



# 2026

## FGFOA

### Annual Conference

**June 13-17, 2026**

Loews Sapphire Falls Resort  
at Universal



# LIQUIDITY MANAGEMENT

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

**June 13, 2026**

FLCLASS

FLCLASS<sup>®</sup>



# Today's Speakers



## Zach Falconer

Sr. Director, Investment Services  
PTMA/FLCLASS

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F.H Black & Company, Inc.

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SVP, Senior Relationship Officer  
PTMA

## Dustin Ide

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# Today's Agenda

**1. Introductions**

**2. The Value of Cash Flow Forecasting**

**3. Managing Cash Flows**

**4. Liquidity Management**

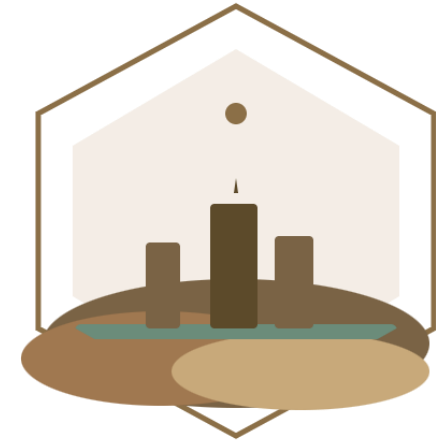




# THE VALUE OF CASH FLOW FORECASTING

# Case Study – The Challenge

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

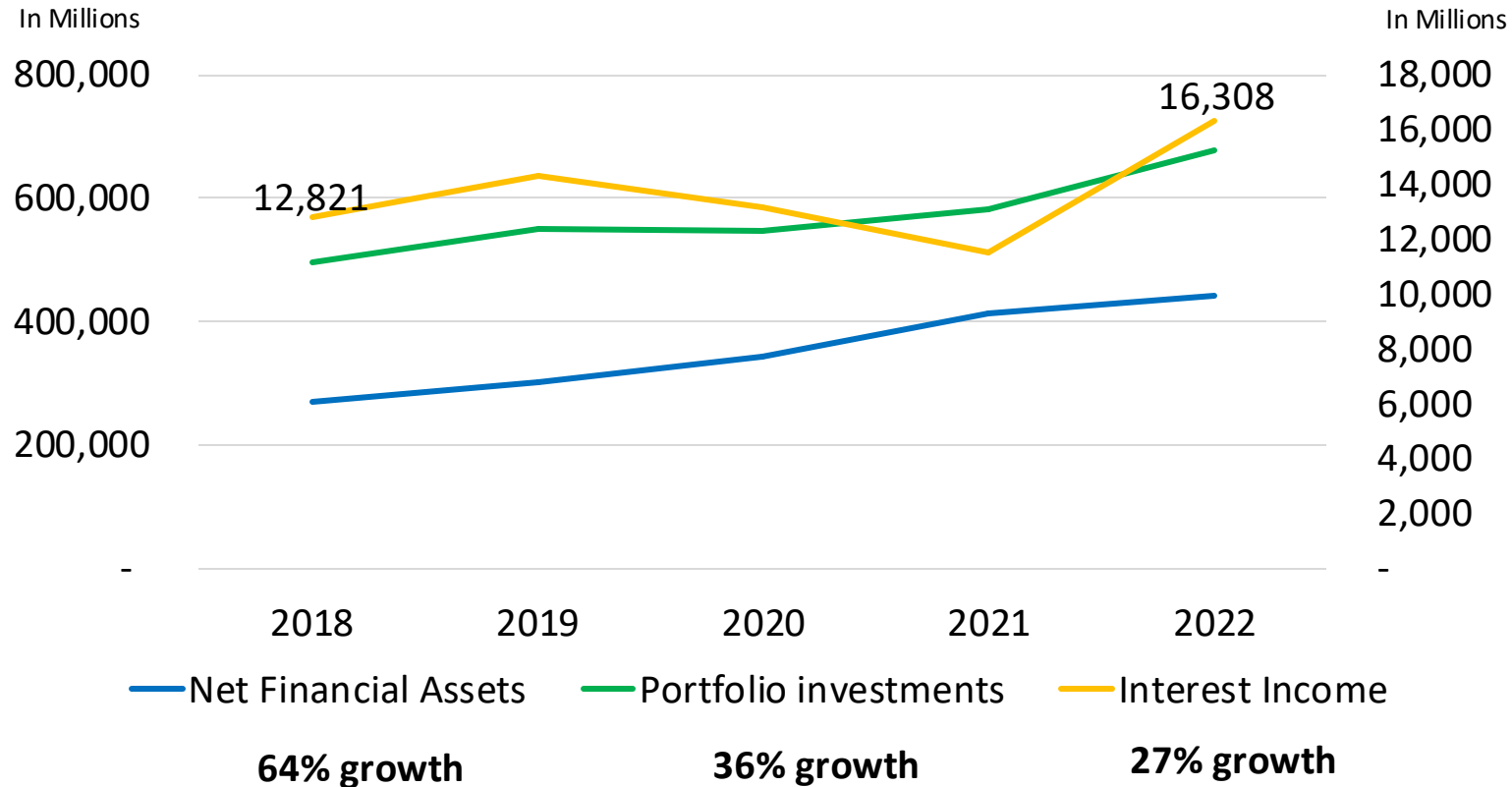


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# Case Study – The Challenge



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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



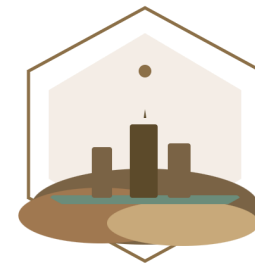
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# Case Study – The Result

