



# LIQUIDITY MANAGEMENT

*Turning a cash flow forecast into  
an investment strategy for Florida  
public funds*

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FGFOA

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# TODAY'S AGENDA

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**1.**

**Introductions**

**2.**

**The Value of Cash Flow Forecasting**

**3.**

**Managing Cash Flows**

**4.**

**Liquidity Management**

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a teal shirt. Overlaid on the image is a semi-transparent grid with various data points, including numbers and percentages. A bar chart with several bars of varying heights is also visible, along with a dotted line graph. The overall color palette is warm, with orange and teal tones.

# The Value of Cash Flow Forecasting

266.98

1,579.0

10.0

6,172.4

28,437

12,169

37,985

0.12  
12  
27.0  
6.82  
0.12  
0.65  
25.63  
18.75  
+0.6  
+0.02  
-0.04  
-0.23  
+0.75  
-0.12  
-2.00  
-4.10  
+3.76  
+2.50  
9,732  
7,980  
606,550  
65,700  
52,000



# SAMPLEFORD

CITY OF SAMPLEFORD

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# CASE STUDY – THE CHALLENGE

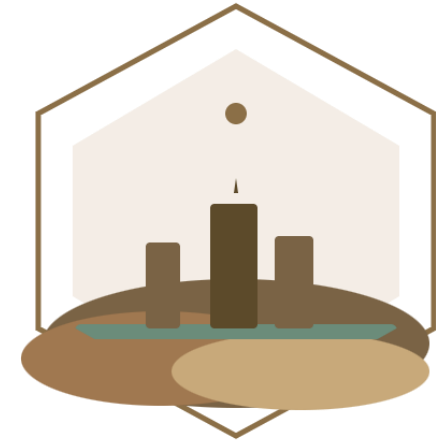
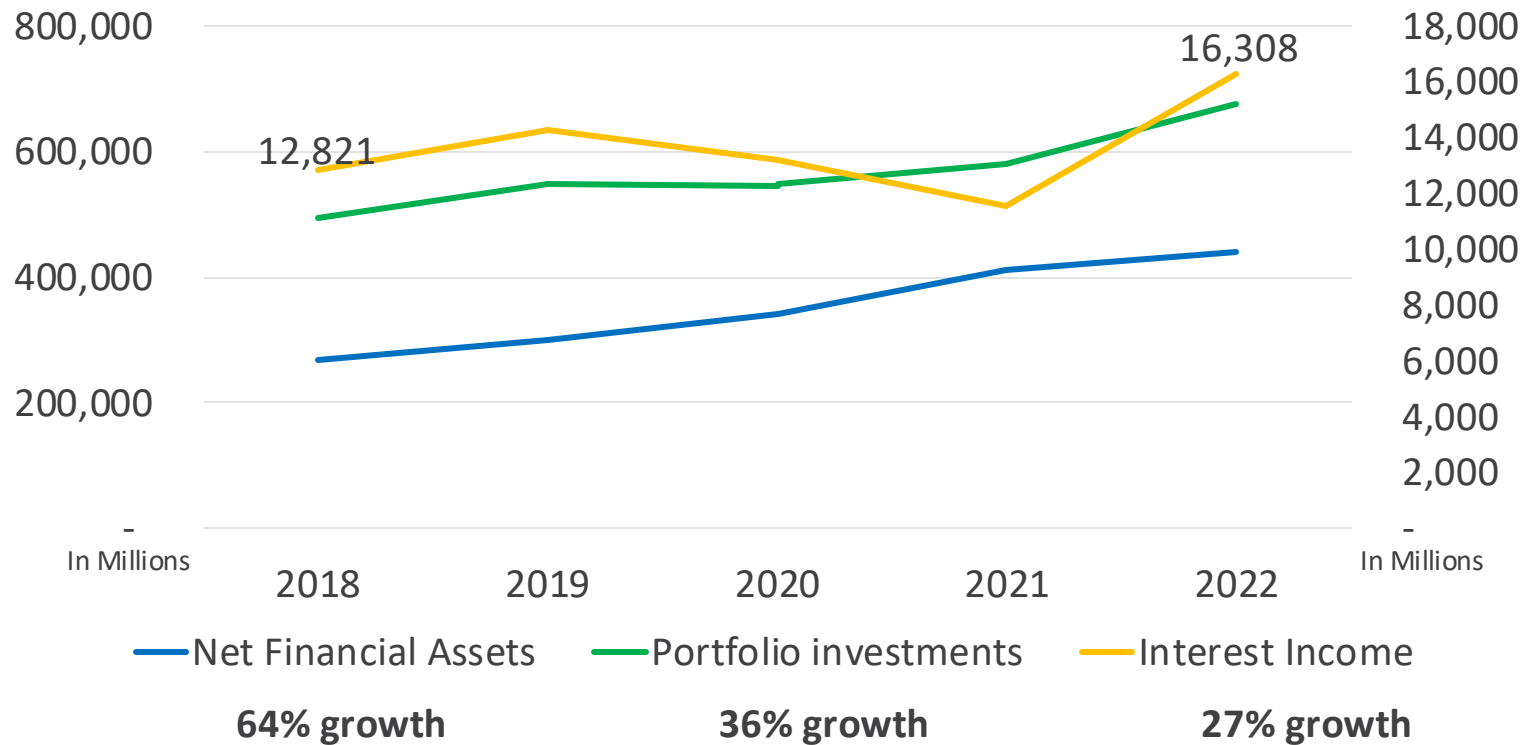
- Budget was hard to fund
- Significant infrastructure deficit
- Delivering approximately \$64M in infrastructure a year



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# CASE STUDY – THE CHALLENGE



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# CASE STUDY – THE SOLUTION

- Automated procurement & budget process
- Reallocate resources to Treasury with a goal to deliver better Return on Investments



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# CASE STUDY – THE RESULT

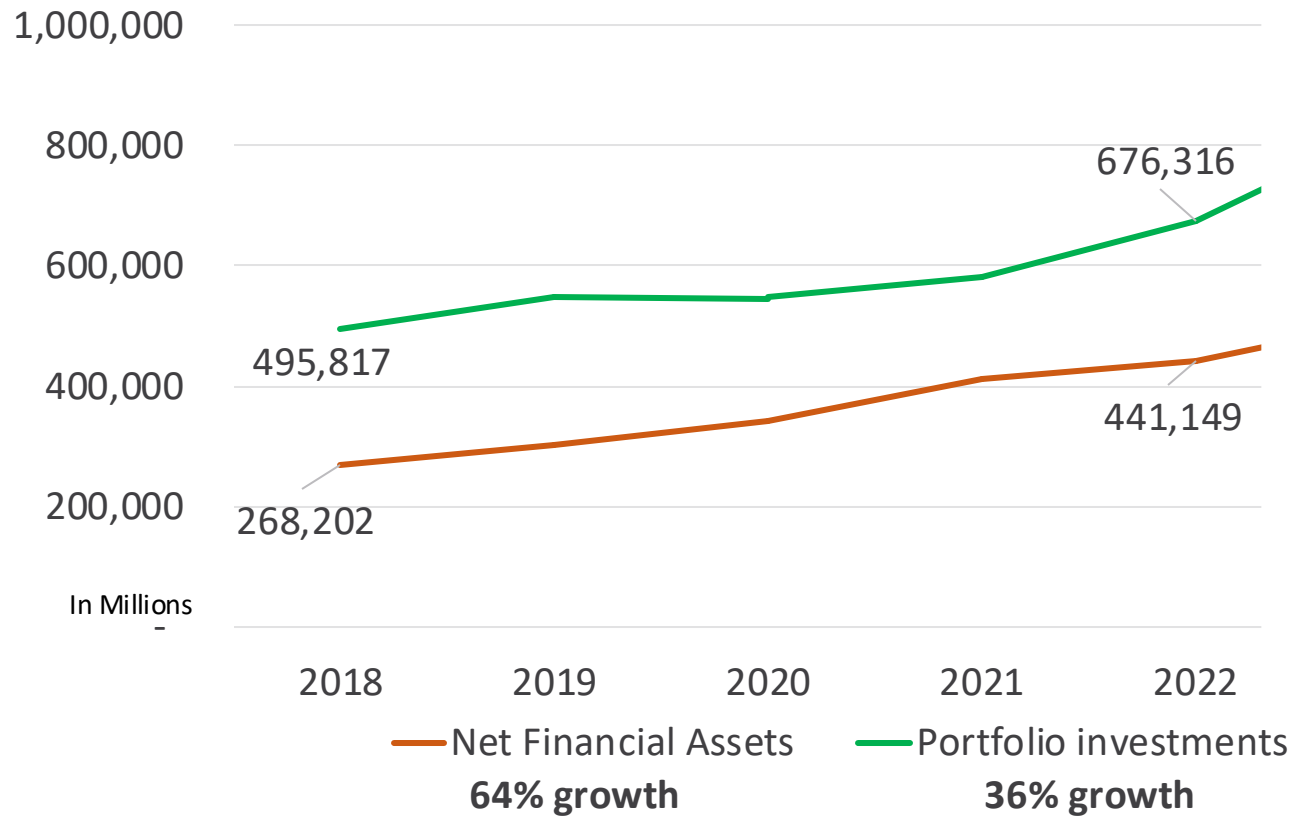
- Improved rate of return from approximately 2% to 4%
- Increase used to provide debt service on \$260 million of infrastructure with no increase in taxation
- \$90 million more infrastructure delivered than 2023
- 3x 2022 infrastructure delivery



