



Carl Vinson  
Institute of Government  
UNIVERSITY OF GEORGIA

NAVIGATING FISCAL CRISIS

# Managing Cash Flow

10 a.m. | June 9



WEBINAR SERIES

# Presenting today....



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# Polling Questions



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NAVIGATING FISCAL CRISIS  
WEBINAR SERIES

# LEARNING OBJECTIVES

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**Discuss** the importance of cash flow forecasting

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**Recall** the steps involved in preparing a cash flow forecast

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**Observe** how to use the cash flow forecast template



# Cash Flow Forecasting

## The Fundamentals

Presented by: John G. Hulsey, CGFM, CPFO



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# CASH FLOW FORECAST

A schedule of receipts and disbursements over a given time period





## **FORECASTING BENEFITS**

Increase investment earnings

Ensures sufficient liquidity

Identify impending budget problems

Enhances rating agency confidence

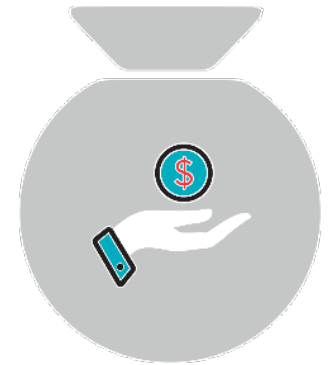


# FORECASTING CASH FLOWS



Goal is to identify receipt and disbursement streams over a given period in the future

The forecasted cash balances are used to select investment amounts and maturities or in the case of a cash deficiency, the need for borrowing of funds







# CASH MANAGER

There are three basic functions of cash managers:



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Collecting revenues promptly, accurately and depositing to your financial institution promptly

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Disbursing monies owed

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Investing in the interim period between collection and disbursement





# ESTABLISHING SYSTEMS

Four systems important to the cash manager:



Cash Accounting System

Investment Accounting System

Receivables System

Payables System

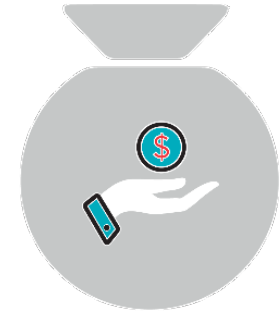


# INVESTMENT ACCOUNTING SYSTEM

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Provide a record of all investments made by account, fund, investment institution and type, maturity and yield

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Should be able to allocate interest between funds

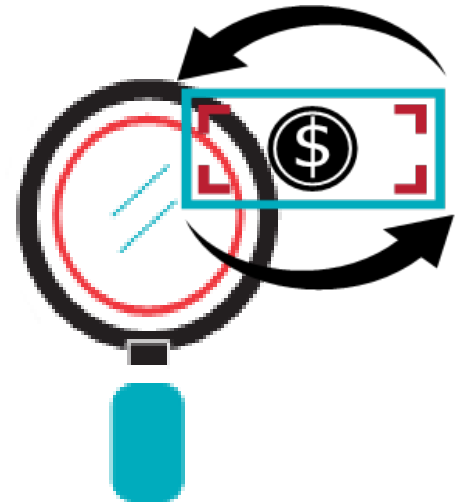
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Should provide reports that match requirements of the investment policy and annual objectives



# RECEIVABLES & PAYABLES SYSTEMS

Can help cash manager  
prepare accurate cash  
flow forecasts and make  
informed decisions  
regarding investment  
maturities