- 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

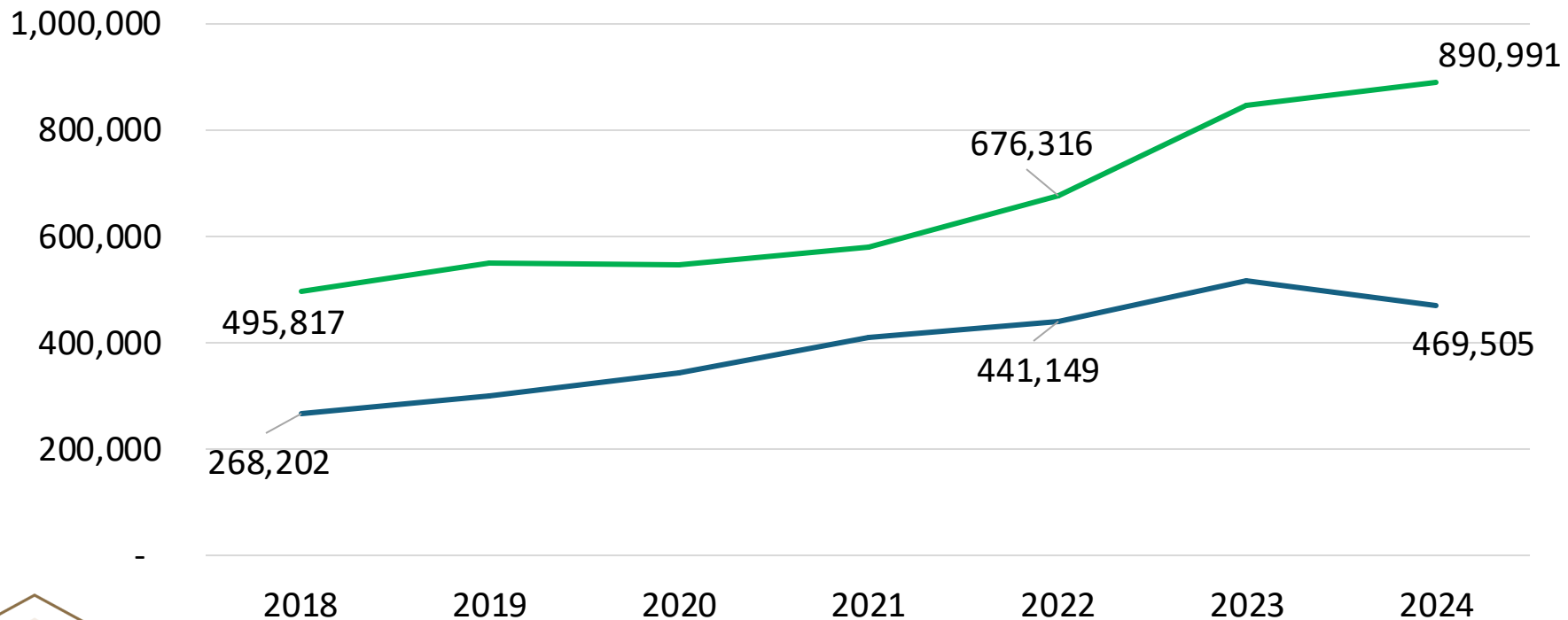


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# Case Study – The Result



— Net Financial Assets **64% growth**      — Portfolio investments **36% growth**



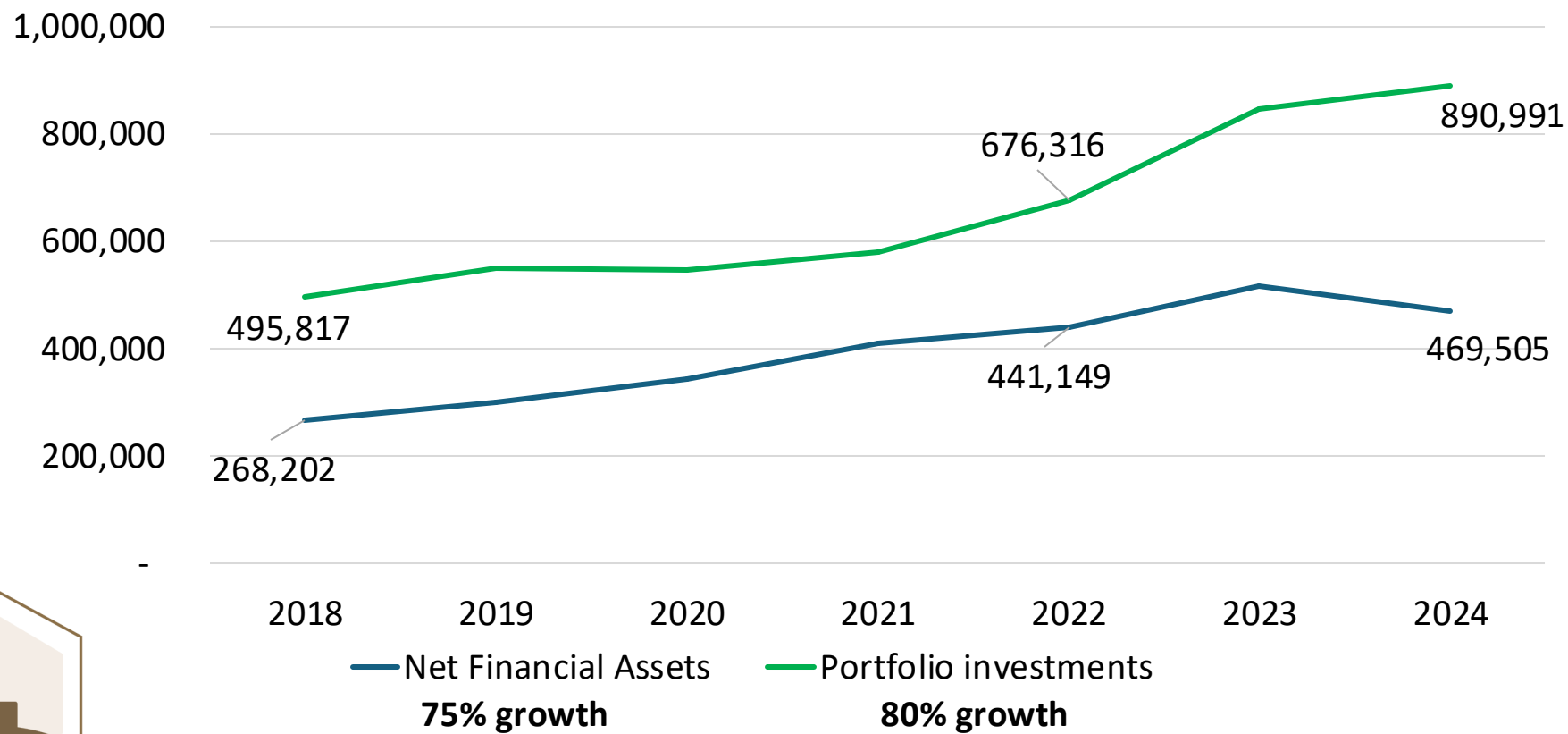
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# Case Study – The Result

