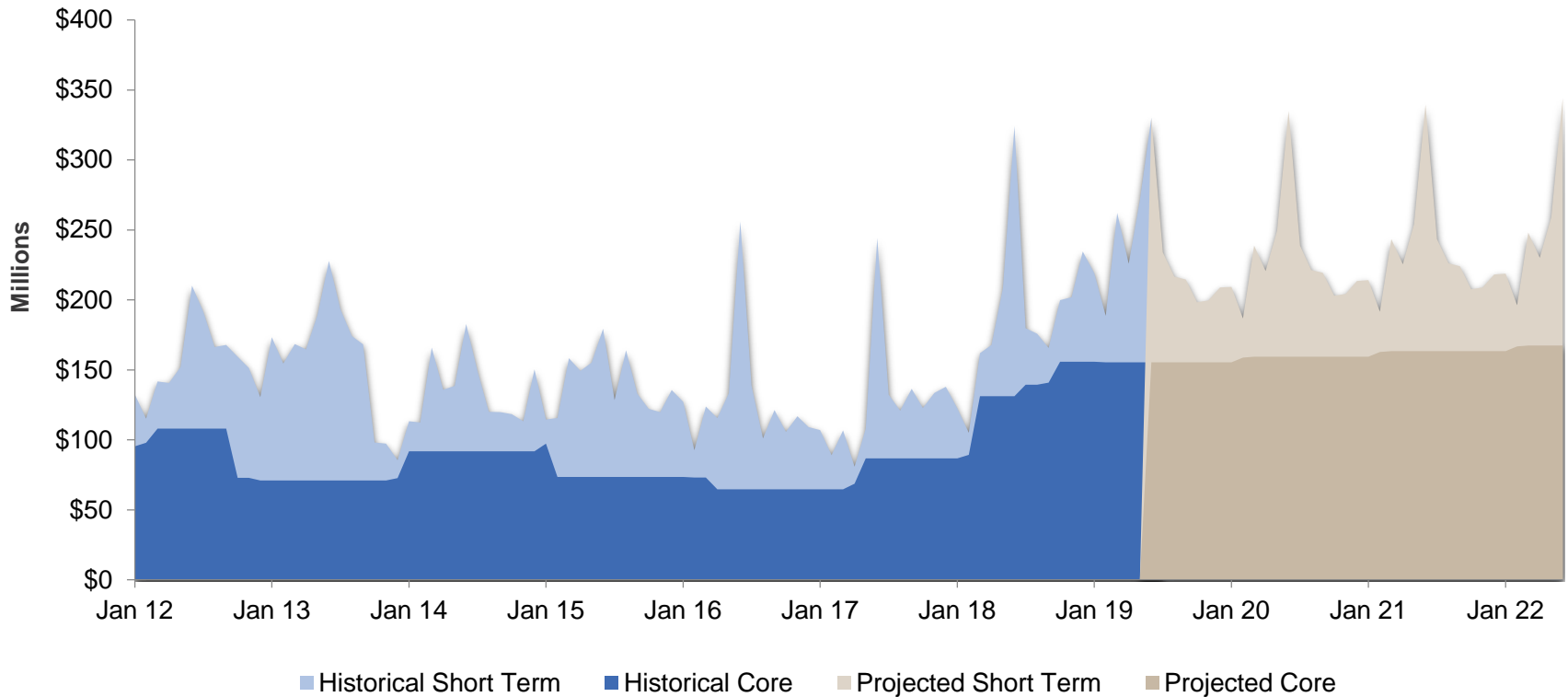
For illustrative purposes only



Sample Cash Flow Analysis

Certain seasonality is visible in this City's cash flow analysis.