# OPERATING CYCLE

**Series of regular, repetitive actions taken to manage cash:**



Forecasting cash flows



Collecting revenues



Making investments



Tracking investments



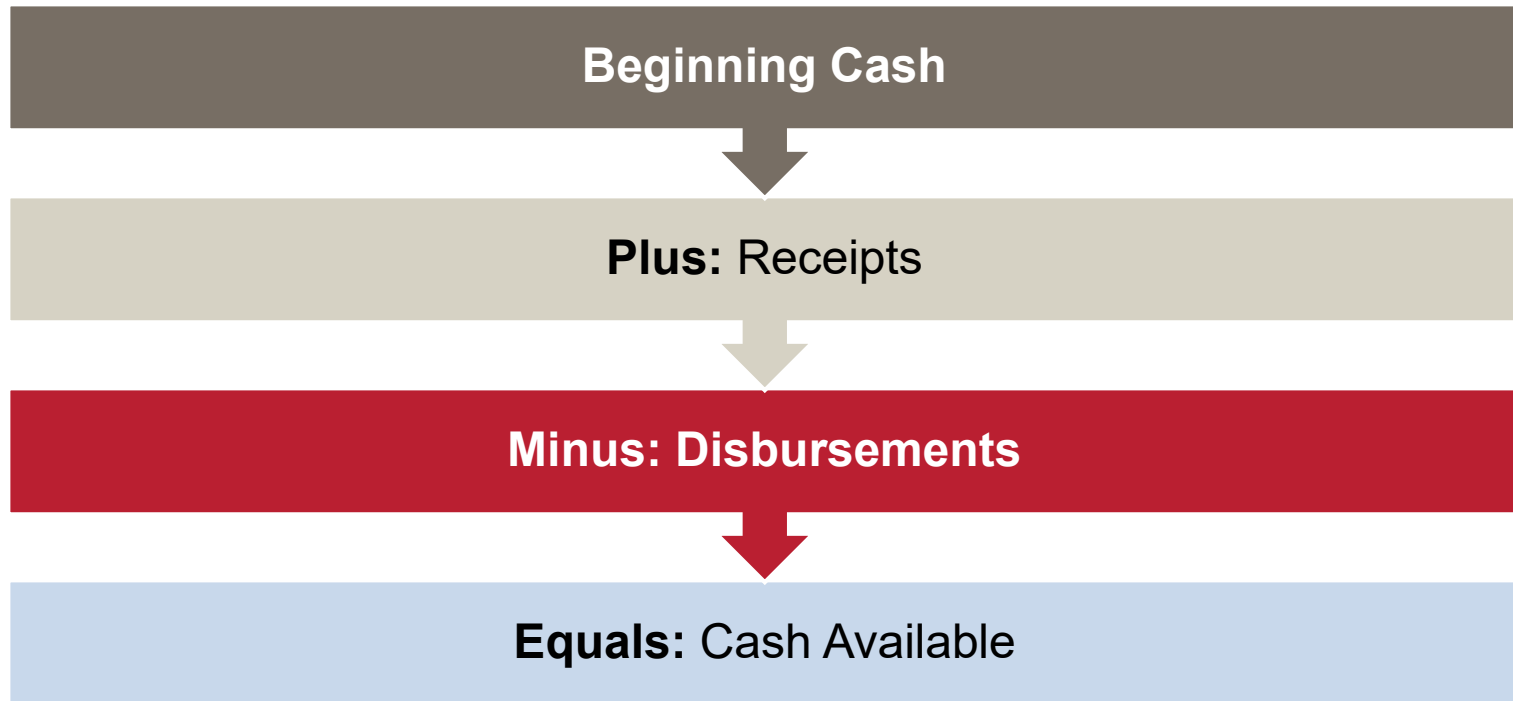
Making disbursements



Monitoring, evaluating and auditing



# CASH FLOW FORECAST EQUATION



# STEPS IN THE PROCESS



Identifying all the funds,  
departments and financial data

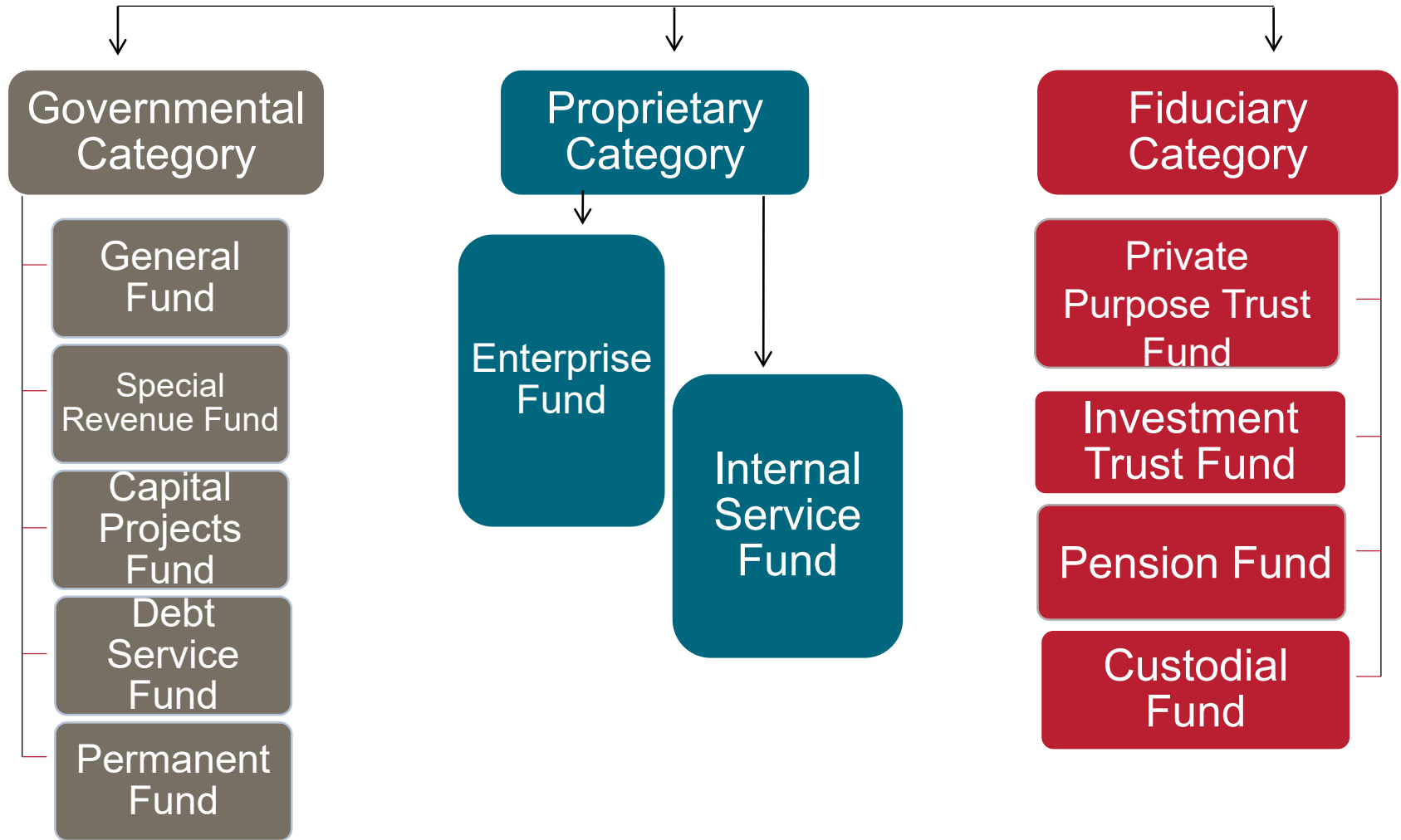
Budget is best source  
for identifying all the  
funds and departments

Governments account for  
revenues and expenditures at  
the fund level

Fund level is the most  
common cash  
forecasting level



# Reporting Entity





# CONSIDERATIONS



Type of financial information available



Time period to forecast



Level of detail needed



# GATHERING THE DATA



Monthly financial statements (2-3 years)

Provide historical data on actual receipts and disbursements and help identify peaks and valleys of cash flows

Prior years' bank statements

Add insight on check float, disbursement float and periodic cash balances



# GATHERING THE DATA



Current year budget and estimated draw schedules for capital projects

Provides information on future revenues and expenditures and helps identify potential changes to previous cash flow patterns

Summary of investment maturities

Detail the timing of expected cash flows from investments to match maturities to disbursement needs



# GATHERING THE DATA



## Debt service schedule

Schedule is important as it will provide the timing of the principal and interest payments for debt service obligations

## Annual payroll schedule

The annual payroll schedule provides the cash manager with the timing of the payroll and related cash requirements to incorporate in the forecast



# REVENUES



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Should be limited to four or five major sources

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Identify major revenue generating items (property taxes & sales taxes)