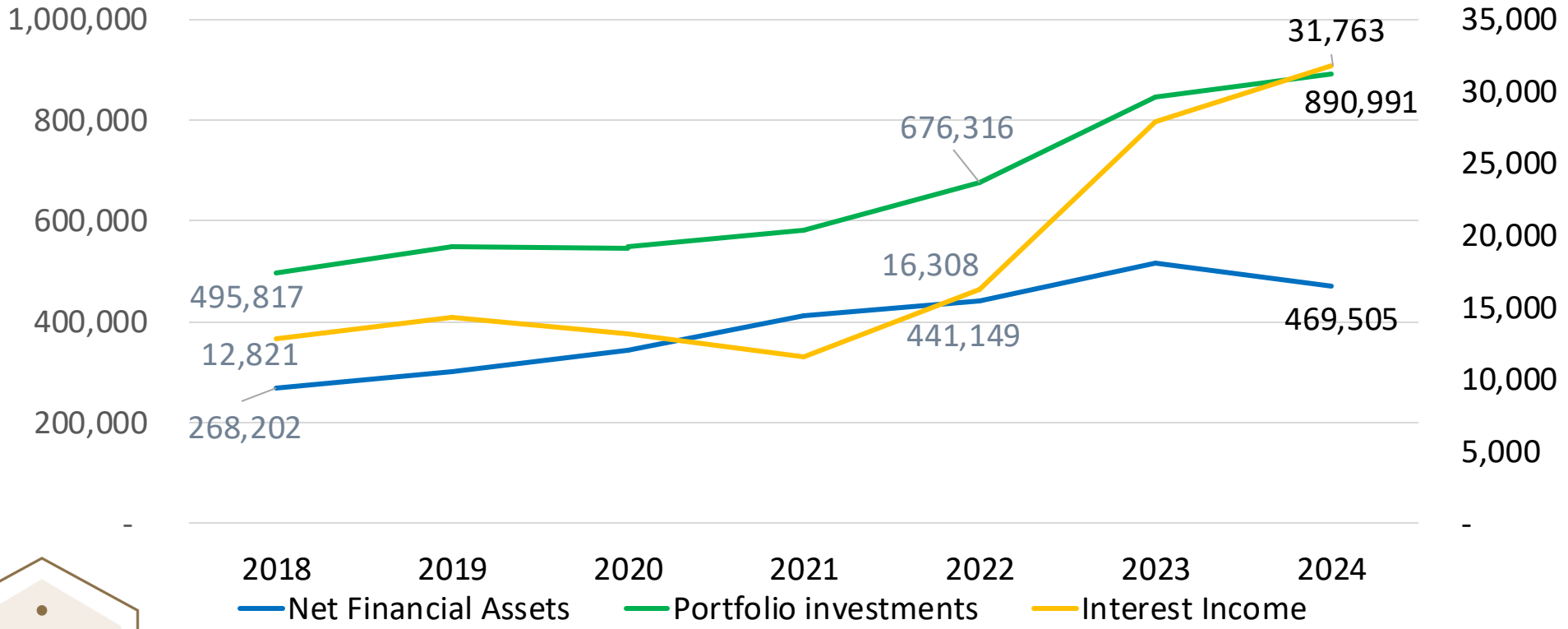


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# Case Study – The Result



**75% growth**

**80% growth**

**148% growth**



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# Poll Question

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

# Goal

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

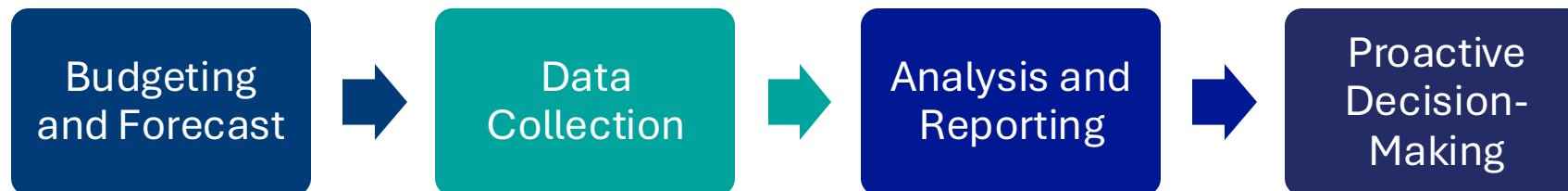
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# Fundamentals of a Cash Flow

## 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?



# Fundamentals of a Cash Flow

## 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



# Fundamentals of a Cash Flow

## Components of Cash Flow

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



# Fundamentals of a Cash Flow

## 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.



# Fundamentals of a Cash Flow

## 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

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# Fundamentals of a Cash Flow

## 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.



# Fundamentals of a Cash Flow

Budgeting and Forecasting

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

*— Peter Drucker*



# Fundamentals of a Cash Flow

## Budgeting and Forecasting – Overview

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



# Fundamentals of a Cash Flow

## 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.



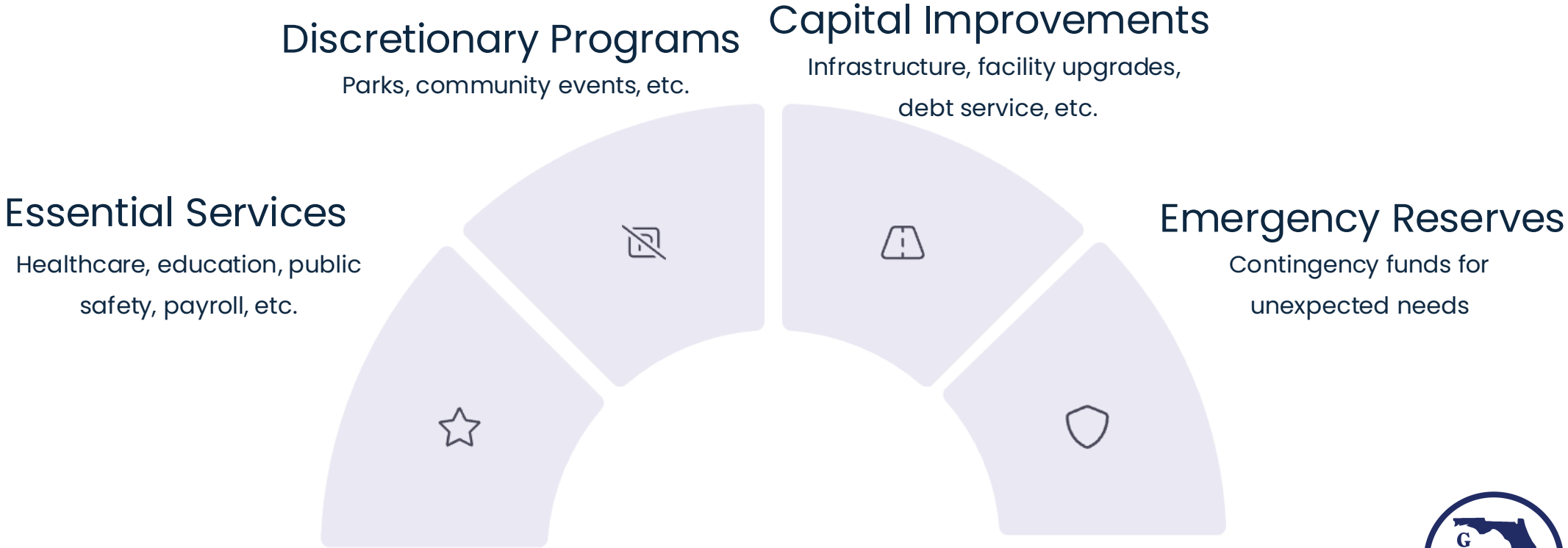
### Market Correlation

Link property tax projections to housing and commercial market forecasts.