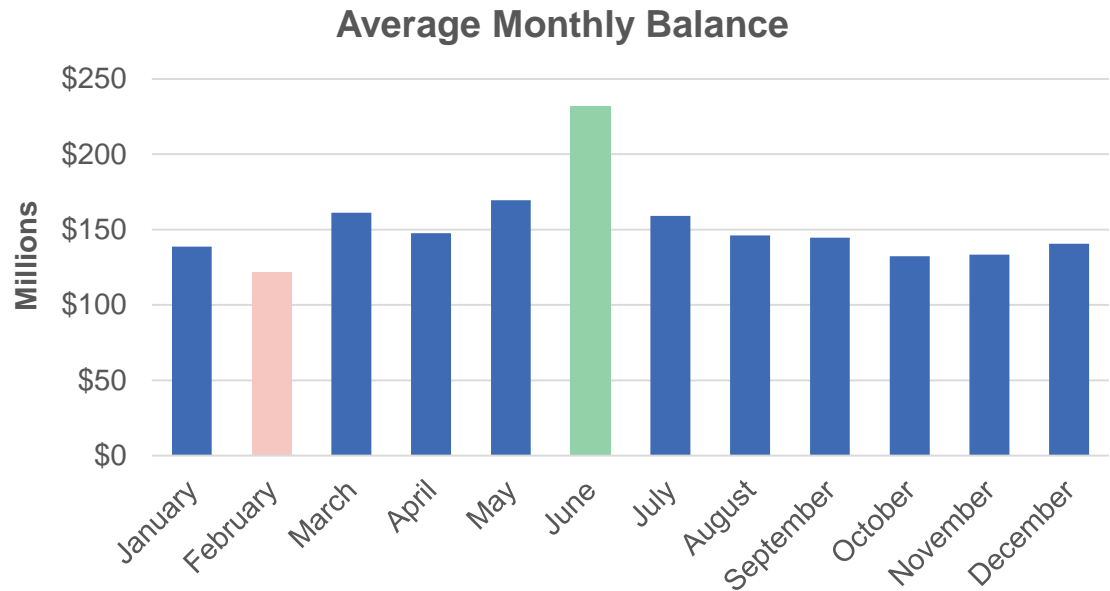
City of "XYZ" Portfolio Balances
January 2012 – May 2022





Average Monthly Balance

Month	Average Monthly Balance	Historical Factor
Average	\$152,253,356	100.00%
January	\$138,682,181	91.09%
February	\$121,668,728	79.91%
March	\$161,145,572	105.84%
April	\$147,602,830	96.95%
May	\$169,549,805	111.36%
June	\$232,123,532	152.46%
July	\$159,164,691	104.54%
August	\$146,095,212	95.96%
September	\$144,670,870	95.02%
October	\$132,359,357	86.93%
November	\$133,427,546	87.64%
December	\$140,549,953	92.31%



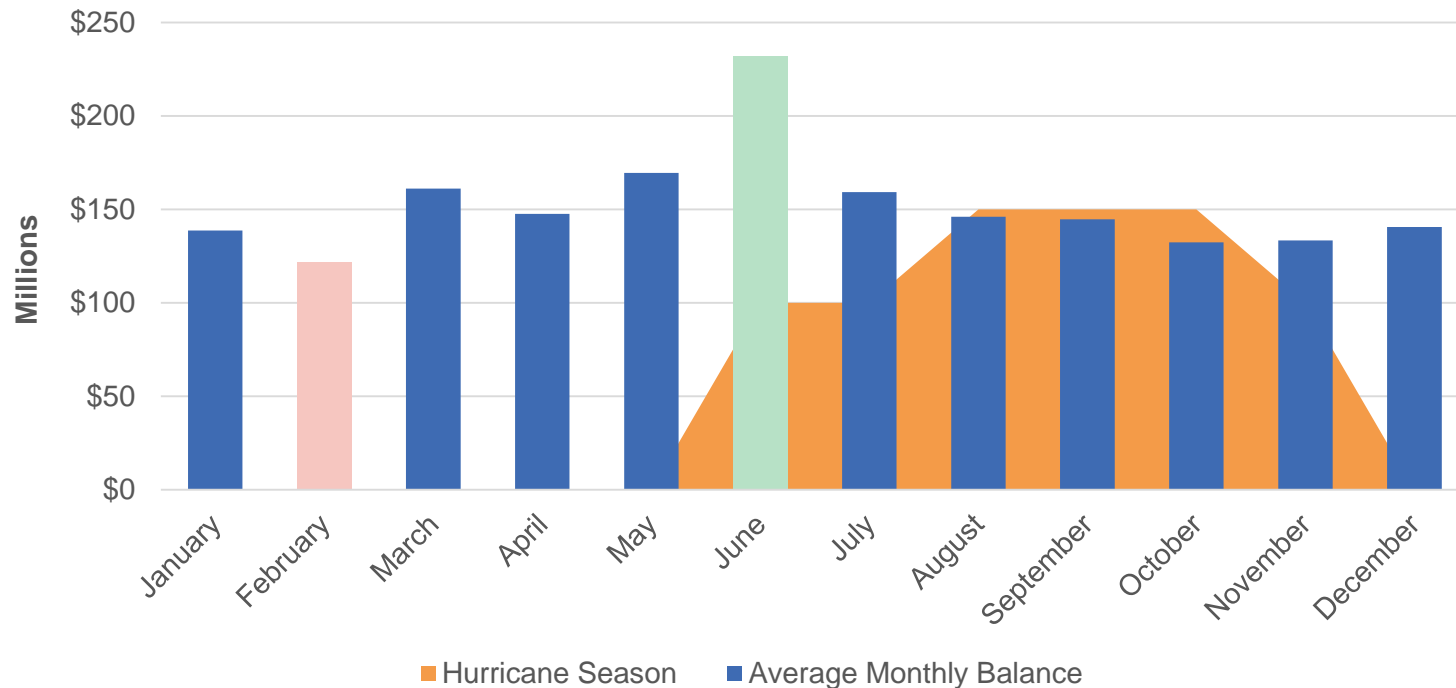


Hurricane Season Overlay

“Typically, the biggest challenge in the wake of a large storm is **accessing sufficient liquidity** to cover disaster-related expenditures while awaiting federal aid reimbursements from [FEMA].”

