The Changing Role of Treasury

California Municipal Treasurers Association

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Overview

● How the Treasury function has evolved
● How the role has become more strategic
  • Where treasury is adding value today
    • Projects
    • Planning
    • Sales
    • Department budgeting
    • Expansion
    • New roles
● How is treasury changing in the government sector?
  • Examples of where roles are changing or Treasury is involved in or absorbed other departments
● Solutions
  • How can treasury departments can keep up with these new demands and still manage their basic tasks
87% of Treasury Professionals feel their role is becoming More Strategic

Treasury & Risk
2012 Strategic Treasury Survey
What does strategic mean?

• Crossing Silos
• Create efficiencies
• Involved in planning
• Add value beyond core functions
What does strategic look like?

- Influence: 71%
- Setting Transformation: 47%
- Plan Execution: 36%

Treasury & Risk
May 28, 2013
Traditional Treasury Role

- Receivables Management
- Payables Management
- Forecasting Cash
- Investments
- Arranging long and short term financing
- Managing Assets and Liabilities
- Bank Relationship Management
New Role of Treasury

- Creating Efficiency
- Automation of Cash Management
- Centralizing control
- Oversee management of outsourced functions
- Standardization and integration of treasury activities
- Adapting new regulations
- Cost Management
- Budget Management
- Business Transformation
- Compliance
New Role of Treasury
Public Sector

- Economic development - redevelopment
- New revenue sources
- Advisor to other departments
- Government Projects
- Social Media
- Interaction with residents
- Endowments
- Pension
- Rating agencies
- Energy Plans
- Data Protection
- Housing
- Separation of duties
  - Treasury and Investments
  - Treasury and Reconciliation
Top Challenges for Treasury Groups

Q. What are the 3 top challenges in your treasury operations? (n=59)
Source: Aite Group

- Increase productivity/Reduce manual processing: 54%
- Demonstrate the treasury function is a value generator, not a cost center: 46%
- Require better risk analytics: 37%
- Extend cash forecasting timeframe: 32%
- Eliminate poor controls/Ensure compliance: 31%
- Yield enhancement and minimize interest expenses: 29%
- Gain a clear global cash position or increase visibility: 27%
- Find available sources of cash through trade/supply chain finance: 24%
- Improve investment portfolio management: 22%
- Measure dollar for value from bank partners: 14%
Too much on our plates?

- 35% feel frustrated
  - Too many responsibilities
  - Red tape
  - Lack of resources
  - No forward thinking
  - Silos
  - Market environment
  - Compliance/Regulatory environment
  - Technology limitations
What can we do?

- Automation
  - Create Efficiencies

- Manage Risk

- Educate and Share
Automation

Look at all functions within your group to identify:

- Staff responsibilities
- Core competencies
- New duties
- Capacity
- Repetitive tasks
- Manual tasks
- Straight through processing
The Efficiency of the Electronic Payment
(Business Tax Renewal --180,000 Renewals Annually Processed)

**Mail-in Payment**

- Mailed Payment
  - Mail Float
  - Lost/misdirected payments
  - Labor to pick up and sort payments

- Bill Processing
  - Processing Float
    - (Mitigated by use of Remote Deposit)
  - Payment processing labor
    - Posting payment
    - Processing deposit
    - File remittance stubs for research

- Deposit Float
  - Cost to process check

**Electronic Payment**

- No Mail Float or Labor
  - Remittance and payment all captured electronically and immediately

- Bill Processing
  - Receive an electronic file and process it automatically
  - Online vendor stores payment history for research
  - Ad hoc reporting on payment trends

- Deposit Float
  - Credit Card or ACH payments
  - Minimal charges
The Efficiency of the Electronic Payment (Refunds)

**Paper Refunds**

- Business Area: reviews and approves refund request
  - Must manually update the account in tax system to reflect refund
- Vendor information entered and refund request is made to Comptroller's office
  - Additional department approvals needed to release refund request
- Comptroller's Office reviews and approves refund
- Check is issued
- Mailed out
  - Postage

**Electronic Refunds**

- Business Area: reviews and approves refund request
- Staff goes into vendor's online payment administration suite and issues refund back to credit card or ACH
- Refund recorded into system via daily payment file from vendor
Automation in Public Sector

- Automated meter reading
- City wide technology platform
- Public Outreach
- Electronic Town Hall
- Social Media
- Smart Parking Meters
Receivables Solutions

- Statement Printing
  - Look for a vendor that can print paper invoices and present invoices electronically
- Electronic Deposits
  - Image cash letter
  - Remote Deposit
- Payment Management
  - Collect payments electronically through multiple methods and channels (internet and mobile)
  - Lockbox - vendors have a built in scalable model that helps keep costs low and keep up with technology
Payable Solutions

- Consolidated Payables
  - Consolidate all payments into a single file
  - Outsource check printing and mailing

- Procurement Card
  - Make card payments to vendors
  - Consider single use and additional control features

- Account Reconciliation
  - Paid files
  - Fraud controls
Investments/Credit

- Investment Management
  - Separate duties
  - Use outside investment management advisors to make recommendations
  - Review Investment Policy

- Finance projects
  - Financial Consultants
  - Leasing companies
Information Management

● Customized Reporting
● Automated Reporting
  • Treasury Workstation
  • File feeds
● Automated Cash Positioning
● Automated notifications
  • Wires
  • Files received/sent
  • Positive Pay exceptions
Evolving Trends in Treasury Services

● Ease Business Continuity
● Proliferation of Electronic Payments
  • Demise of Cash Transactions
● Comprehensive Online Services
  • One stop shop
● Convenience Fees
● PCI Compliance
● Collaboration with Banking Partners
● Cloud Processing
Risk

- Talk about risk - get teams from across your organization together to talk about risk
  - Payment
  - Economic
  - Technology
  - Insurance
  - Development
  - Employment
  - Environmental
Risk

- Best Practices
  - Governance and Infrastructure
    - Policies
    - Committees
    - Supporting systems
  - Process
    - Tools and Techniques
  - Culture and Communication
    - Awareness of your organization and how risk is discussed
Learning

● Understand how each role fits into the core function of the department
● Ask and share
● Periodicals
   • Treasury and Risk
● Trade Associations
   • CMTA
   • Association for Financial Professionals (afponline.org)
   • SF Treasury Mgt. Association (sftma.org)
● Industry professionals
   • Cash Management
   • Vendors
   • Financial Advisors

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Next Steps

● Understand core function
● Define goal
● Review manual tasks
● Plan our Projects
  • Expertise required
  • Check references
    • Ask about solutions provided
    • Understand implementation plan
      • Timeframe
      • People involved
      • Risk
● Reach out to those with similar challenges
Thank you
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