# Fundamentals of a Cash Flow

## Budgeting and Forecasting – Forecasting Expenditures



# Learning Objectives

1. Fundamentals of a Cash Flow
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  - Key Profile Components
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  - 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
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    - Investment Opportunity



# Poll Question

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

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

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



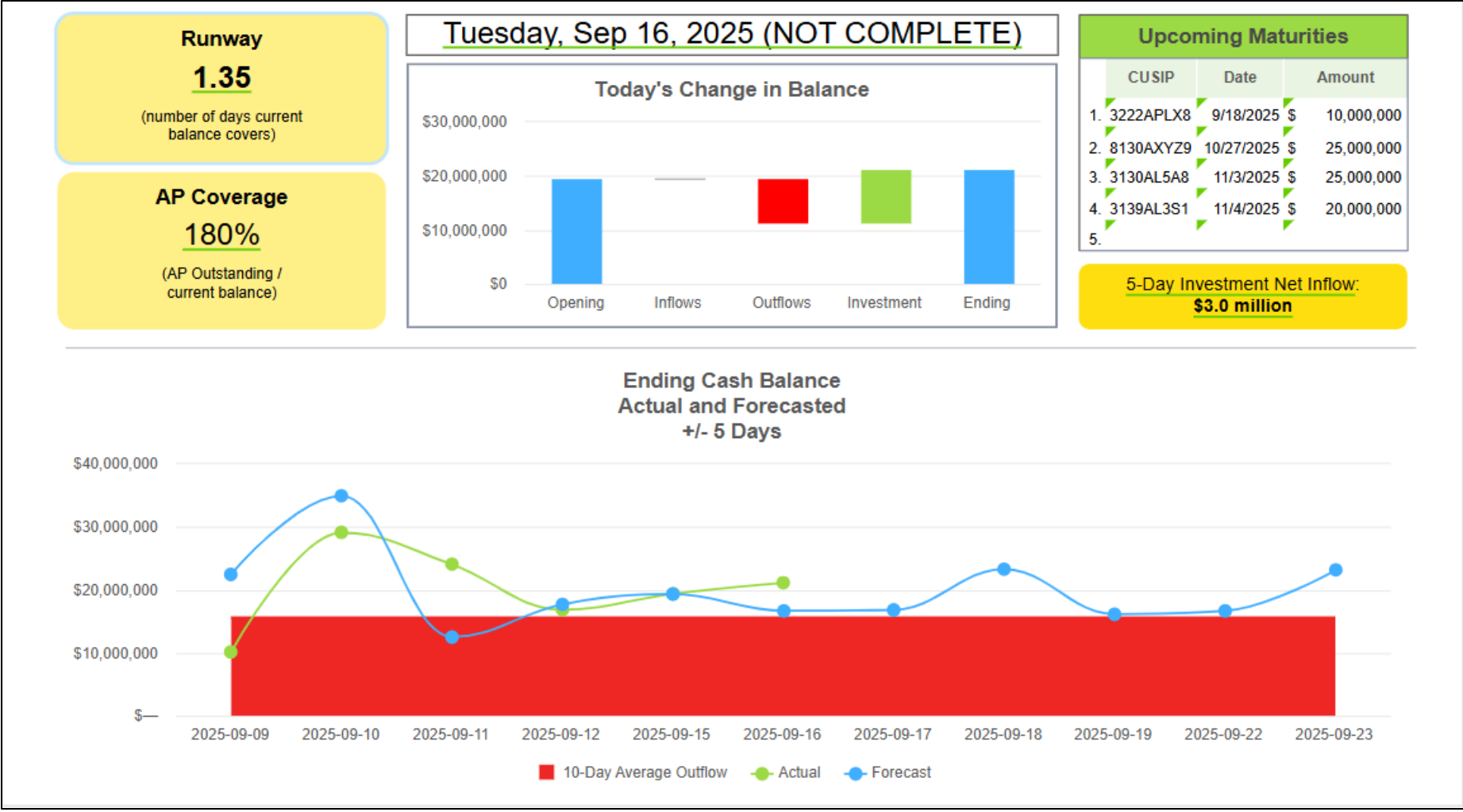
# Gathering the Data

| 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           |  |
| Day of the week →                          | Tuesday           | Wednesday     | Thursday      | Friday        | Monday        | Tuesday       |               |               | Wednesday         | Thursday      | Friday        | Monday        | Tuesday       |  |
| 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.



# Gathering the Data



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

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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