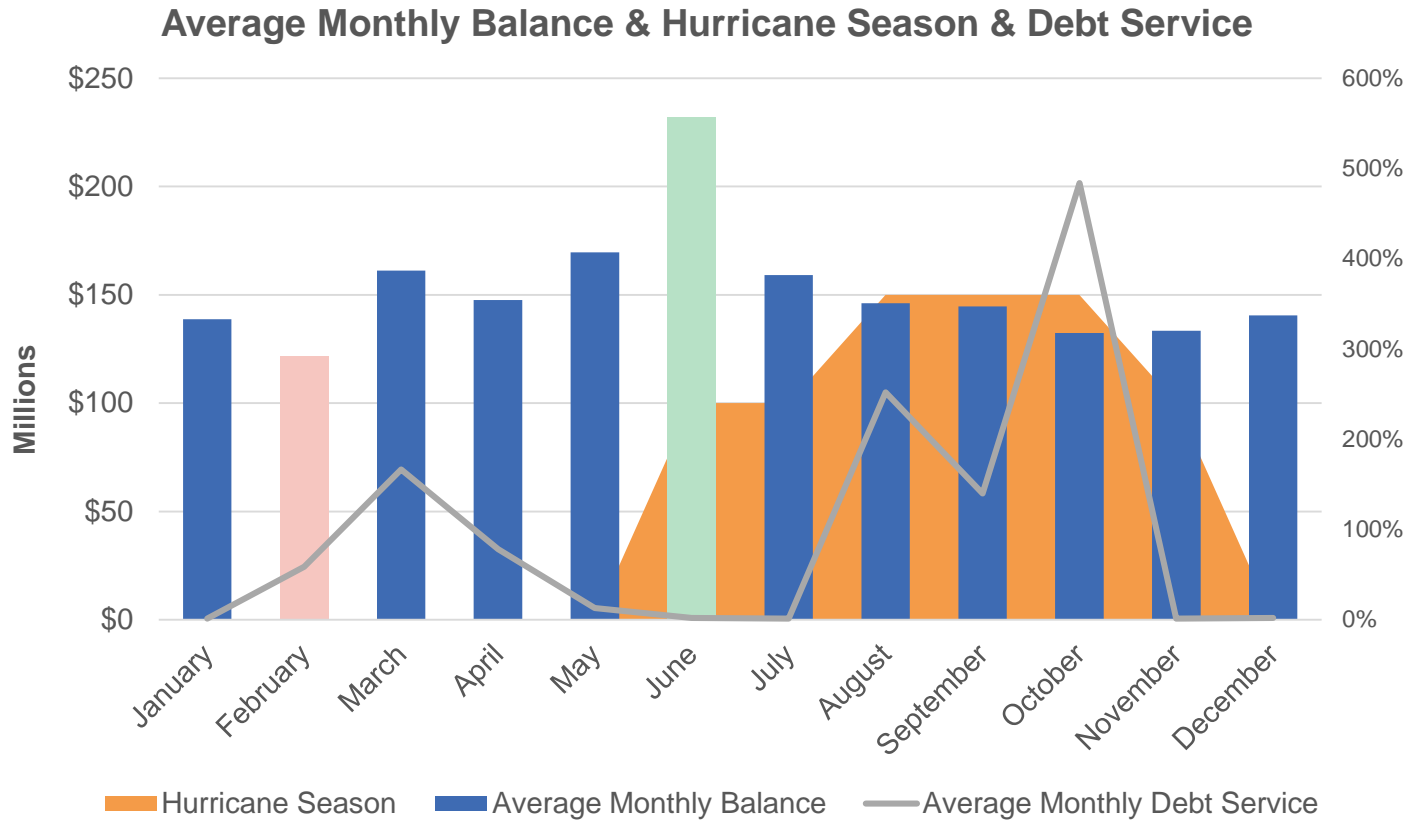
- Moody's Investors Service “Hurricane season amid coronavirus crisis poses increased health and financial risks,” June 9, 2020.

Average Monthly Balance & Hurricane Season





Debt Service Overlay and Addressing Risks



Considerations

- Adjust debt service payment dates
- Federal, state & philanthropic support
 - Insurance
 - Reserves
- Line of credit
- Risk transfer mechanisms



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