

Managing treasury during a crisis and beyond

Navigating a crisis such as COVID-19 and its associated impacts requires resilient treasury leadership, supported by disciplined execution.



Navigating unprecedented times:

Public sector treasurers face various challenges as they think about how to manage liquidity throughout a crisis and distribute relief funds in a controlled manner. Providing resilient leadership during these times requires robust processes, deep technical experience, and proper resources supported by disciplined execution. Additionally, planning for the future by re-assessing and enhancing contingency planning from lessons learned will be critical when the crisis subsides will help prepare for future challenges and improve daily non-crisis operations.. Top of mind issues include:

- Timing of sufficient federal funding to support relief assistance
- Delayed tax-filing deadline
- Unprecedented increase in unemployment claims
- Difficulties in meeting financial obligations
- Shortfalls in systems, processes, and people to support new operations and contingency plans
- Current and future decreases to state budgets

Improve cash visibility

With public sector treasurers supporting multiple agencies, cash balance and flow visibility is extremely important to understand all cash available to the state to support state operations

Enhance cash forecasting

Refresh sources and uses of cash with an emphasis on timing of payments and receipts. Manage investment maturities to correlate with liquidity needs

Reconcile bank activity

Integrate bank statements to assess all available cash inflow and outflow data as an early detection method for failed payments or potential fraudulent activity

Activate business continuity plans

Enable back-ups (while ensuring controls) for banking access, authorized signers and entitlements to bank accounts (e.g., wire capabilities), to prevent business disruption

Enhance disbursement controls

Implement additional review processes and control monitoring to ensure compliance with controls while processing increased volumes of disbursements

Monitor Fund Balance

Develop enhanced reporting to validate and monitor the availability of fund balances and grant activity

Will your crisis management plans help you navigate through the immediate challenges posed by COVID-19?

Is your Business Continuity Plan (BCP) sufficient to meet current and future challenges?

Do you have a contingency plan in the event of a mass staff outage?

Are you able to reliably predict liquidity needs, and have you forecasted potential scenarios with a clear action plan to pull appropriate levers at the certain times?

Can grant reimbursements be processed in time to sustain liquidity needs?

Is staff and infrastructure in place to process a high volume of disbursements in a secure manner?

Treasurers can help navigate this crisis with impact by having a clear action plan

- Strategy refresh/activate BCP
- Scenario planning
- Enhance readiness
- Monitor and execute action plan



Helping state governments navigate through federal government bills to support COVID-19 response efforts

The federal government is enacting a series of bills to stabilize the economy and respond to COVID-19 disruption. These bills stipulate additional funds that are available for state and local governments to navigate through the current crisis



THE CORONA VIRUS, AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

\$2.2 trillion of economy wide financial assistance through liquidity provisions for individuals and businesses, tax benefits, federal agency funding, state and local government funding, hospitals and health care system support.

FAMILIES FIRST CORONAVIRUS RESPONSE ACT

\$112 billion of assistance for impacted individuals through unemployment benefits, paid leave, increased access to nutrition assistance, free COVID-19 testing, Medicaid, employer paid leave tax credits.

CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT

\$8.3 billion emergency funding for initial health care response funneled through multiple federal agencies: FDA, CDC, NIH, HHS OS, HHS Emergency Fund, SBA, State Dept, Telehealth expansion.

Implications for state and local governments

\$1 billion unemployment assistance

\$0.56 billion emergency health response

\$150 billion direct assistance to state, local, and tribal governments and US territories

The CARES Act authorized use of Federal Reserve capacity to support up to \$454 billion in debt issued by state governments, local governments, and eligible businesses. A new Municipal Liquidity Facility is being developed to provide \$500 billion in lending to states and municipalities based on latest guidelines established on April 9, 2020.

- Funds from the CARES ACT will be provided through the \$260 billion allocated unemployment insurance and \$492 billion appropriations. State and local governments will receive \$150 billion in direct assistance, 80% of funds directed to federal agencies.
- Funds received from Families First Corona virus Response ACT will be provided to state and local governments in the form of \$1 billion in emergency grants to States for processing unemployment benefits; funding from USDA to support WIC, SNAP, TEFAP and nutrition assistance programs; and 6.2% increase in FMAP Medicaid Funding to States.
- Funds received from the Coronavirus Preparedness and Response Supplemental Appropriations ACT will be provided by CDC to state and local Governments. Every grantee that received a Public Health Emergency Preparedness (PHEP) grant for fiscal year 2019 shall receive not less than 90 percent of that grant level from funds provided by CDC.

How we help our clients navigate challenges

Learn

Research and provide recommendations on meeting eligibility criteria

- Research alternative methods and provide guidance and recommendations on meeting eligibility criteria

Strategize

Develop Strategy for Procuring Funding

- Collaborate with you to develop leading strategy for leveraging Federal Reserve facilities to meet liquidity needs.
- Facilitate grants reimbursement and applications to meet timing of liquidity needs.
- Establish reporting and visibility into grant and fund activity and balances to monitor current and future cash flows and balances
- Provide cash flow predictions and forecasting tools to manage current and future liquidity needs.

