



## 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

PRUDENT MAN ADVISORS, INC.  
JANUARY 18, 2017

## 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

## Disclaimer

Prudent Man Advisors, Inc. ("Prudent Man") is an investment adviser registered with the U.S. Securities and Exchange Commission. The information presented herein is for general information purposes only and is not a specific/buy sell recommendation. The analysis or information presented in this presentation is based upon hypothetical projections and/or past performance that may have certain limitations and is solely intended to suggest/discuss potentially applicable financing applications or investment strategies with you. Any terms discussed herein are preliminary until confirmed in a definitive written agreement.

Investment in securities involves risks, including the possible loss of the amount invested. In addition, past performance is no indication of future performance and the price or value of investments may fluctuate. Asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

You should consider certain economic risks (and other legal, tax, and accounting consequences) prior to entering into any type of transaction with Prudent Man Advisors, Inc. Prudent Man and its employees do not offer tax or legal advice. You should consult with your tax and/or legal advisors before making any tax or legal related investment decisions.

Securities, public finance and institutional brokerage services are offered through PMA Securities, Inc. PMA Securities, Inc. is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. Prudent Man Advisors, Inc., an SEC registered investment adviser, provides investment advisory services to separately managed accounts and local government investment pools. All other products and services are provided by PMA Financial Network, Inc. PMA Financial Network, Inc., PMA Securities, Inc. and Prudent Man Advisors (collectively "PMA") are under common ownership. Securities and public finance services offered through PMA Securities, Inc. are available in CA, CO, FL, GA, IL, IN, IA, KS, MI, MN, MO, NE, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined.