

Legal Requirements

Remember, public moneys must be deposited and invested in accordance with the following New York State statutes (note that a number of federal laws also pertain to the deposit and investment of public moneys):

General Municipal Law (GML)

- Section 10 requires the designation of one or more “banks” or “trust companies” for deposit of public funds and for the securing of public deposits.
- Section 11 allows for certain temporary investment of moneys not required for immediate expenditure.
- Section 39 requires the adoption, by resolution, of an investment policy.
- Articles 3-A and 5-G govern generally the temporary investment of moneys by more than one municipal corporation pursuant to a municipal cooperation agreement.

Banking Law

- Section 107-a requires a bank or trust company to provide a pledge of assets or other security for public deposits under certain conditions.

Additional statutes that relate to banking include:

GML

- Section 5-a authorizes local government officers to transfer funds electronically, subject to conditions.
- Section 99-b allows the governing board of a local government to authorize the receipt of check images in lieu of cancelled checks.

Banking Law

- Section 96-d allows a local government, in conjunction with a “bank, trust company or national bank,” to submit an application for designation of a banking development district.

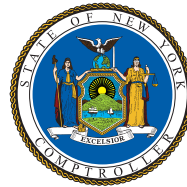
For further information about electronic payments of State Aid:

- **Cash Management and Bank Reconciliation**
<http://www.osc.state.ny.us/localgov/pubs/techbull/0403.pdf>
- **Cash Management Technology**
<http://www.osc.state.ny.us/localgov/pubs/lgmg/cashtechtechnology.pdf>
- New York State Office of the State Comptroller, Bureau of Accounting Operations, Warrant and Payment Control Unit at:
e-mail: epunit@osc.state.ny.us
or call (518) 474-4032.

OFFICE OF THE STATE COMPTROLLER



DIVISION OF
LOCAL GOVERNMENT AND
SCHOOL ACCOUNTABILITY



Thomas P. DiNapoli
State Comptroller
110 State Street
Albany, New York 12236

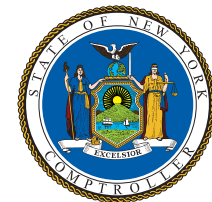
localgov@osc.state.ny.us



LOCAL GOVERNMENT
FINANCIAL TOOLBOX

Cash Management for Local Governments

Effective cash management should be a priority for local governments. It requires timely collections and disbursements, and prudent yet effective investment strategies. This brochure provides a summary of the major recommended cash management practices and legal requirements for local governments.



Thomas P. DiNapoli
State Comptroller

One of the most important functions for a local government is sound cash management, which ensures adequate cash availability, proper safeguarding of assets, and maximum investment yield. Providing for sound cash management will assure that investments are optimized for the best possible return for taxpayers.

Cash Management Practices

The major recommended practices for managing your cash are to:

- Actively monitor cash flow
- Accelerate collection of receipts
- Optimize timing of disbursements
- Maximize interest earnings while maintaining lawful, prudent, and properly secured investments.

Some of these functions, such as managing receipts and disbursements, are day-to-day. Others, such as planning your investment strategy, have a longer-term outlook.

Actively Monitor Cash Flow

Improving cash management starts with building an accurate cash flow estimate and monitoring your actual receipts and disbursements.

Perform a detailed cash flow analysis. Identify major revenue and expenditure types and their expected timing. Review historical data which will

help to determine typical cash inflows and outflows throughout the fiscal year. Identify reserves and other balances that could potentially be invested longer term.

In addition to monthly account reconciliations, review monthly analysis reports from your bank(s). Alternatively, consider using an automated financial management information system to track daily cash balances.

Accelerate Collection of Receipts

With more frequent and timely billings, your municipality can improve its cash collections. For example, semiannual billing for water user fees can be accelerated to quarterly, to provide a quicker and steadier stream of income. First, however, ensure that the added complexity of more frequent billing does not significantly increase expenses and reduce or even eliminate the extra investment income that would be earned on more frequent receipts.

Second, explore with one or more banks such options as contracting with them for the collection of property taxes, special assessments and user fees so that payments may be made directly to the bank (Real Property Tax Law Section 996; General Municipal Law Section 99-t), and electronic funds transfers (EFT) for receiving payments from the State and certain other entities.

Optimize Timing of Disbursements

Generally, the longer that cash can be held prior to disbursement, the more interest it can earn.

However, holding on to cash too long by delaying bill payments can result in late fees. Also, some vendors offer discounts for bills that are paid quickly. Local governments should analyze their full range of disbursements and consider the use of technologies such as EFT and online banking to optimize timing of disbursements.

Maximize Interest Earnings

A municipality should ensure that all of its cash is in interest-bearing accounts. For example, many banks offer a variety of checking accounts, only some of which pay interest. For funds that require infrequent disbursements, consider longer-term investments that pay higher interest rates. Remember that investments need to follow the basic rules of legality, safety, liquidity and yield. As per General Municipal Law Section 39, make sure you have established a formal investment policy to guide your municipality in making these decisions, and review it annually.

Bank fees can add up over time, particularly for municipalities with multiple bank accounts that charge a monthly fee. Consolidate accounts when feasible to minimize fees, while continuing to maintain separate accounts on your municipality's books.

To maximize interest and minimize fees, issue a request for proposals (RFP) for banking services every 3-5 years. Banks continually refine their products and offerings, and an RFP can encourage competition to identify the most cost-effective banking services.