Cash Management

Commission Workshop
March 15, 2012
Objectives

- Insure SCDOT has ample funds on hand to conduct business on a day to day basis.
- Maintain a minimum average daily balance of $25M.
- Pay commercial parties in 30 to 40 calendar days.
- Pay utility and other selected invoices as needed to insure a supportive business relationship.
- Provide maximum highway maintenance and construction activity while still achieving the cash management objectives.
- Develop contingency plans to deal with any potential cash shortages.
Short Term Cash Management Tools

• Controlled disbursement techniques
  – Pay bills when they are due, but not any sooner.
  – Enter invoices into accounts payable as quickly as possible to allow for effective planning of short term cash needs.

• Identify, schedule and track the payment of key items; payroll, debt payments, insurance costs, etc.
Short Term Cash Management Tools

• Increase the velocity of money moving through SCDOT
  – Increase the frequency of Federal Highway Reimbursement requests.
  – Maximize the Federal Highway Reimbursement by coordinating the payment of invoices with the scheduling of the Federal Highway Reimbursement process.
Long Term Planning and Cash Management Tools

- PRAM (Program Resource Analysis Management) produces a cash flow model
  - A collaborative effort between Engineering and Finance.
  - Identify sources, amounts and the timing of revenues.
  - Identify amount and timing of cost of SCDOT operations.
  - Maintain a schedule of all projects including costs and estimated payment schedule.
Long Term Planning and Cash Management Tools

- Identify new projects with cost and estimated payment schedules.

- Continuously monitor cash projections.

- Run simulations to determine the effect of SCDOT actions.

- Update model as needed to reflect changing project load and schedules and modification in SCDOT costs or processes.

- A formal construction project update is done monthly, by mid-month.
Controlling Risks

• Closely control SCDOT’s non-reimbursable costs associated with operating the agency and state road maintenance.

• Closely control the level of non-reimbursable construction programs.

• Request Federal Reimbursement of SCDOT’s Indirect Cost.
Controlling Risks

• Closely control the value of active construction projects and the rate of spending on those projects.

• Closely control short term cash needs.

• Closely control the Federal Reimbursement Program.

• In the future, consider a line of credit to cover any irregular cash needs.
Finance and Administration Team

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Please contact our office with additional questions or comments at (803) 737-1240.