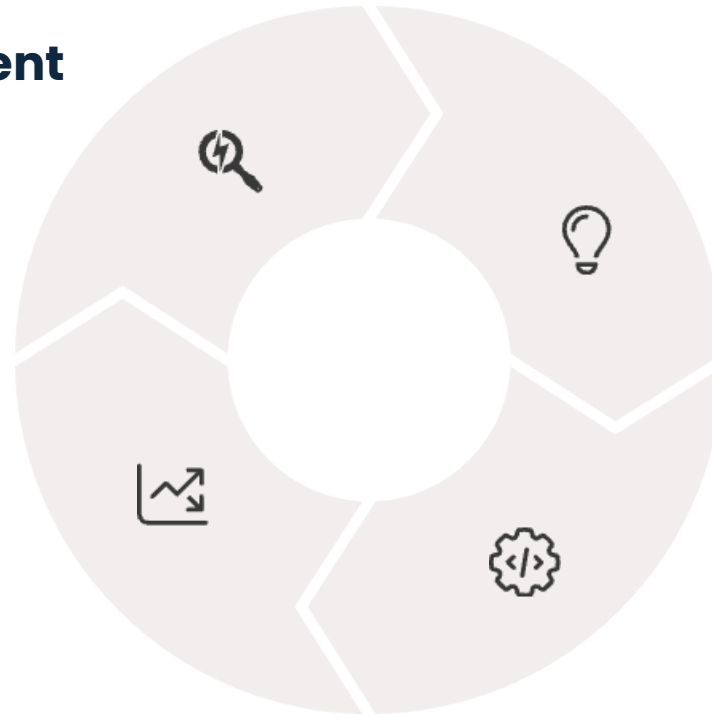
## Optimizing Your Inflows and Outflows

### 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.

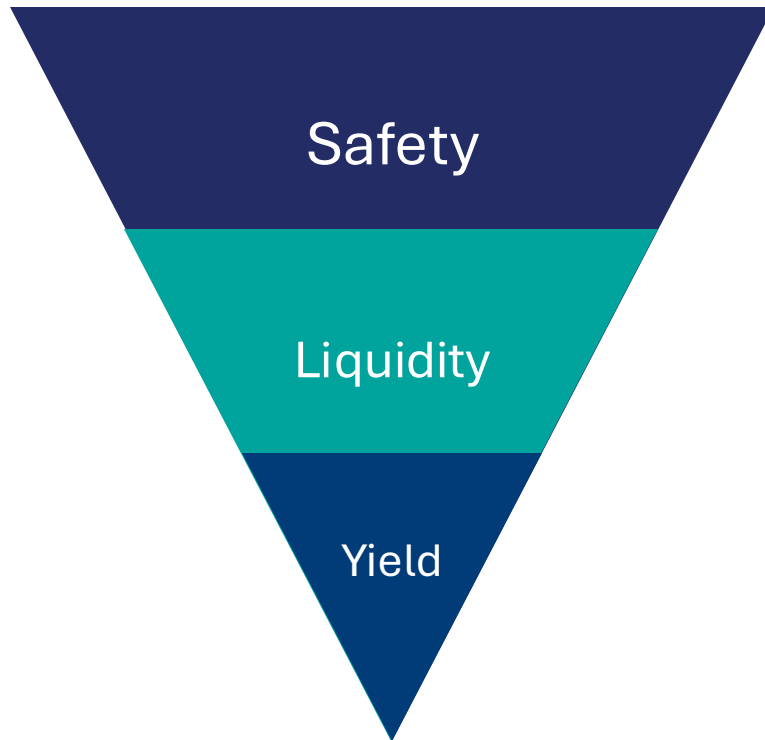
### Training

Deploy new systems and train staff

# Understanding Your Cash Flow

Analyzing Your Cash Flow to the Environment

## What does your Investment Policy state?



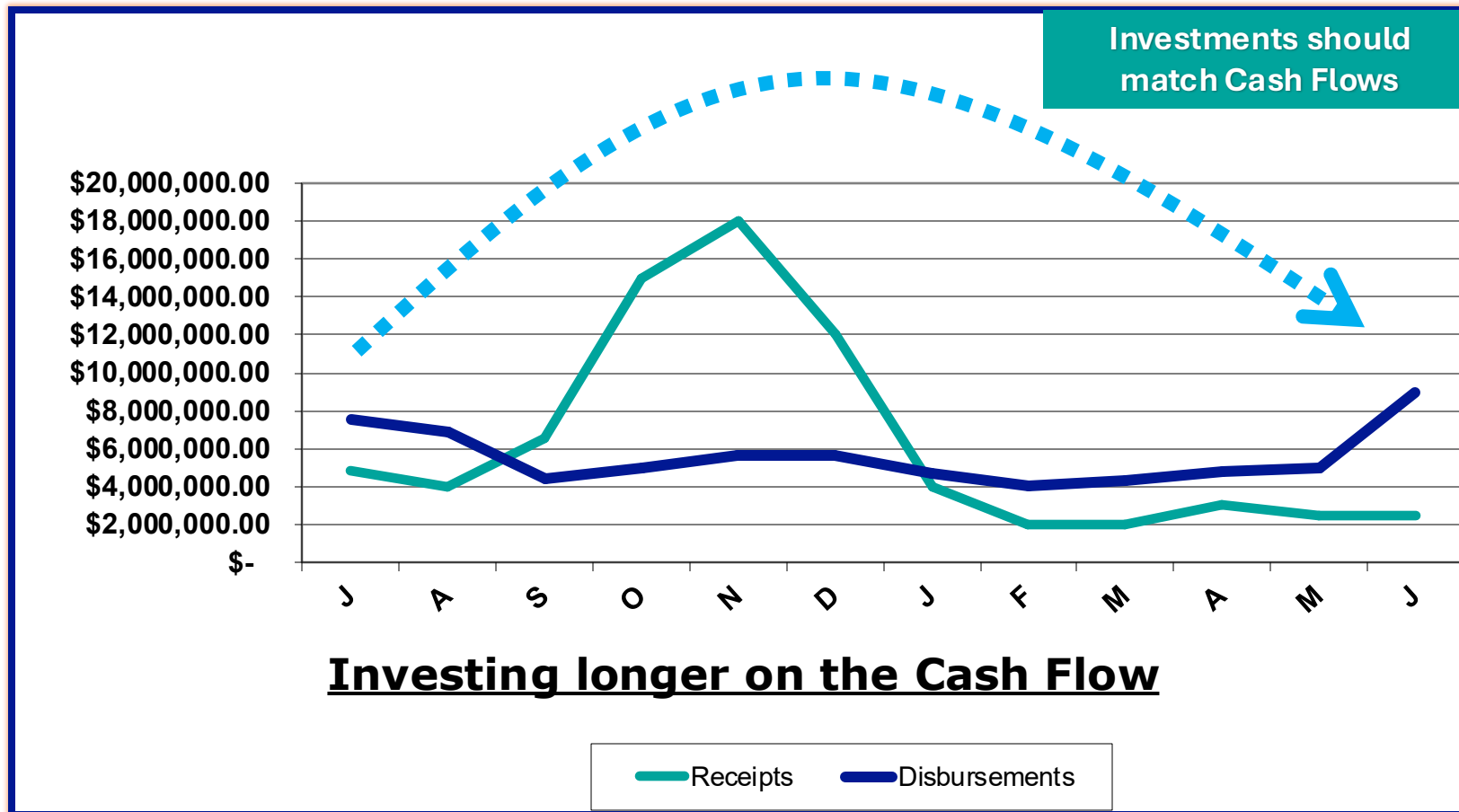
“Resist the temptation to forsake safety and liquidity in order to generate more returns.”