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# CASE STUDY – THE RESULT

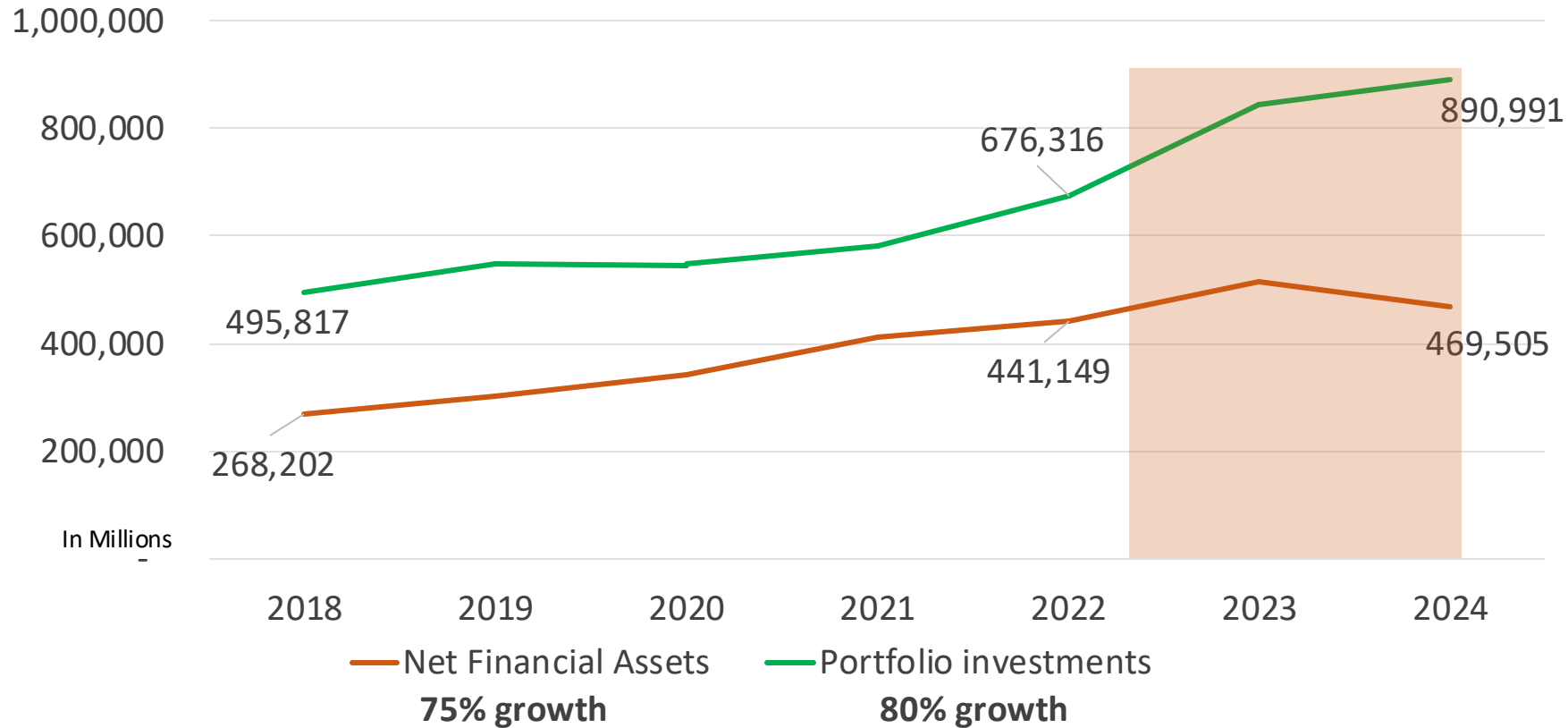


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# CASE STUDY – THE RESULT



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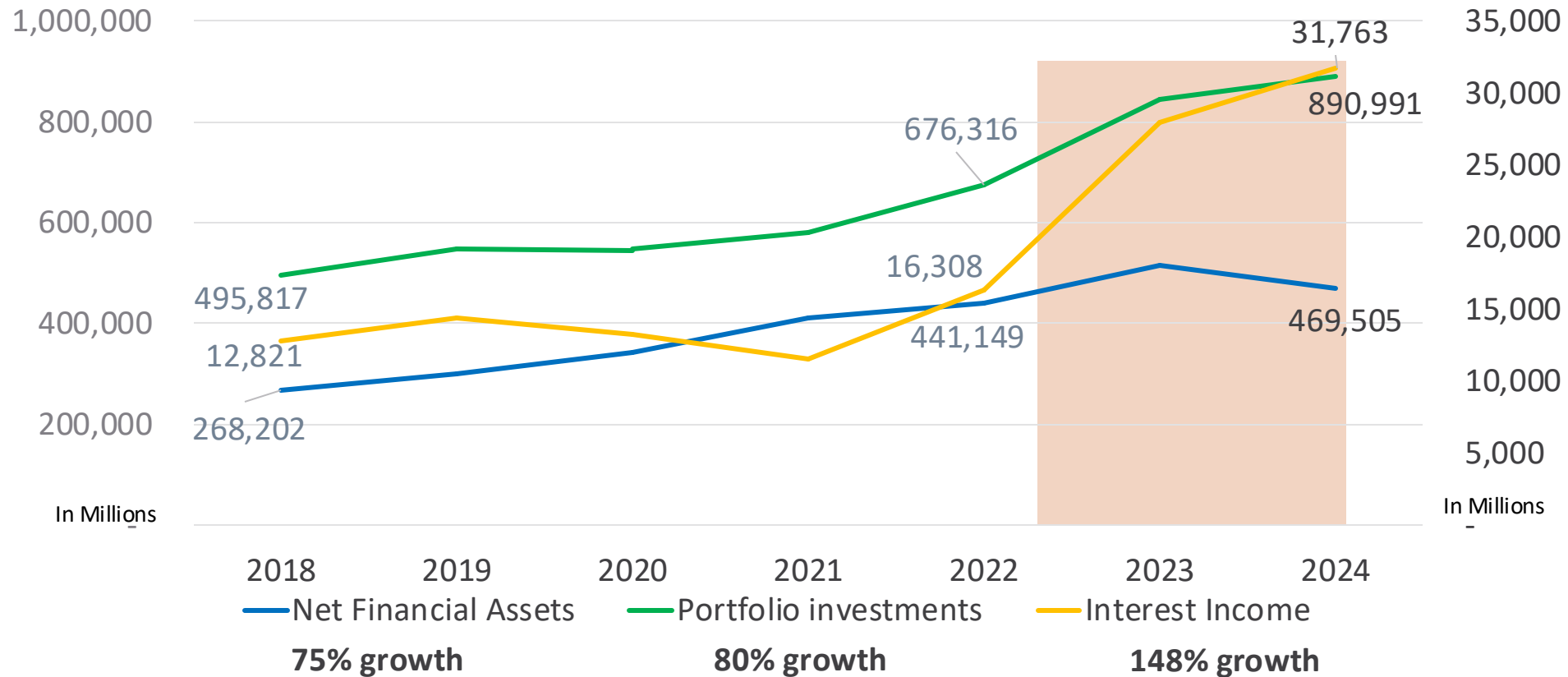


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# CASE STUDY – THE RESULT



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Join by QR code  
Scan with your camera app



# POLL QUESTION

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We are unable to fund all the critical infrastructure our community needs.

- a. Strongly agree
- b. Somewhat agree
- c. Uncertain
- d. Somewhat disagree
- e. Strongly disagree

# POLL QUESTION

The finance team is actively developing and implementing strategies to solve this funding gap.

- a. Strongly agree
- b. Somewhat agree
- c. Uncertain
- d. Somewhat disagree
- e. Strongly disagree

# Managing Cash Flows

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image is a semi-transparent grid with a bar chart and various numerical data points. The bar chart has seven bars of varying heights, with the tallest bar on the right. The data grid contains numbers and percentages, such as 12.68, 27.00, 6.82, 0.12, 0.65, 25.63, 18.75, +1.83%, +1.80%, +0.64%, +0.62%, -0.04%, -0.23%, +0.75%, +1.83%, +3.60%, -0.12%, -2.00%, -14.10%, +3.76%, +21.90%, 75,195, 1,725,948, 535,751, 95,733, 7,980,176, 606,550,278, 65,700, 52,000, 266.98, 1,579.0, 10.0, 6,172.4, 28,437, 12,169, and 37,985. The overall color palette is warm, with orange and teal tones.

To reinforce the value of a detailed cash flow and how it can aid in developing strategic plans centered around investments, budgeting and forecasting.

## Learning Objectives

1. Fundamentals of a Cash Flow
  - Defining the Cash Flow
  - The Cash Flow Effect
  - Key Profile Components
  - Cash Flow Challenges, Value, and Downfalls
  - Budgeting and Forecasting
  
2. Structuring the Cash Flow
  - Tools Available
  - Gathering the Data
  - Implementing the Cash Flow Strategy
  
3. Understanding Your Cash Flow
  - Optimizing Inflows and Outflows
  - Analyzing Your Cash Flow to the Environment
    - Investment Environment (Yield Curve)
    - Investment Opportunity

## Learning Objectives

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## Defining the Cash Flow

- A measure of money into and out of the entity over a period of time.
  - Receipts vs. Expenditures
  - Helps make strategic decisions
- What is a Cash Flow Profile?



## Why Cash Flow Matters

- Maintains business operations
- Supports investment opportunities
- Opportunity for higher rates offering better returns
- Assists in budgeting and planning
- Helps avert financial crises

## Components of Cash Flow

- Major Inflows
  - Revenue
    - Taxes
    - State Funding
  - Investment Income
  
- Major Outflows
  - Salaries & Benefits
  - Debt Service
  - Transportation
    - Taxes

## Common Cash Flow Challenges



### **Revenue Volatility**

Economic conditions can reduce tax revenue streams and investment income. Cyclical cycle of taxes.



### **Expenditure Pressures**

Rising costs on services, goods and infrastructure coupled with unexpected expenditures



### **Political Constraints**

Budget cycles and new legislation can limit flexibility.



### **Regulatory Requirements**

Reporting mandates can restrict fund allocation and timing due to specific tracking requirements.

## The Value of Strong Cash Flow



### **Enhanced Visibility**

Reveals timing mismatches between receipts and disbursements.  
Helps identify cash surpluses and shortages in advance.



### **Resource Optimization**

Enables strategic investment of idle funds. Minimizes borrowing costs during cash shortfalls.



### **Financial Stability**

Ensures sufficient liquidity for operations. Provides confidence to staff, rating agencies, etc.



### **Risk Management**

Identifies potential liquidity risks. Enables proactive mitigation strategies.  
Proper reporting to Boards and Public

## The Downfalls of a Poor Cash Flow



### **Lack Visibility**

Possible liquidity shortage as well as lack of funds to pay expenses.  
Regulatory exposure and other reporting shortfalls.



### **Resource Depletion**

Unable to make investment decisions due to lack of understanding as well as the possibility of having to sell a security at a loss.



### **Financial Instability**

Operational risk and stress on staff. Possible negative impact on credit ratings and increased borrowing costs.



### **Risk**

Exposed to possible liquidity risk, Missed Payments, Etc.

## Budgeting and Forecasting

**"The best way to predict the future is to create it."**

*— Peter Drucker*

## Budgeting and Forecasting – Overview

- Define the Assumptions
- Gather Information
- Preliminary Analysis
- Select a Path (method)
- Implement

## Budgeting and Forecasting – Forecasting Revenue



### **Historical Analysis**

Examine past trends, seasonality, cyclical patterns, timing of inflows, etc.