Execute

Provide surge resources for processing relief applications

- Provide resources to support grant applications and paperwork should clients require support in their day-to-day activities.



Benefits and Relief Funding for State & Local Governments and Higher Education under the CARES act

Below are some of the key provisions of the CARES ACT that apply to state | local governments and higher education institutions.

- **Coronavirus Relief Fund** : Creates a \$150B Coronavirus Relief Fund for state, local, and tribal governments and US territories to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines. Funds will be allocated based on population.
- **Economic Stabilization Fund**: For loans, loan guarantees, and other investments in programs and facilities established by the Federal Reserve. These programs and facilities will be used to provide liquidity to eligible businesses, states, and municipalities.
- **Medicaid Funding**: States may be eligible for a 6.2 percentage point increase in their federal medical assistance percentages (FMAP). They would be required to provide coverage of coronavirus testing without cost sharing and meet other criteria, such as not imposing more stringent eligibility standards or additional premiums
- **SNAP**: Provides additional funding for SNAP to cover waiver authorities granted and anticipated increases in participation as a result of COVID-19
- **Pandemic Unemployment Assistance program**: Creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of COVID-19 public health emergency
- **Emergency Unemployment Relief**: Provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits
- **Unemployment Compensation Benefits**: Provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months
- **Distance Learning and Telemedicine (DLT) and Broadband Program**: Provides additional funding for the DLT grant program, which supports rural communities' access to telecommunications-enabled information, audio, and video equipment, as well as related advanced technologies for students, teachers, and medical professionals
- **Resources for Federal, State and Local Law Enforcement**: \$850M to assist state, local, and tribal officers in responding to COVID-19. These funds will go directly to state and local governments, with no match required, and will support criminal justice needs related to COVID-19, including overtime for state, local, and tribal officers; personal protective equipment and supplies; and medical needs and other supplies for inmates in state, local, and tribal prisons, jails, and detention centers
- **Department of Transportation – Federal Transit Administration (FTA) Transit Infrastructure Grants**: \$25B For transit providers, including states and local governments across the country, for operating and capital expenses. Funding will be distributed using existing FTA formulas
- **Department of Education – Education Stabilization Fund / Higher Education Emergency Relief**: \$13.5 billion is available for formula-grants to states, which will then distribute 90 percent of funds to local educational agencies to use for COVID-19 response activities. Governors in each state will receive a share of \$3 billion to allocate at their discretion for emergency support grants to local education. \$14.25 billion will be available for higher education emergency relief for institutions of higher education to respond to coronavirus impacts
- \$5 billion is provided for Community Development Block Grants
- **FEMA / Emergency Management Performance Grants**: \$100M for state, local, territorial, and tribal governments to support coordination, communications, and logistics

How we help our clients navigate challenges

	Common challenges	Our approach
Liquidity Management	<ul style="list-style-type: none"> Establishing/maintaining appropriate infrastructure to maintain cash visibility (balance reporting) and efficiently manage liquidity Managing requests and reporting process for grant disbursements to ensure appropriate funding and reimbursement 	<ul style="list-style-type: none"> Assist with cash forecasting program establishment, refinement, or expansion Prepare liquidity scenario planning and stress tests Facilitate coordination with agencies on prioritization of cash distribution, grants reimbursement processing, and monitoring of fund and grants balances
Disbursement & Exception Handling	<ul style="list-style-type: none"> Reconciling of payments issued vs cleared in a timely manner. This is critical in understanding impact to liquidity Implementing robust processes to manage exception handling (e.g., rejected disbursements, payments to incorrect beneficiaries) for roll-out across agencies 	<ul style="list-style-type: none"> Assist the client to create a framework to efficiently monitor and report on outstanding checks, cleared checks, and disbursed funds Leverage banking relationships to roll out exception handling processes and identify erroneous payments requiring investigation
Surge Resourcing	<ul style="list-style-type: none"> Managing the significant increase in volume of disbursements and exceptions while managing day-to-day activities Meeting reporting requirements imposed by state and federal governments on disbursement progress 	<ul style="list-style-type: none"> Provide Treasury surge staffing and resource augmentation through Deloitte Extended Treasury Solution and loan staff services Support ability to meet operational needs while maintaining strong project management framework and reporting
Contingency Planning	<ul style="list-style-type: none"> Assessing current contingency plan in a timely manner to deploy. Can the organization realistically operate using the current plan? If not, what immediate actions need to take place? Learning from the current situation to better prepare for future events. 	<ul style="list-style-type: none"> Assist with assessment while identifying controls for banking portal accesses, authorized signers, and entitlements to bank accounts (e.g., wire capabilities), to help reduce disruption and potential fraud Create a business continuity readiness and Treasury crisis plan assessment and action plan

Assisting clients in their efforts to address treasury challenges during a crisis

Our Treasury Advisory practice collaborates with Accounting & Reporting and Tax Advisory practices to provide services to organizations as they work to overcome operational, technical, and resource challenges. Our deep experience, vast network of relationships with banking agencies and vendors, and demonstrated performance positions us to help your organization navigate these challenging times.

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