- 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



# Understanding Your 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

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# LIQUIDITY MANAGEMENT

# What We'll Cover

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



# From Forecast to Investment Strategy

## 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

# 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

# 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                     |

# Poll Question

- 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

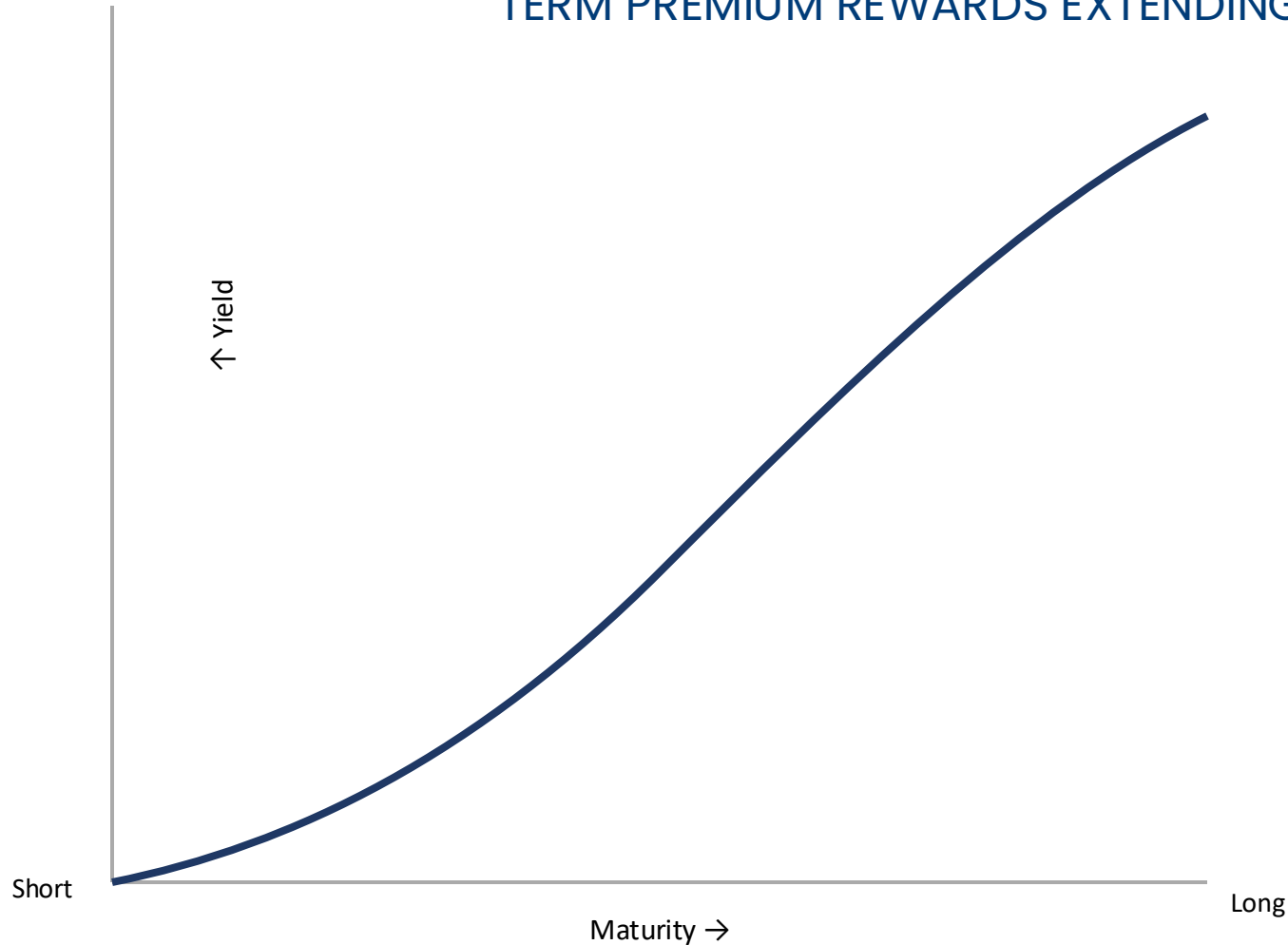




# THE YIELD CURVE AND MATURITY DECISIONS

# The Normal Yield Curve

TERM PREMIUM REWARDS EXTENDING MATURITY



## What it means

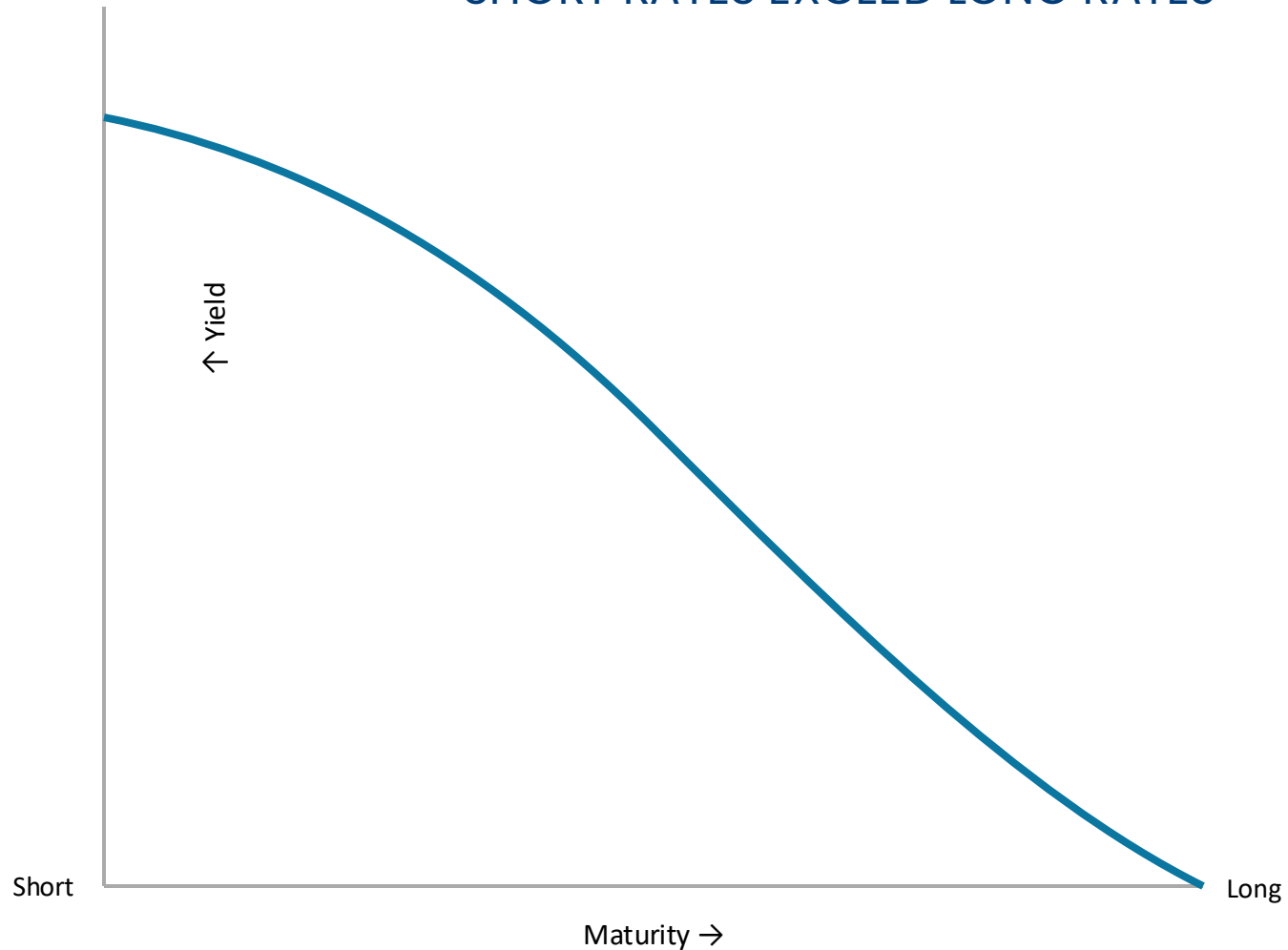
Yields rise with maturity. Investors earn more for committing their money longer. This is the most common state of the curve and reflects moderate expectations for economic growth and inflation.