### **Econometric Models**

Incorporate GDP growth, employment rates, and demographic shifts, interest rate environment, price increases, etc.



### **Utilize Your Resources**

Gather insights from professional partners and economists.

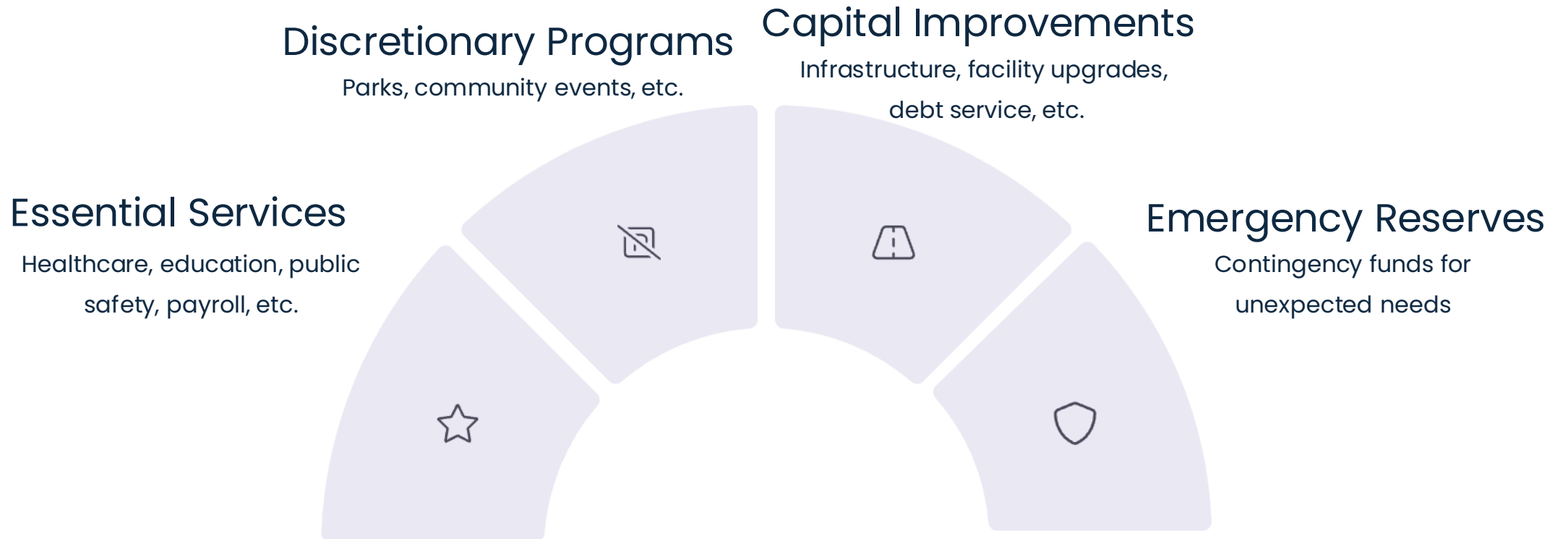


### **Market Correlation**

Link property tax projections to housing and commercial market forecasts.

# FUNDAMENTALS OF A CASH FLOW

## Budgeting and Forecasting – Forecasting Expenditures



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# POLL QUESTION

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Does your organization do cash flow forecasting today?

- a. Yes - daily
- b. Yes - weekly
- c. Yes - monthly
- d. Yes - annually
- e. No
- f. Don't know

# POLL QUESTION

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What tool(s) does your organization use to do your forecasting?

- a. Excel
- b. Kyriba
- c. G2Treasury
- d. Other
- e. Don't know

# GATHERING THE DATA

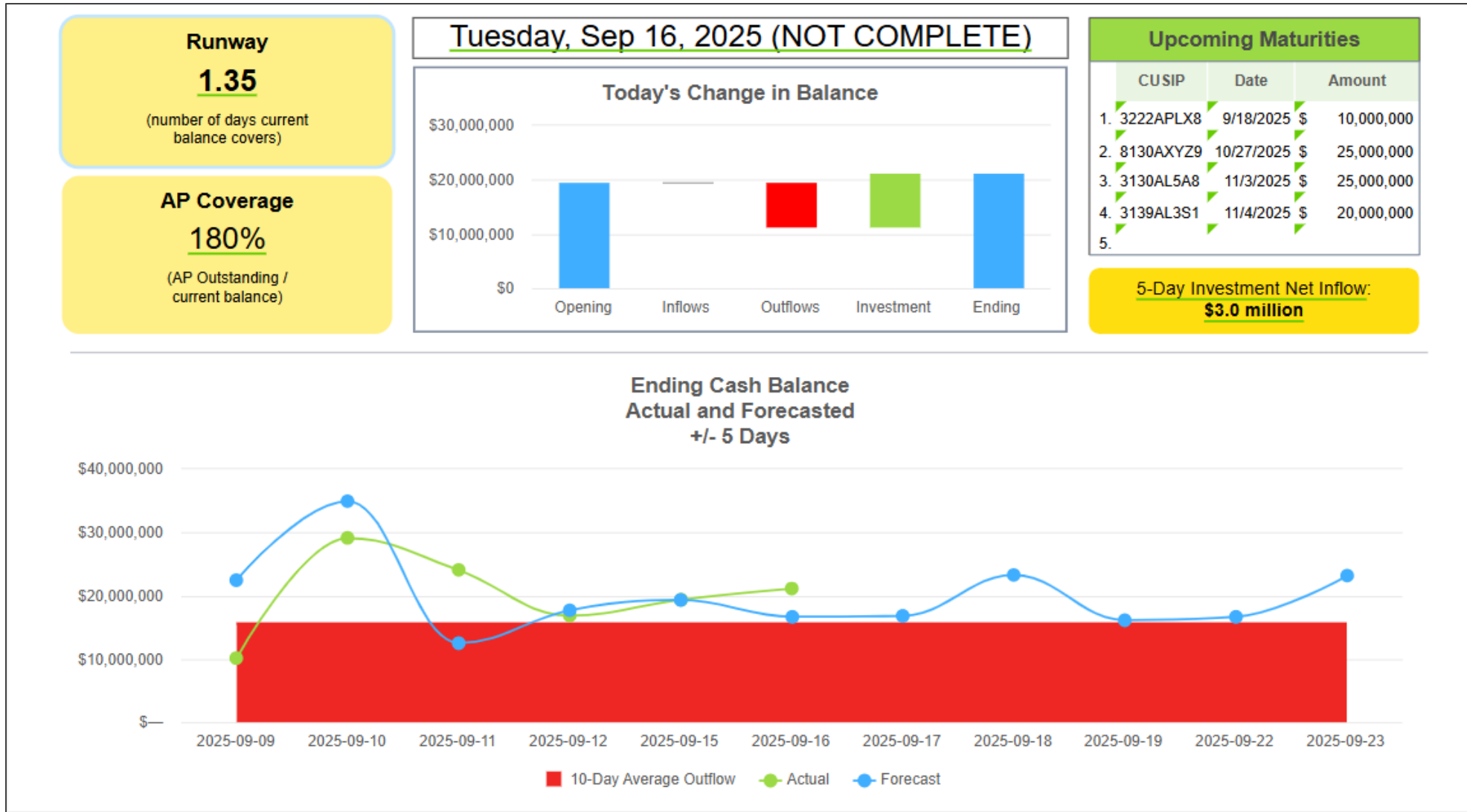
City of Anytown													
Daily Cash Actuals and Forecasts													
Mark today's status: <b>COMPLETED</b>													
	<---Previous days					TODAY			Upcoming days -->				
Business day of the year →	177	178	179	180	181	182	183	184	185	186	187	188	189
Day of the week →	Tuesday	Wednesday	Thursday	Friday	Monday	Tuesday	Wednesday	Thursday	Friday	Monday	Tuesday	Wednesday	Thursday
Type of balance →	Actual	Actual	Actual	Actual	Actual	Average	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2025-09-09	2025-09-10	2025-09-11	2025-09-12	2025-09-15	Last 5 Days	2025-09-16	2025-09-16	2025-09-17	2025-09-18	2025-09-19	2025-09-22	2025-09-23
<b>Beginning Cash Balance</b>	\$ 20,076,022	\$ 10,145,843	\$ 29,069,473	\$ 24,030,869	\$ 16,838,172	\$ 19,364,653	\$ 19,364,653	\$ 19,364,653	\$ 36,086,753	\$ 31,763,870	\$ 38,233,991	\$ 31,113,556	\$ 31,617,407
<b>Cash In:</b>													
Transfers from/to Dept. Operating Accounts	4,884,837	25,928,847	5,595,561	32,696,627	6,324,173	15,086,009	14,956,544	4,228,078	35,907,082	6,963,931	4,964,132	6,482,553	7,706,404
Transfers from/to Restricted Accounts	—	—	—	(15,030)	—	(3,006)	—	—	—	—	—	—	—
Other Deposit	—	—	—	—	—	—	123	—	—	—	—	—	—
<b>Total Cash IN</b>	4,884,837	25,928,847	5,595,561	32,681,597	6,324,173	15,083,003	14,956,667	4,228,078	35,907,082	6,963,931	4,964,132	6,482,553	7,706,404
<b>Cash Out:</b>													
Accounts Payable	(22,778,789)	(6,940,879)	(2,349,173)	(9,392,067)	(3,670,008)	(9,026,183)	(7,000,000)	(4,057,639)	(22,412,179)	(428,212)	(11,887,778)	(5,166,577)	(1,159,916)
Payroll Direct Deposit	—	—	—	(19,417,086)	(31,340)	(3,889,685)	—	—	(16,917,994)	(9,155)	25	(246,311)	(34,149)
Payroll Taxes	—	—	(3,251,239)	(2,794)	—	(650,807)	—	(2,805,157)	(18,165)	—	(79,569)	(790)	—
Payroll Retirement	—	—	—	(10,901,146)	—	(2,180,229)	—	—	(9,651,552)	—	—	—	—
Payroll Checks	(3,714)	—	—	—	(3,066)	(1,356)	—	—	(1,065,297)	—	—	(52,751)	—
Child Support	—	—	—	(126,078)	—	(25,216)	(1,234,567)	—	(121,072)	—	—	—	—
Sales Tax	—	—	—	—	—	—	—	—	—	—	—	(468,227)	—
Worker's Comp Transfers	(32,513)	(53,595)	(33,753)	(34,840)	(93,278)	(49,596)	—	(47,087)	(43,705)	(56,442)	(117,245)	(44,047)	(62,910)
Other	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash OUT</b>	(22,815,016)	(6,994,474)	(5,634,165)	(39,874,011)	(3,797,692)	(15,823,072)	(8,234,567)	(6,909,882)	(50,229,965)	(493,810)	(12,084,567)	(5,978,702)	(1,256,974)
<b>Change in Cash</b>	(17,930,179)	18,934,373	(38,604)	(7,192,414)	2,526,481	(740,069)	6,722,100	(2,681,805)	(14,322,883)	6,470,122	(7,120,435)	503,851	6,449,430
<b>Subtotal Before Investments</b>	2,145,843	29,080,216	29,030,869	16,838,455	19,364,653	18,624,584	26,086,753	16,682,848	21,763,870	38,233,991	31,113,556	31,617,407	38,066,837

Sample information. Not intended to be a specific investment recommendation.