Additional revenues can be aggregated together

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Use 15% rule of thumb

Only evaluate separately those sources that individually account for at least 15 percent of the government's total revenue



# REVENUES



Revenue Source	Prior Year Actual
Property Taxes ✓	\$15,600,000
Licenses & Permits	\$2,100,000
Intergovernmental Revenue	\$1,500,000
Charges for Services ✓	\$5,700,000
Fines and Forfeitures	\$3,500,000
Investment Income	\$300,000
Miscellaneous Revenue	\$1,000,000
Other Financing Sources	\$300,000
<b>Total General Fund Revenue</b>	<b>\$30,000,000</b>



# FORECAST FUTURE EXPECTED RECEIPTS



Prepare a monthly schedule of prior receipts

- Calculate a simple three year average



Determine what percent of each revenue source contributes to the total

- Adjust for any planned changes in timing or amount





# EXPENDITURES



**Prepared the same way as revenues**

- Categorized by major type



**Cash manager should prepare a monthly schedule of historical disbursements and calculate a three year average**

- Make adjustments for anticipated variations and trends





# MOVING AVERAGE METHOD



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Most common forecasting method

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Looks at past history (e.g., 3 months) and uses the average to project the next month

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Each succeeding month, the earliest month is dropped and the newest month is added to use in the averaging technique

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# MOVING AVERAGE METHOD



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Should be used with very short-term and volatile funds such as accounts payable

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Straight historical trends should be used with more predictable receipts and disbursements such as property taxes and salaries, respectively



# MOVING AVERAGE METHOD



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Results must be analyzed for reasonableness

Compare forecast numbers with historical numbers for the last 3 – 5 years to note any material differences



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Research these variances against the cash flow forecast as appropriate

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# DON'T FORGET BEST PRACTICES



Ensure Bank  
Statements are  
Balanced Timely &  
Accurately

Don't Carry  
Reconciling Items

Remit Payroll & Other  
Withholdings Timely

Enter Invoices Daily &  
Pay Based on Due  
Date

Use Encumbrance  
Accounting



# Cash Flow Tool

Presented by: Paula Sanford, Ph.D.



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# Questions



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# Upcoming Free Webinars

- **Navigating Fiscal Crisis: Short-Term Funding Strategies**  
10 a.m. June 16

In the event your cash flow forecast reveals a deficit – what options are available to you? At the end of this session, you should be able to identify the options for short-term financing, including advantages and disadvantages of each.

Presenters: John Hulse

- **Navigating Fiscal Crisis: Communicating the New Normal**  
10 a.m. June 23

During times of fiscal stress, effective communication with the public and your employees is critical. At the end of this session, you should be able to implement techniques for effective communication to the public and employees.

Presenter: Paula Sanford



# Institute of Government Resources

The screenshot shows the website header with the logo, navigation menu, and search bar. The main content area is titled "COVID-19 Resources" and includes three sections: "Navigating Fiscal Crisis" webinars, "County Economic Impact Report", and "Budget Balancing Template".

**COVID-19 Resources**

Join us for *Navigating Fiscal Crisis*, a series of free webinars to help communities respond to the fiscal crisis caused by the COVID-19 pandemic. Offered by the Institute's experts, webinars will cover making ends meet against revenue shortfalls, tools for budgeting and analyzing the economy, planning for cashflow, short-term funding strategies and communicating difficult financial decisions.

**County Economic Impact Report**  
The Institute of Government is offering Georgia's local governments the opportunity to request a local economic impact model report based on local assumptions of job loss by industry sector for a given county. This a time-limited complementary service to help Georgia's local governments better understand the economic impact of COVID-19. We ask you to identify a person who can serve as the point of contact for the governments in the county who can facilitate completing the local assumptions worksheet. Download the worksheet to get started.

**Budget Balancing Template**  
The Institute's Budget Balancing Template is a flexible and straightforward tool that allows a user to easily input different cost savings measures and compare those to three revenue scenarios. The downloadable template is meant to assist local government officials in their efforts to create a balanced budget that meets their community's needs during uncertain times.

To download templates and access webinar recordings go to <https://cviog.uga.edu/covid-19-resources.html>





# If you have any questions please contact us....



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# Thank you for attending

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