

BDIA

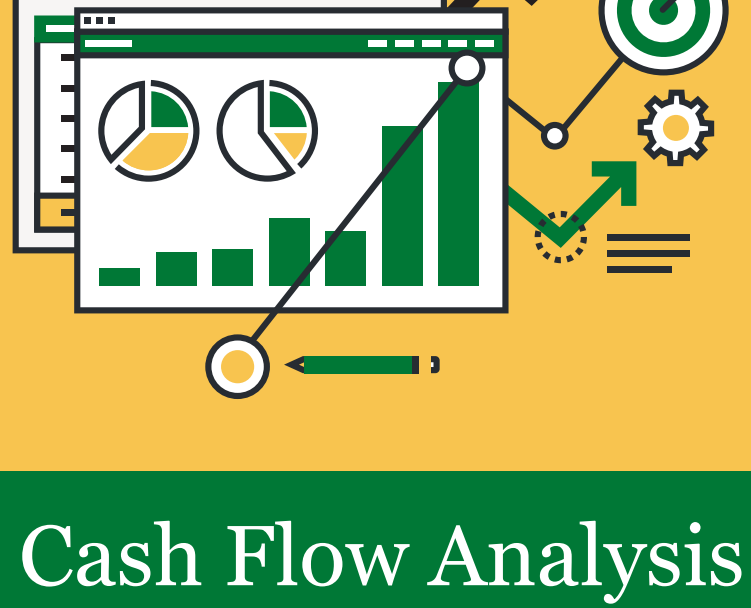


Overview

Being a public servant means being a good steward with taxpayers' money. We understand that Treasurers are under the public's watchful eye while facing the unique challenge of balancing prudent spending with safely earning income. Sometimes all it takes is a proactive approach to create income that can enhance operational budgets.

The following case study illustrates a Treasurer's approach to optimizing his county's cash.

A County Treasurer in New York State was introduced to a reputable firm with more than 20 years of cash flow analysis experience by a bank executive who, through conversations with the Treasurer, thought the county might benefit from a thorough cash flow examination.



Cash Flow Analysis

In order to establish a comprehensive understanding of the county's cash flow trends and use of treasury services, data from over a year's worth of bank statements were processed through proprietary models and analyzed, office staff were interviewed, and procedures were examined.

The resulting report uncovered opportunities that are designed to easily reduce costs and generate new sources of savings and revenue. By closing the operational gaps in what treasury services were being used and how, the county could get more out of their collection and disbursement of cash.

Additionally, it was determined that some funds could be better allocated by use and duration to help maximize the value of the county's cash and deposits. The cash flow analysis experts concluded that it still made the most sense to keep all operating assets needed for construction costs as bank deposits. However, those set aside as reserves for unanticipated needs were viewed as non-operating money that could be invested in a highly liquid, professionally managed fixed income account - Manning & Napier's Bank Deposit Investment Account (BDIA).

From this cash flow analysis, eight recommendations were made with overall goals of maximizing income and improving the coordination of the county's processes with the bank services it uses.

Recommendations that, if implemented, could derive the county about \$500,000 year-over-year with an estimated \$5 million+ over ten years*.



Implementation

The Treasurer's Office decided to move forward with implementing seven of the eight recommendations that were suggested to increase cash flow optimization. The county created a high level of liquidity proficiency and enhanced its income potential by deciding to separate its long-term, non-operating funds from short-term operating funds, and investing them in Manning & Napier's BDIA. It also worked with the bank to implement more efficient processes, and combine some treasury services.



Results

Not only did the county see an improvement in the cost and use of bank services, but it has the potential to earn an enhanced return through the BDIA managed by Manning & Napier.

Prior to opening the BDIA, the county was earning an effective rate of 0.10% on \$20 million of non-operating assets held in traditional bank accounts**. Shortly after moving those assets to the BDIA, which invests in U.S. Government and related securities, the county saw its yield increase 0.94%, resulting in a \$188,000 increase in annual revenue.

Today, the county's balance sheet is better positioned for success because public funds are being more efficiently managed. Moreover, cash flows have a set monitoring system in place and, by partnering with Manning & Napier, the county added a fiduciary overlay to its invested assets.

This example is provided for illustrative purposes only and does not guarantee results. All investment strategies involve risks and there is no guarantee of a profit, or protection against a loss. *Values are based on \$100 million dollars and an estimated aggregate yield of 0.57%, both of which will change over time. **The effective rate earned on assets in traditional bank accounts varied and was estimated based on available data. The securities owned by the county in the Bank Deposit Investment Account (BDIA) may not be available for purchase at the same price and yield by new accounts. Furthermore, securities purchased for any BDIA will be dependent on what is dictated in the investment policy statement. As of 06/30/2015, the county's BDIA had a yield-to-worst of 1.04%, which will change as investments and interest rates change over time. BDIA returns and income will also vary depending on fees including but not limited to management and custodial expenses. Increases in yield and revenue are before fees.

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Give Us a Call

If you are interested in optimizing your cash management strategy, please contact us at (800) 551-0224.