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# GATHERING THE DATA



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# STRUCTURING THE CASH FLOW

## Implementing Cash Flow Strategy



### Identify Payment Schedules

Map out all major expenditures. Include payroll, debt service, and capital projects.



### Project Revenue Timing

Track tax collection cycles. Monitor intergovernmental transfers and grants.



### Structure Investment Strategy

Stagger maturities to match disbursement needs when it makes sense



### Regular Reassessment

Adjust strategy as rates change. Update as expenditure timelines shift.

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# UNDERSTANDING YOUR CASH FLOW

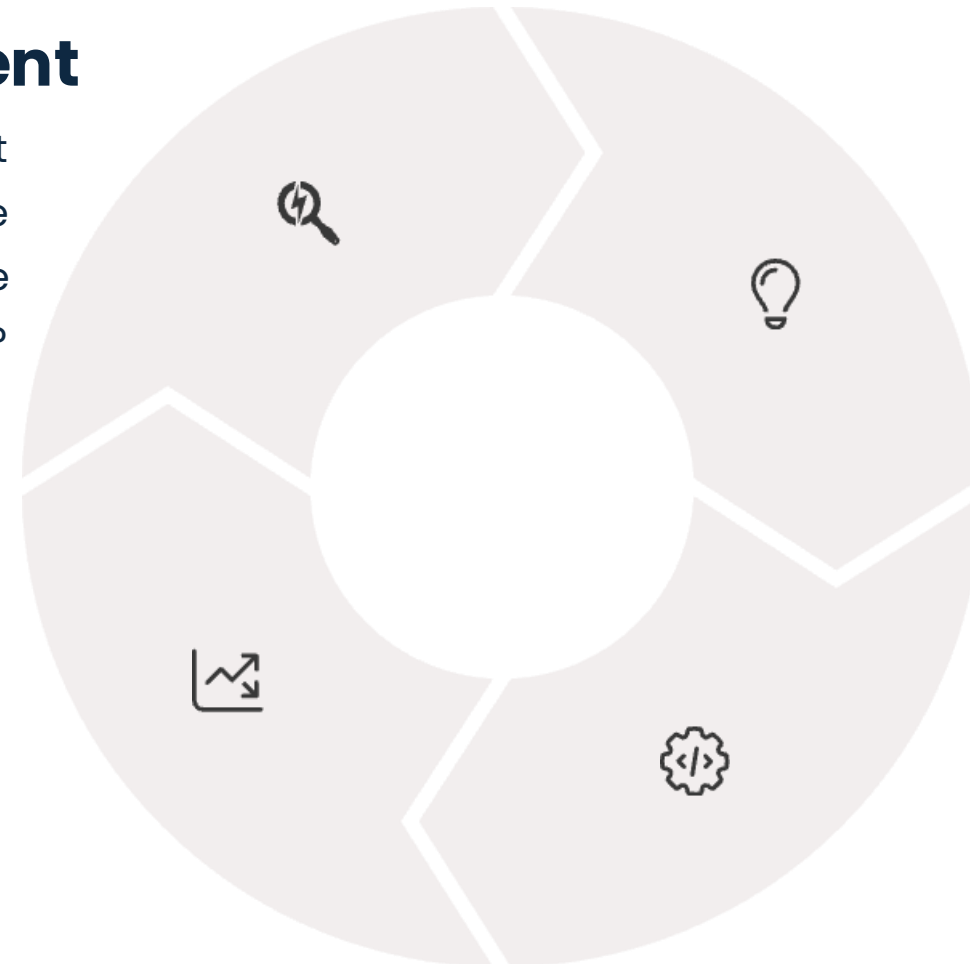
## Optimizing Your Inflows and Outflows

### Assessment

Evaluate current cash management practices. Can we expedite Revenue Collection? Can we gain more investment income?

### Monitoring

Track performance and analyze results. Communicate them Clearly.



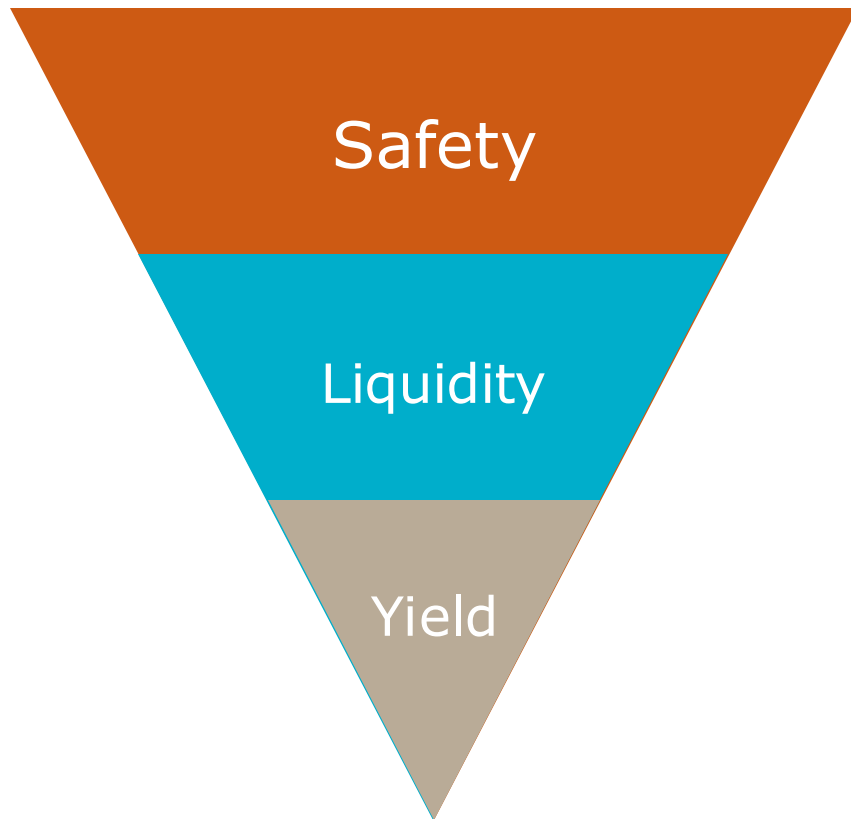
### Ideas

Seek colleagues and professional partners advice. Leverage External Funding Opportunities. Establish appropriate user fees, cost cutting where necessary, etc.

### Training

Deploy new systems and train staff

### What does your Investment Policy state?



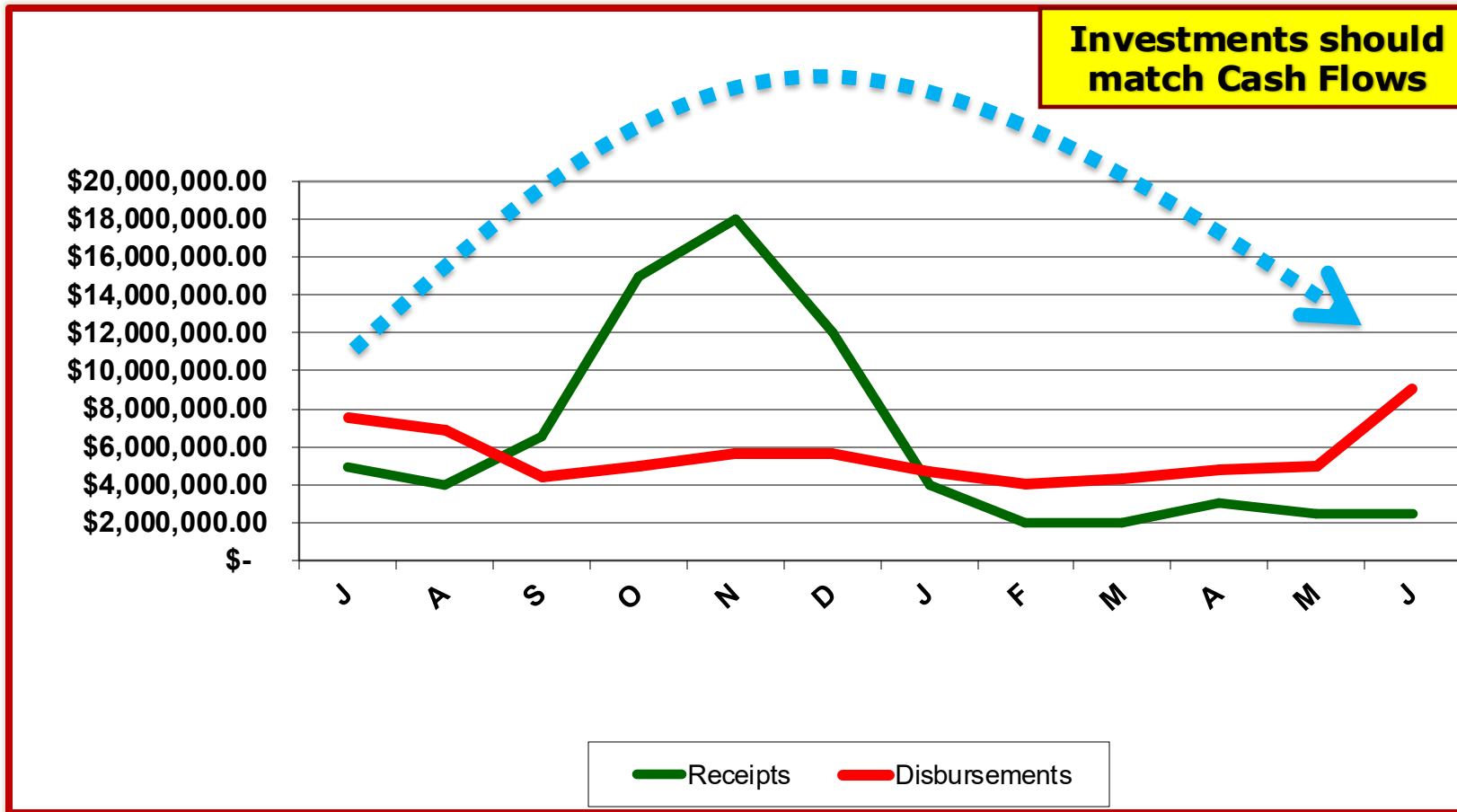
“Resist the temptation to forsake safety and liquidity in order to generate more returns.”

