



Session 7: Understanding Cash Flow and Forecasting, Part 2 - Exercise

PUTTING IT ALL TOGETHER – A CASHFLOW SIMULATION PLAN

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION

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WHAT DO WE DO?

- Break into small groups
- You will be provided a case study and an excel cash flow template
- As a group, discuss budget/forecast scenarios
 - Consider assumptions around revenues and expenses
 - Be creative or pragmatic
 - What sort of investment or financing plan should you have?
 - Short vs. long-term investments
- 20-30 minutes to work on your case study
- Share your group's case study, outcomes and investment or financing plan

CASE STUDY

- Your Debt and Investment Committee has asked you to prepare a cash flow forecast. They have been directed by the governing Board/Council to explore the addition of an aquatic center to one of the neighborhood parks within the next 12-24 months.
- Your entity has a healthy cash reserve balance, with little debt. However, the addition of the aquatic center will certainly increase cost.
- The Committee needs you to provide guidance to them around:
 - Pay in cash the one time cost of \$3M to build the aquatic center or finance it?
 - What other expenditures will increase (personnel, equipment, utilities, insurance)?
 - Can we offset ongoing cost with fees?
 - What sort of reserve balance will we still have?
- **Be creative!! No wrong answers**

WRAP UP

- Match your investment plan to Goals and Objectives
- Liquidity Needs
- Safety of Principal
 - Credit Risk
 - Interest Rate Risk (Price Volatility)
- Yield, Income, and Return Objectives
- Diversification reduces risk over time
- Avoid market timing

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