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



# The Inverted Yield Curve

SHORT RATES EXCEED LONG RATES



## What it means

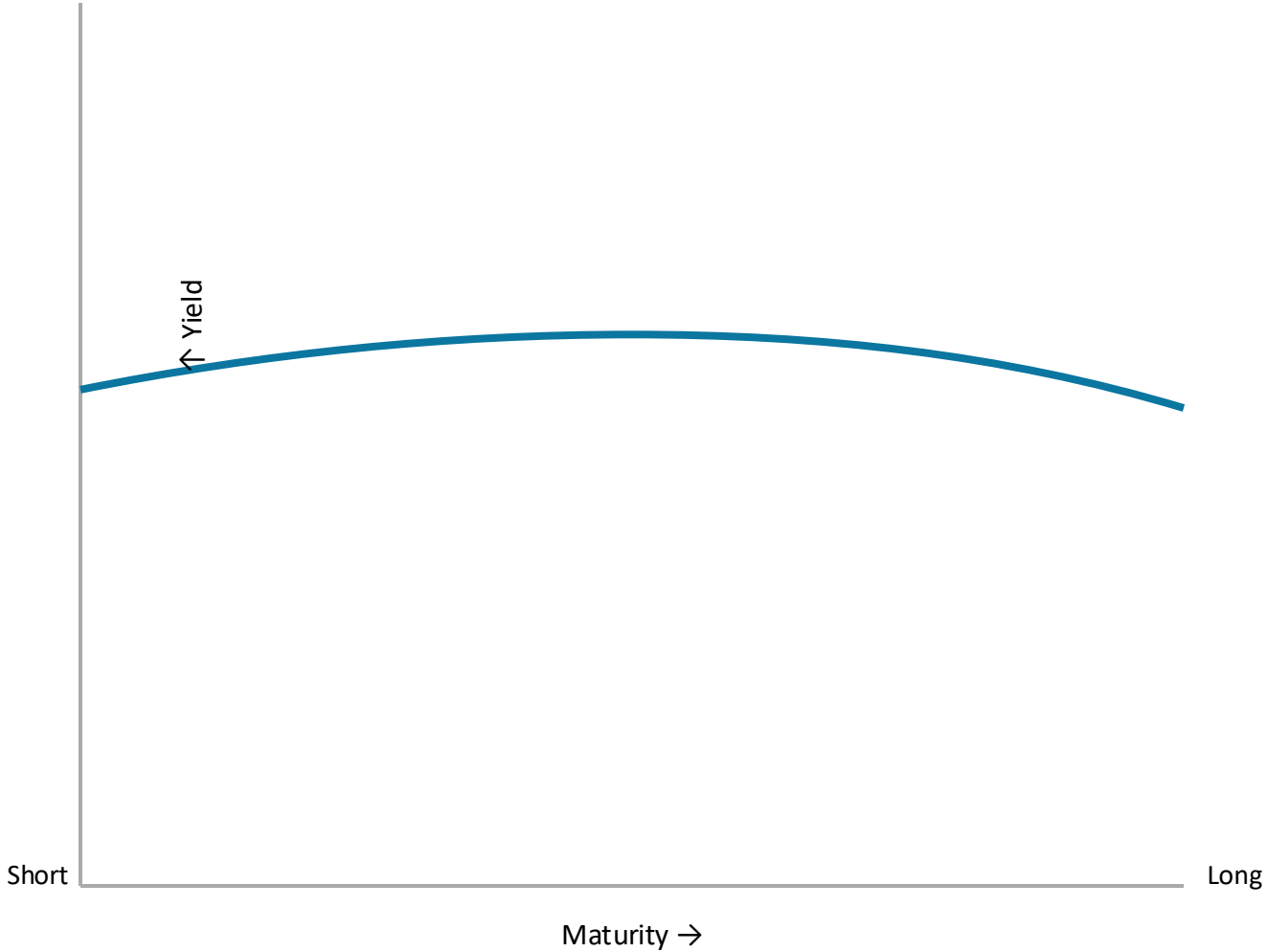
Short-term yields exceed long-term yields. Markets are anticipating rate cuts or slowing growth ahead. Cash is unusually competitive with duration.

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# The Flat Yield Curve

LITTLE REWARD FOR EXTENDING MATURITY



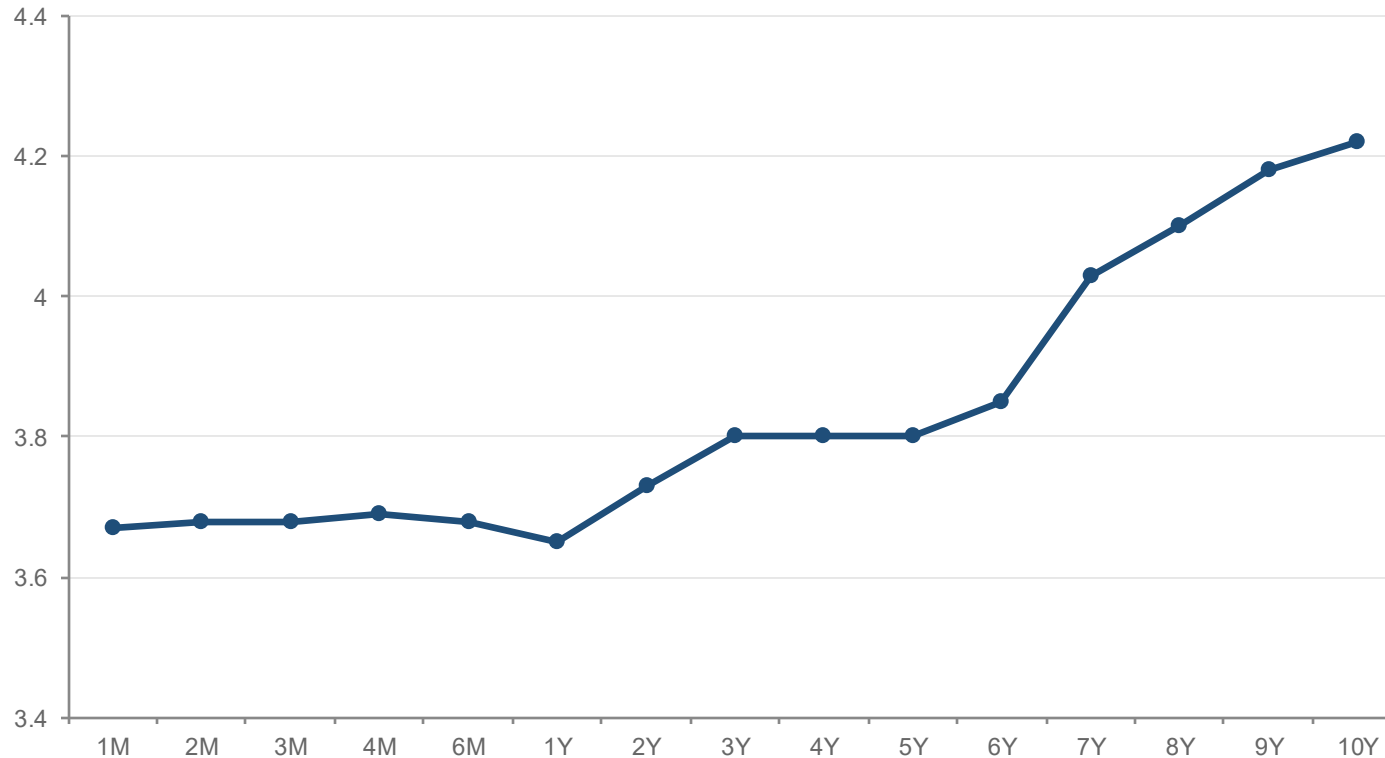
### What it means

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.