- Safety and Legality of funds is the primary objective.
- Liquidity is secondary and critical as the entity determines how and when funds will be spent.
- Yield is important, but only if the priorities of safety and liquidity are met.

# UNDERSTANDING YOUR CASH FLOW

## Investment Opportunity

### Investing longer on the Cash Flow



## Key Takeaways

### Detailed Cash Flow Analysis is Essential

Comprehensive forecasting enables strategic financial management. It improves decision-making and fiscal health.

### Interest Rate Environment Awareness

Different yield curves require different investment approaches. Adapt strategies as market conditions change.

### Strategic Matching Can Help Flatten Cash Flows when Possible

Align investment maturities with payment obligations with reserve funds when applicable

# MANAGING THE CASH FLOW PROCESS

## Invest with Intention

- 1** Actively Monitor
- 2** Match assets and liabilities to maximize interest earnings
- 3** Accelerate collection of receipts and optimize timing of disbursements
- 4** Be mindful of legal requirements and limit investments to types you thoroughly understand
- 5** Don't try to time the market
- 6** Build a cash reserve

# Liquidity Management

A hand is shown using a calculator. The background features a semi-transparent bar chart with a dotted line graph and a data table. The overall theme is financial analysis and liquidity management.

266.98			
1,579.0			
10.0			
6,172.4			
28,437			
12,169			
37,985			
12.68	+1.83%	270,195	75,195
27.00	+1.80%	1,725,948	1,725,948
6.32	+0.6%	535,751	535,751
0.12	+0.02%	95,732	95,732
0.65	-0.04%	7,980,176	7,980,176
25.63	-0.23%	606,550,278	606,550,278
18.75	+0.75%	65,700	65,700
		52,000	52,000

# WHAT WE'LL COVER

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In this section, we'll discuss:

- How a forecast becomes an investment decision
- How policy and statute create the guardrails
- How to size liquidity without holding too much idle cash
- How the yield curve shapes the trade-offs
- How to match funds to the right investment vehicles
- How laddering, buy-and-hold, and active management fit together
- How to think about risk and governance

## What a good forecast gives you

Coming out of the forecasting discussion, you have:

- **A timing view** of when cash will come in and go out
- **A liquidity buffer balance** — the funds that must remain liquid
- **Known liabilities** with specific dates — debt service, capital draws, bond proceeds

## What liquidity management adds

Translating that timing view into an investment strategy:

- **Sizing the cushion — how much do we hold in same-day liquidity?**
- **Matching maturities** — aligning each dollar to its time horizon
- **Selecting instruments** — the right vehicle for each bucket

# Liquidity Discipline

The image features a hand holding a pen over a calculator, with a semi-transparent bar chart and a grid of financial data overlaid. The text 'Liquidity Discipline' is prominently displayed in the center. The background is a blurred office setting with warm lighting and bokeh effects.

12.68	+1.14	-1.83%	75,195
27.00	+1.80	+3.60%	1,725,948
6.32	+0.64	+0.12%	534,751
0.12	+0.02	+2.00%	195,732
0.65	-0.04	-4.10%	7,980,176
25.63	-0.23	-3.76%	606,550,278
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			52,000

266.98
1,579.00
10.00
6,172.40
28,437.00
12,169.00
37,980.00

# WHAT LIQUIDITY MANAGEMENT IS

- **Liquidity management is having the right amount of cash available at the right time.**
- The aim isn't maximum liquidity – it's sufficient liquidity, with a buffer for the unexpected, while minimizing opportunity cost.
- Every public funds treasurer is balancing three things at once:
  - Ensure operating liquidity
  - Protect principal
  - Earn competitive return on funds not needed immediately
- **Effective liquidity management doesn't just protect you from losses** – it helps to capture income that otherwise wouldn't be earned.

# SIZING THE LIQUIDITY BUFFER

- The liquidity buffer is the amount held to absorb uncertainty.
- **It protects against:**
  - Revenue arriving later than projected
  - Expenses higher or earlier than forecast
  - Unexpected or emergency needs

## How to size

- **Start with operating funds.** GFOA best practice is to hold roughly 60 days of operating expenses in same-day liquidity.
- **Add a buffer.** Consider your worst-case revenue delay or unexpected expense from the past three to five years.
- **Subtract liquidity already in same-day vehicles.** Balances in LGIPs, money market funds, or other same-day vehicles may already satisfy part of the liquidity buffer.
- **Review it periodically.** Your buffer assumptions should be tested against actual results.

**Key point:** Too small of a buffer creates risk. Too large creates opportunity cost. The right size is intentional.

# Policy and Statutory Guardrails

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image is a semi-transparent grid with various financial data points, including percentages and numbers. A bar chart with several bars of varying heights is also visible, along with a dotted line graph. The overall color palette is warm, with orange and teal tones.

# THE PILLARS OF F.S. 218.415

- **Authorized Investments & Eligible Instruments**

- The foundational gateway decision. **Without a written policy, the director is limited to four basic instruments under subsection (17). Adopt a written policy and the eligible universe expands significantly.** Everything else flows from this choice.

- **Portfolio Management**

- Management of maturities, liquidity, diversification, and competitive bidding – always in the statute's prescribed priority order of safety first, liquidity second, yield third.

- **Custody, Safekeeping & Third-Party Controls**

- Public assets must be held by qualified third-party custodians, clearly segregated from institutional assets, and transacted on a delivery vs. payment basis. Repurchase agreements require a Master Repurchase Agreement.

- **Internal Controls & Ethics**

- Written controls to prevent fraud, error, and misrepresentation – reviewed by independent auditors. Investment decisions must be based solely on pecuniary factors; nonpecuniary considerations like social or ideological interests are explicitly prohibited.

- **Education, Reporting & Compliance**

- Officials making investment decisions must complete 8 hours of continuing education annually. Periodic reports on portfolio composition, book value, income, and market value must be submitted to the governing body and made available to the public. External auditors must verify compliance as part of the regular audit.

# SAMPLE PORTFOLIO COMPOSITION

Authorized Investment – Sector Type	Minimum Rating Requirement	Maturity Limits	Maximum Allocation	Individual Issuer Limit
Cash and Cash Equivalents	N/A	N/A	100%	N/A
Local Government Surplus Funds Trust Fund (Florida PRIME)	AAAm	N/A	25%	N/A
United States Government Securities	N/A	5 years	100%	N/A
Federal Instrumentalities (United States Government Sponsored Enterprises)	N/A	5 years	50%	30%
Interest Bearing Time Deposit, Certificates of Deposit or Savings Accounts – Qualified Public Depositories Only	N/A	1 year	10%	10%
State and /or Local Government Taxable and/or Tax-Exempt Debt	Aa3 and AA-	5 years	25%	5%
Registered Investment Companies (Money Market Mutual Funds)	AAAm	N/A	50%	10%
Intergovernmental Investment Pools	AAAm	N/A	100%	N/A

For illustration purposes only. Not intended to be a specific investment recommendation.



Please refer to the disclaimer for important information about this presentation and/or data.

# POLL QUESTION

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- Question: Which statement best describes how your portfolio is positioned today?
  - Answers:
    - Investments are tightly aligned with projected cash needs
    - We probably hold a bit more liquidity than strictly necessary
    - We intentionally keep a meaningful cushion because that has historically been our approach
    - Most funds stay short because we do not rely heavily on forecasting

A person's hand is shown using a calculator. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image are various financial charts and data points, including a bar chart, a line graph with a dotted line, and a grid of numbers. The text "The Yield Curve and Maturity Decisions" is prominently displayed in the center.

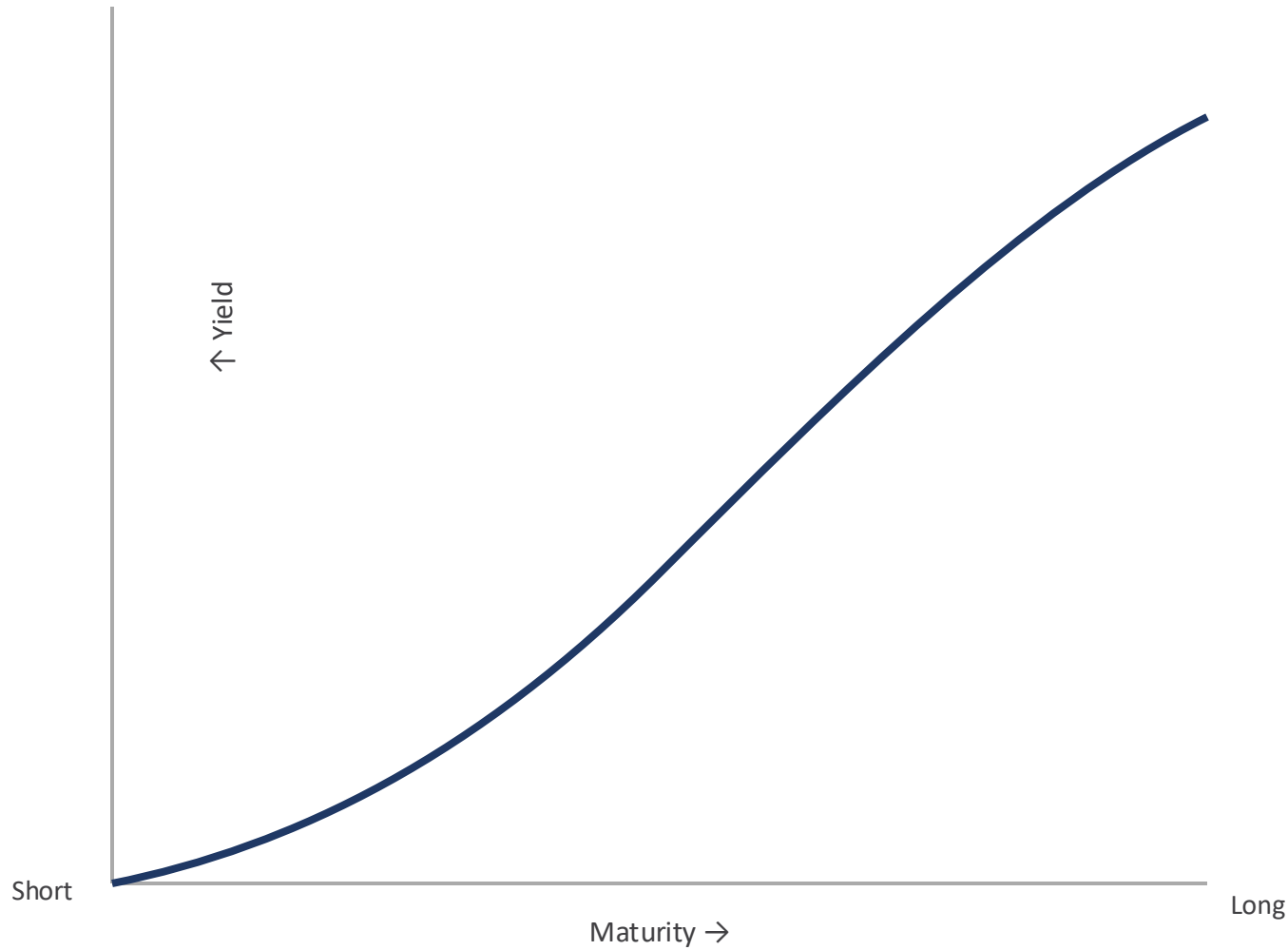
# The Yield Curve and Maturity Decisions

266.98  
1,579.0  
10.0  
6,172.  
28,437  
12,169  
37,985

6.82  
0.12  
0.65  
25.63  
18.75  
+0.64  
+0.02  
-0.04  
-0.23  
+0.75  
-2.00%  
-4.10%  
-3.76%  
-2.15%

9,732  
7,980  
606,550  
65,700  
52,000

# THE NORMAL YIELD CURVE – TERM PREMIUM REWARDS EXTENDING MATURITY

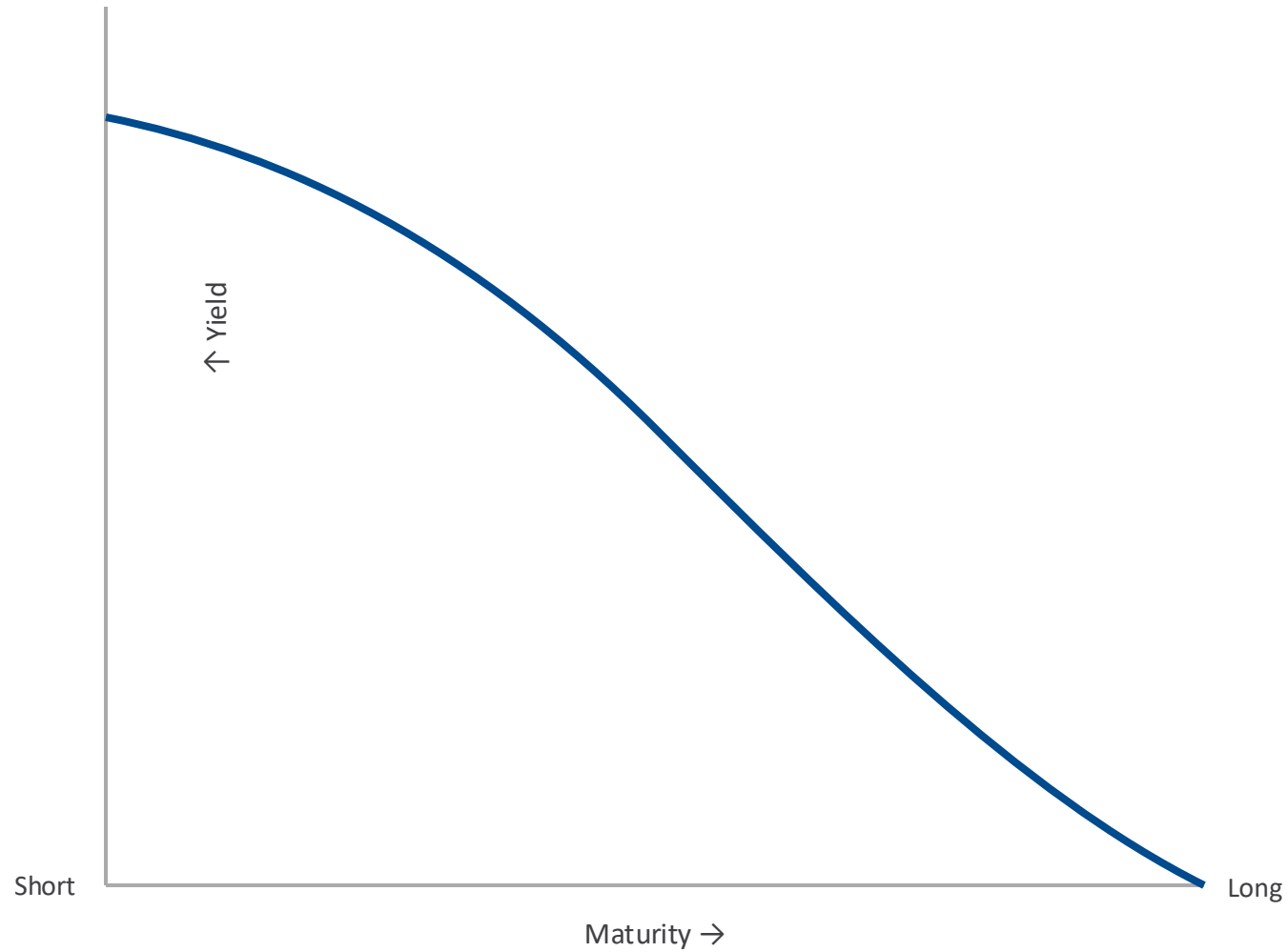


## What it means

Yields rise with maturity. Investors earn more for committing their money longer. This is the most common state of the curve and reflects moderate expectations for economic growth and inflation.

For illustration purposes only. Not intended to be a specific investment recommendation.

# THE INVERTED YIELD CURVE – SHORT RATES EXCEED LONG RATES

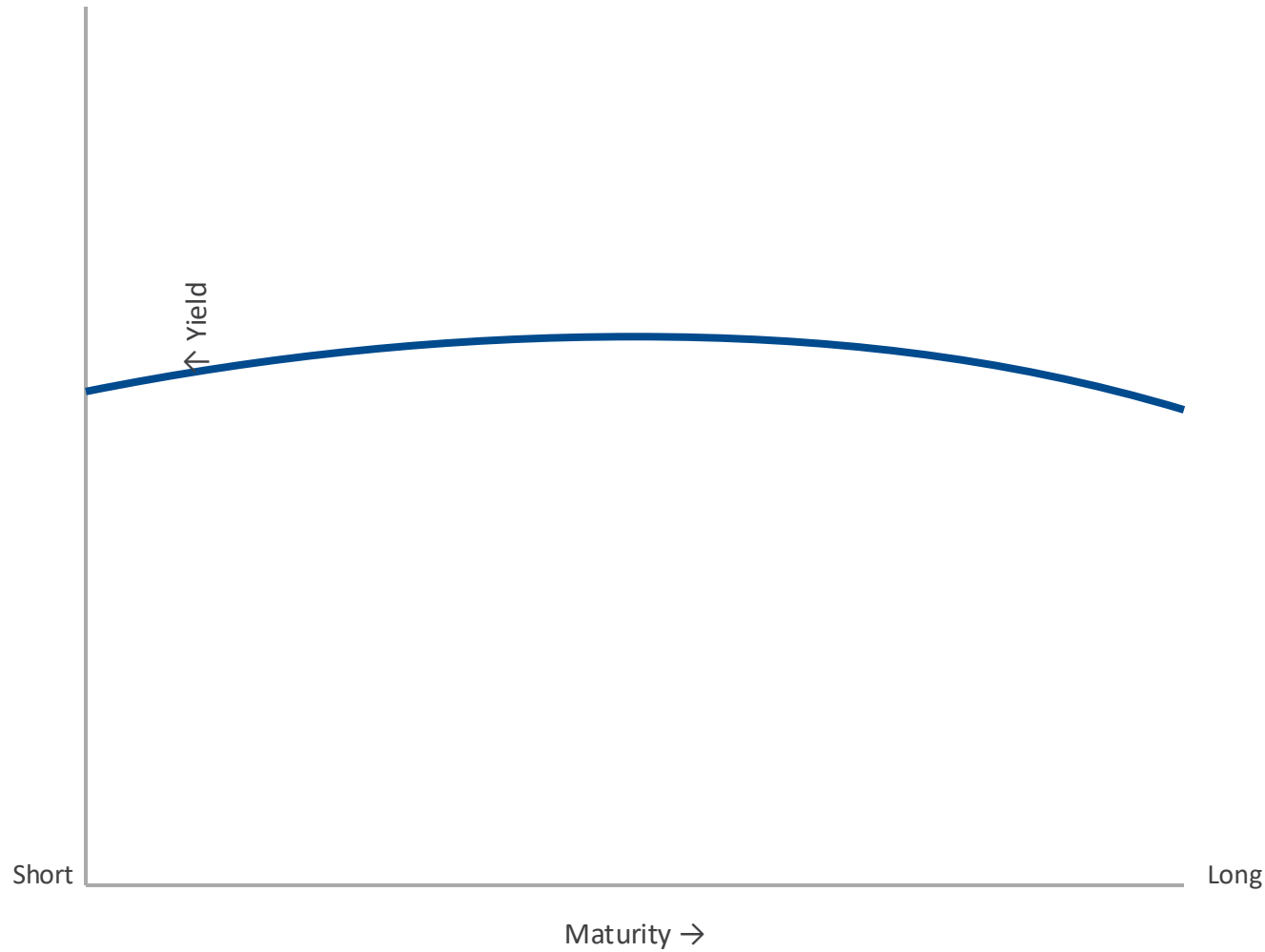


## What it means

Short-term yields exceed long-term yields. Markets are anticipating rate cuts or slowing growth ahead. Cash is unusually competitive with duration.

For illustration purposes only. Not intended to be a specific investment recommendation.