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

# Current U.S. 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 some
- (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

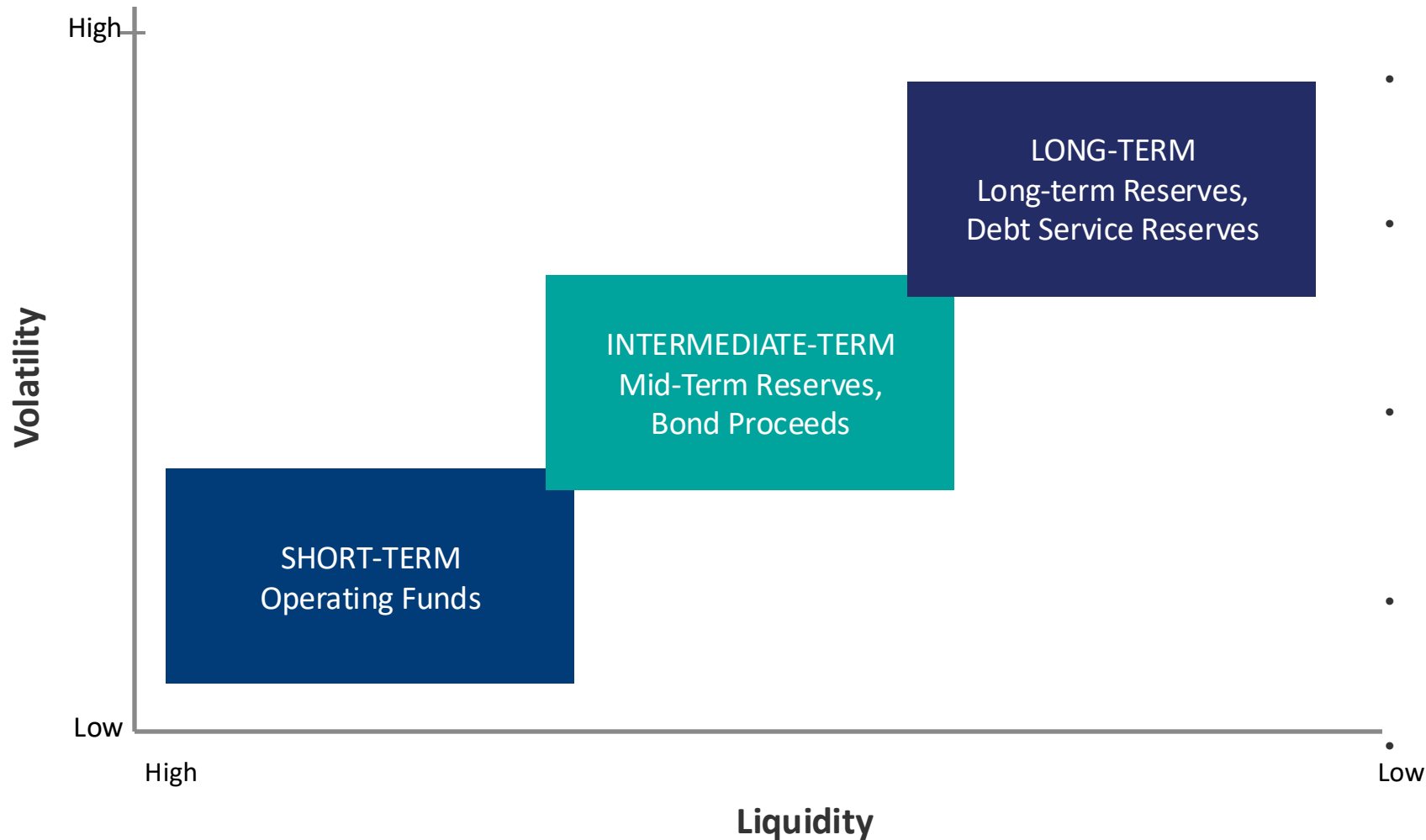
- Every dollar sitting overnight funds could be invested gives up the spread between those two rates.
- Depending on the shape of the curve, that spread could be meaningful.
- On a \$100 million portfolio, 25 basis points of forgone yield is about \$250,000 per year.
- That is money that could support 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

# 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.

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# 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 |

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# Intermediate and Long-Term Instruments (1+ Years)

| Instrument                                     | Typical maturity                          | Liquidity  | Key features  |
|--|---|--|---|
| US Treasury notes and bonds                    | 1 – 30 years                              | High   | Benchmark for pricing; no credit risk   |
| US agency securities (FHLB, FNMA, FHLMC, FFCB) | 1 – 10 years typical                      | High   | Implicit or explicit government support; modest yield pickup over Treasuries; some issues are callable              |
| Negotiable CDs                                 | 1 – 5 years                               | Moderate   | FDIC insured up to limit; larger issues priced near Treasuries plus spread  |
| Taxable municipal securities                   | 1 – 30 years                              | Moderate   | Occasionally used by public entities; tax-exempt is generally not advantageous                                      |
| Corporate notes                                | 1 – 5 years typical                       | Moderate   | Credit quality and concentration limits per policy; yield pickup varies with market conditions                      |
| LGIPS – Variable NAV funds                     | 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 |

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# PORTFOLIO STRATEGIES



# Most Public Entities Rely on Two Core Portfolio Approaches

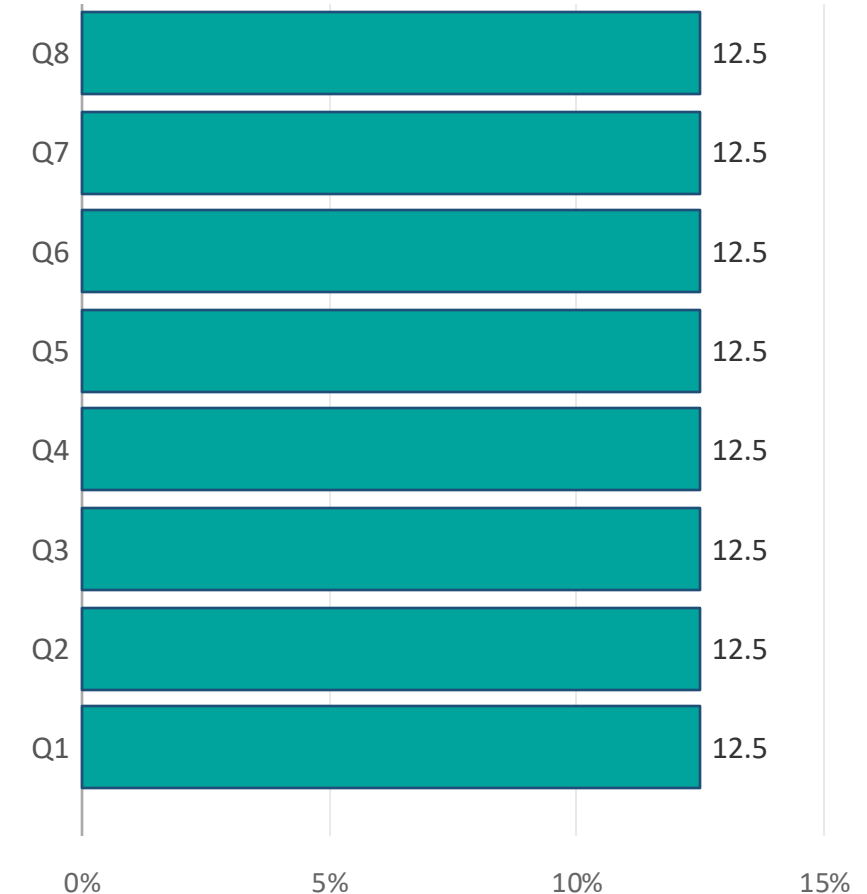
- **Buy-and-hold**
  - Purchase high-quality securities with the intention of holding them to maturity.
    - Liability matching – purchasing a security that matures on or near a known cash need (for example, bond proceeds tied to a project draw or a debt service payment)
    - Laddering – structuring 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

# Risks Specific to Liquidity Management

- 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

- 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.***





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