# THE FLAT YIELD CURVE – LITTLE REWARD FOR EXTENDING MATURITY

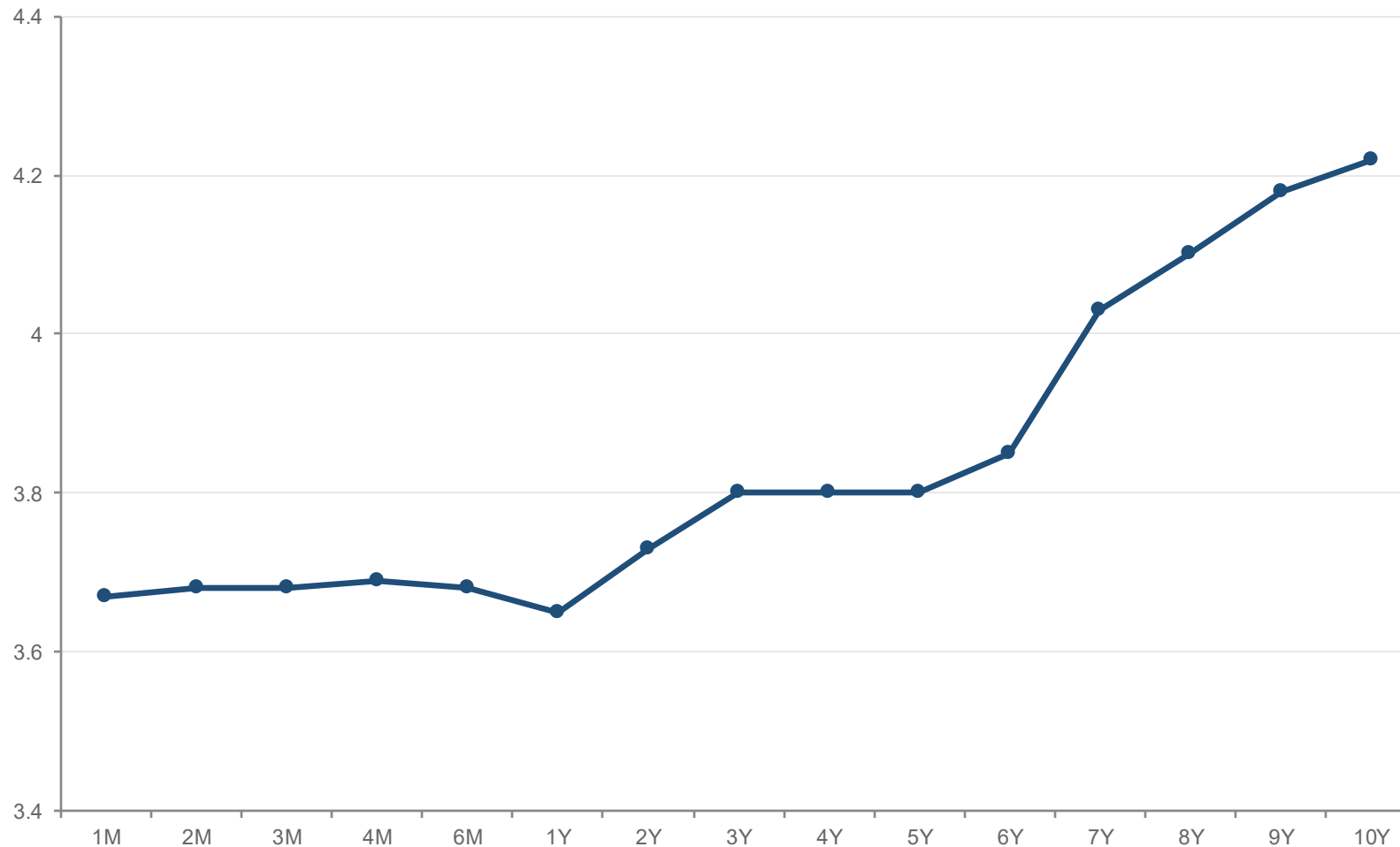


## What it means

Yields are roughly the same across maturities. There is little premium for going longer. This often signals a transition between a normal and inverted curve.

For illustration purposes only. Not intended to be a specific investment recommendation.

# CURRENT US TREASURY CURVE



## What this curve is telling us

- Short end (1M–6M): approximately 3.67–3.68% – relatively flat across the front end
- 1Y–2Y Sector: ~3.65–3.73% – slight compression before yields rise a bit
- Mid range (3Y–6Y): 3.80–3.85% – modest increase with maturity
- Long end (7Y–10Y): 4.03–4.22% – higher yields reflecting longer maturities

Source: Bloomberg as of 4/20/2026. Illustrative; not an investment recommendation.

# THE COST OF EXCESS LIQUIDITY – IN DOLLAR TERMS

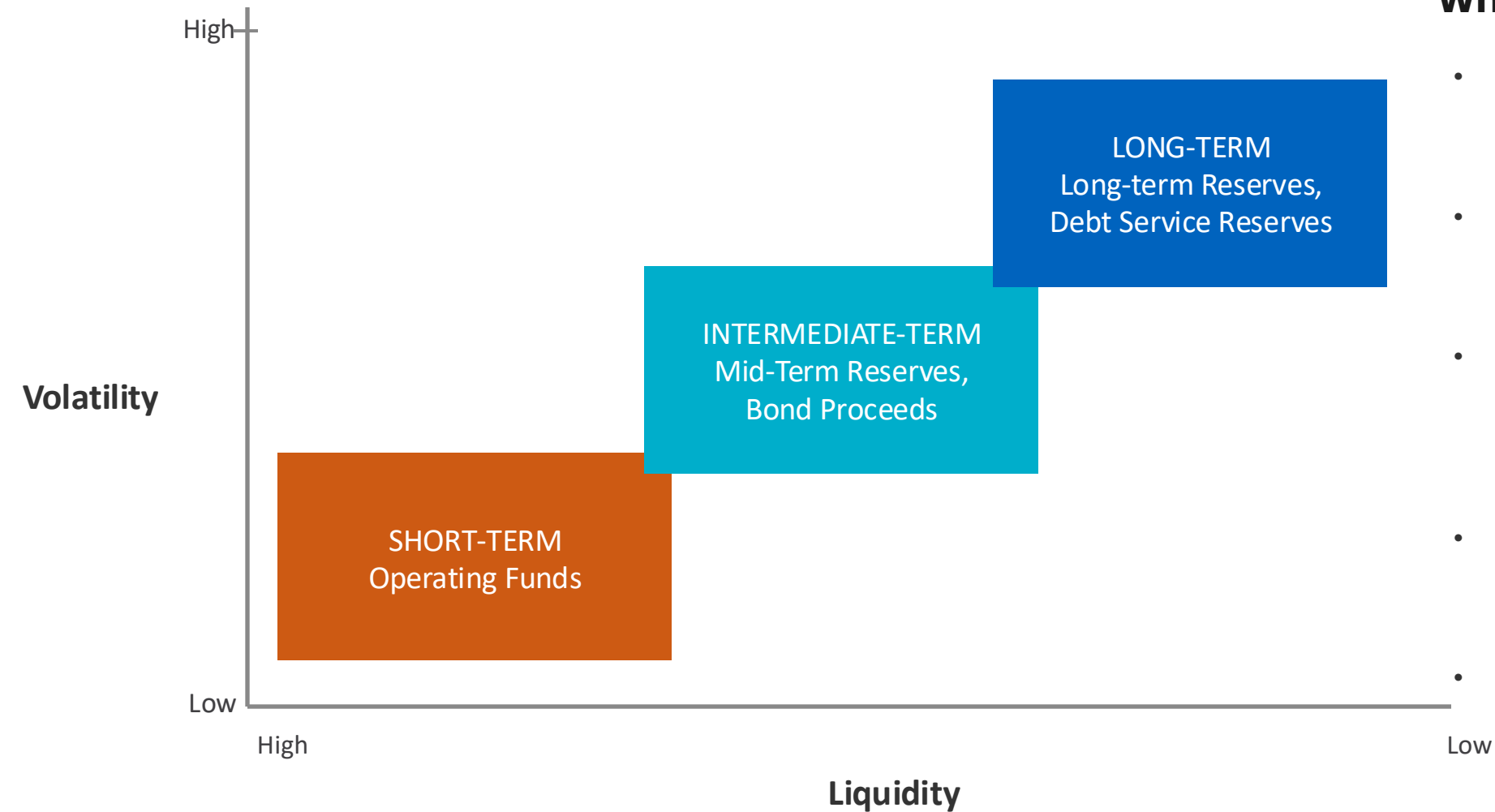
- Every dollar sitting overnight funds could be invested gives up the spread between those two rates.
- Depending on the shape of the curve, that spread could be meaningful.
- On a \$100 million portfolio, 25 basis points of forgone yield is about \$250,000 per year.
- That is money that could support staff, projects, or reserves.
- A reliable forecast tells you how much liquidity you actually need. Everything above that level can be considered for investment.
- The goal is not to eliminate liquidity cushions. It is to size them deliberately.

# Portfolio Construction

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image is a semi-transparent grid with various financial data points, including percentages and numbers. A bar chart with several bars of varying heights is also visible, along with a dotted line graph. The overall color palette is warm, with orange and teal tones.

0.12	27.00	6.32	0.12	0.65	25.63	18.75	270.3	1.83%	3.60%	-0.12%	2.00%	-4.10%	-3.76%	21.90%	775,195	1,725,948	535,751	95,732	7,980,176	606,550,278	65,700	52,000	266.98	1,579.0	10.0	6,172.4	28,437	12,169	37,985
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# THE LIQUIDITY / RISK TRADE-OFF



## What the chart shows

- Public funds investors are always balancing liquidity against expected return.
- Short-term funds offer the most flexibility, but they do not always offer the highest yield.
- Intermediate maturities sit where we have less liquidity but we move higher along the income spectrum
- Longer maturities typically pick up term premium, but expose us to higher volatility
- The goal is to match each bucket of cash to the time horizon of the funds.

Illustrative, based on the current US Treasury curve. Not an investment recommendation.

# SHORT-TERM INSTRUMENTS (0-12 MONTHS)

Instrument	Typical use	Liquidity	Key features
<b>Demand deposit accounts (DDA)</b>	Everyday operating cash	Same-day	Collateralized under Chapter 280; rate set by bank; qualified public depository required
<b>Local government investment pools (LGIPs) — Stable NAV funds (government / prime)</b>	Primary short-term vehicle for many entities	Same-day	Professionally managed, diversified, rated pools; AAAM rating typical
<b>Money market funds</b>	Alternative or complement to LGIPs	Same-day	SEC-registered 2a-7 funds; permissible for most public entities
<b>US Treasury bills</b>	4 weeks – 52 weeks	High	Full faith and credit of the US government; no credit risk; auctioned weekly
<b>Fixed-term LGIPs</b>	60 days – 1 yr	Low until maturity	Pools structured to accommodate planned redemption dates
<b>Short-term CDs (time deposits)</b>	1 – 12 months	Low until maturity	FDIC insured up to limit; collateralized above limit under Chapter 280
<b>Commercial paper</b>	1 – 270 days	Low until maturity	Short-term corporate debt; requires minimum credit ratings per policy; concentration limits typically apply

All use subject to the entity's investment policy and Florida Statute §218.415.

# INTERMEDIATE AND LONG-TERM INSTRUMENTS (1+ YEARS)

Instrument	Typical maturity	Liquidity	Key features
<b>US Treasury notes and bonds</b>	1 – 30 years	High	Benchmark for pricing; no credit risk
<b>US agency securities (FHLB, FNMA, FHLMC, FFCB)</b>	1 – 10 years typical	High	Implicit or explicit government support; modest yield pickup over Treasuries; some issues are callable
<b>Negotiable CDs</b>	1 – 5 years	Moderate	FDIC insured up to limit; larger issues priced near Treasuries plus spread
<b>Taxable municipal securities</b>	1 – 30 years	Moderate	Occasionally used by public entities; tax-exempt is generally not advantageous
<b>Corporate notes</b>	1 – 5 years typical	Moderate	Credit quality and concentration limits per policy; yield pickup varies with market conditions
<b>LGIPS – Variable NAV funds</b>	WAM > 60 days, often significantly longer	Next-day, bi-monthly, monthly (varies by fund; check prospectus)	Invests in longer securities; designed to outperform over time; NAV fluctuates because of longer maturity structure

All use subject to the entity's investment policy and Florida Statute §218.415.

# Portfolio Strategies

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image are various financial data visualizations, including a bar chart with a rising trend line, a grid of numbers, and a line graph with a dotted trend line. The overall color palette is warm, with orange and teal tones.

0.12	+1.14	+1.83%	270,195
12.68	+1.80	+3.60%	1,725,948
27.00	+0.64	+0.12%	534,751
6.32	+0.02	+0.00%	95,732
0.12	+0.04	+4.10%	7,980,176
0.65	+0.23	+3.76%	606,550,278
25.63	+0.75	+2.93%	65,700
18.75			52,000

266.98
1,579.0
10.0
6,172.4
28,437
12,169
37,985

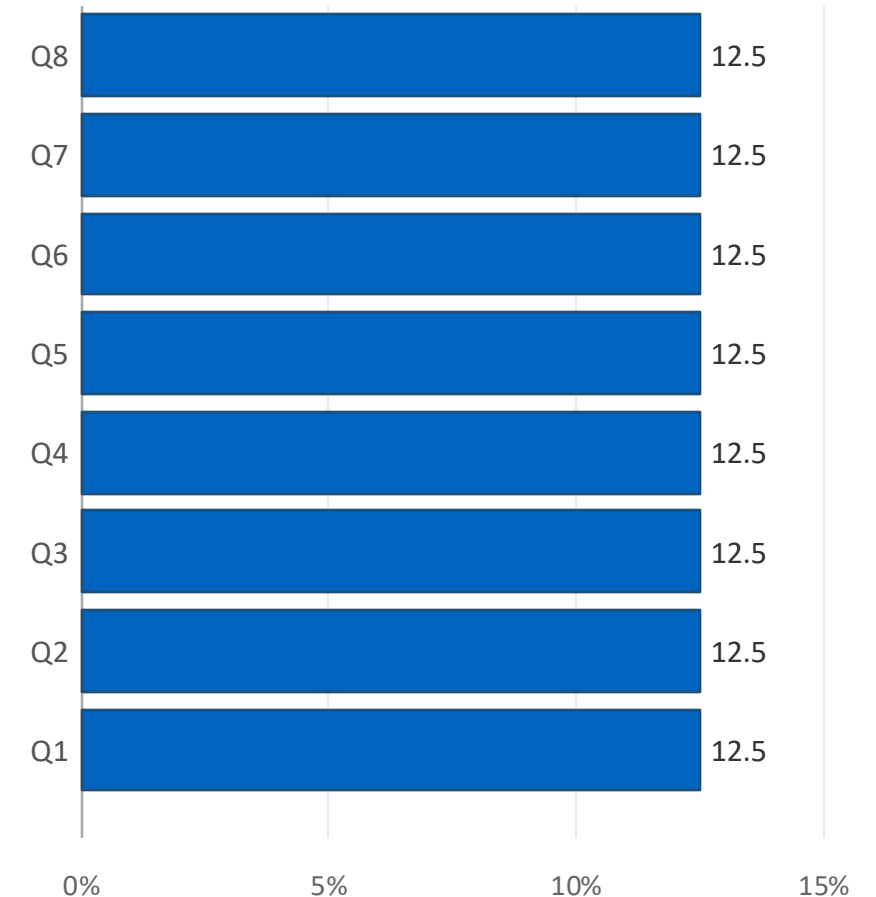
# MOST PUBLIC ENTITIES RELY ON TWO CORE PORTFOLIO APPROACHES

- **Buy-and-hold**
  - Purchase high-quality securities with the intention of holding them to maturity.
    - Liability matching – purchasing a security that matures on or near a known cash need (for example, bond proceeds tied to a project draw or a debt service payment)
    - Laddering – structuring a series of buy-and-hold securities with staggered maturities so a portion of the portfolio comes due on a regular schedule
- **Active management**
  - Actively adjusting the portfolio as market conditions change.
    - Adjusting duration as the yield curve shifts
    - Rotating between sectors or issuers based on relative value
    - Selling securities prior to maturity when price appreciation is attractive
- **In practice:**
  - Short-term funds typically sit in a liquid pool or money market vehicle
  - Intermediate funds are often invested using a laddered buy-and-hold structure
  - Longer-term funds may be held to maturity or actively managed depending on portfolio size and governance structure

# LADDERING – A WORKHORSE FOR FUNDS NOT IMMEDIATELY NEEDED

- Distribute maturities evenly across a defined horizon – for example, equal portions maturing in quarters 1 through 8
- Every quarter, the maturing portion is reinvested at the long end of the ladder
- Consistent liquidity: something is always coming due
- Reduces the need to time the market – you never have to guess where rates are going
- Performs across rate environments:
  - Rates rise: maturing proceeds reinvest at higher yields
  - Rates fall: longer rungs lock in yields before they come down
  - Rates stable: captures the term premium on longer rungs

## Illustrative 2-year ladder



Each rung holds ~12.5% of the intermediate allocation.

# WHEN NOT TO EXTEND

- A forecast does not mean you should always invest as far out as policy allows.
- Stay shorter when:
  - Cash flow timing is uncertain or untested against actual results
  - The governing body is uncomfortable with reported market value volatility.
  - Staff capacity or oversight does not yet support longer maturities
- Extending is appropriate when the time horizon is clear, the policy permits it, and the infrastructure supports it.

**Key point:** Liquidity management is not reaching for yield. It is matching cash to purpose.

# Risks and Oversight

A hand is shown using a calculator, with a pen resting on it. The background is a blurred office setting with a person in a blue shirt. Overlaid on the image is a semi-transparent grid with various financial data points, including numbers and percentages. A bar chart with several bars of varying heights is also visible, along with a dotted line graph. The overall color palette is warm, with orange and teal tones.

12.68  
27.00  
6.82  
0.12  
0.65  
25.63  
18.75

+1.14  
+1.80  
+0.64  
+0.02  
-0.04  
-0.23  
+0.75

+1.83%  
+3.60%  
-0.12%  
-2.00%  
-14.10%  
+3.76%  
+21.90%

270,000  
1,725,948  
535,751  
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7,980,176  
606,550,278  
65,700  
52,000

266.98  
1,579.0  
10.0  
6,172.4  
28,437  
12,169  
37,985

# RISKS SPECIFIC TO LIQUIDITY MANAGEMENT

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- Liquidity risk – not having cash available when it is needed
- Reinvestment risk – maturing proceeds rolling into lower yields
- Interest rate risk – price volatility as rates move
- Credit risk – issuer downgrade or default
- Call risk – securities being redeemed earlier than expected
- Concentration risk – too much exposure to a single issuer, sector, or maturity

# GOVERNANCE CHECKPOINTS – BUILDING THE DISCIPLINE AROUND THE STRATEGY

The risks on the prior slide are managed not by any single decision, but by a recurring rhythm of review.

## POLICY & AUTHORITY

- **Annual policy review**  
Confirm allocations and limits still fit the entity's situation.
- **Delegation of authority**  
Clear written authority for who can approve and execute trades.
- **Continuing education**  
The 8-hour annual requirement under F.S. 218.415 is the floor, not the ceiling.

## OVERSIGHT & REPORTING

- **Quarterly portfolio reporting**  
Composition, book value, market value, income, compliance status.
- **Governing body visibility**  
Reports made available to the governing body and to the public.
- **External audit verification**  
Compliance with policy and statute confirmed in the regular audit.

## EXTERNAL RELATIONSHIPS

- **Custody & safekeeping**  
Qualified third-party custodian, segregated assets, delivery vs. payment.
- **Investment advisor oversight**  
If using one: scope, fee, performance benchmarks, periodic review.
- **Counterparty & broker review**  
Approved list, competitive bidding, periodic re-evaluation.

*Good governance is what makes the strategy hold up over time, across staff turnover, and through changing rate environments.*

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**“The essence of risk management lies in maximizing the areas where we have some control over the outcome, while minimizing the areas where we have no control.”**

*-Peter Bernstein*

# SUMMARY

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- A forecast tells you what must stay liquid.
- A policy tells you what is allowed.
- A strategy assigns each dollar to a purpose and a time horizon.
- Keep operating cash liquid. Match known liabilities. Invest the rest according to policy, risk tolerance, and governance.

***The forecast should drive the strategy.***

***The yield curve should inform it.***

***The investment policy should govern it.***

# CONTACT US



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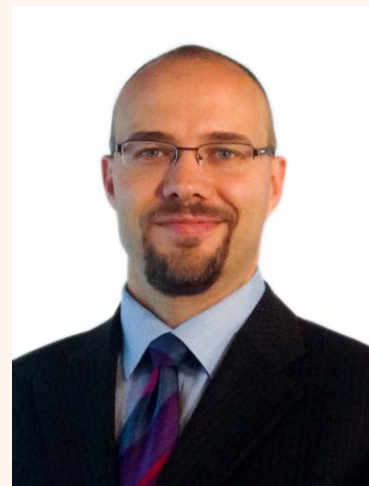


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