

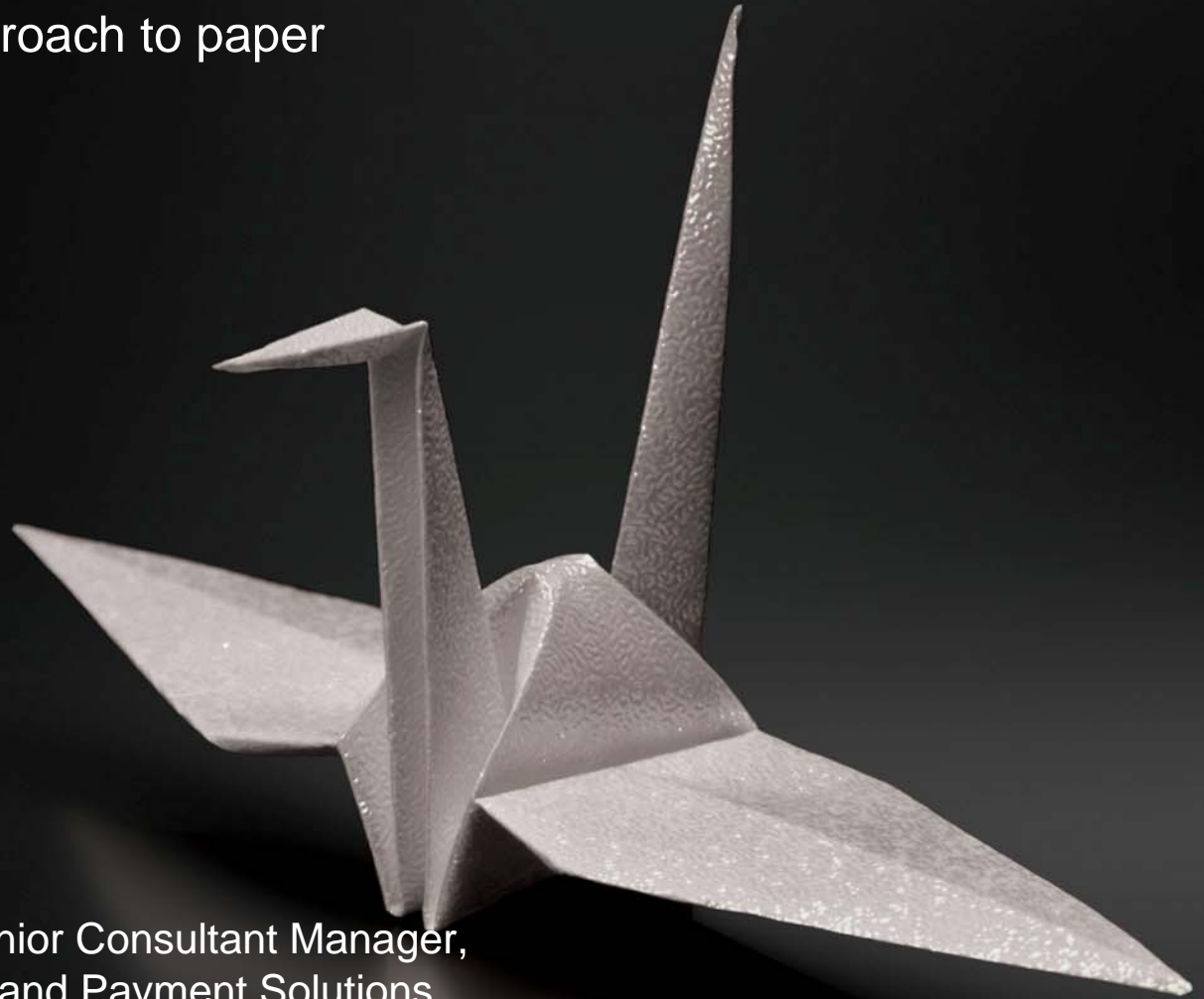
Technology for Treasury Management

June 6, 2010



Technology for Treasury Management

Reshape your approach to paper



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Global Treasury Integrated Debt and Payment Solutions

Bank of America 
Merrill Lynch

Current View and Future Outlook

Current view of the treasury landscape

- Cash/treasury management top of mind given recent economy; organizations and companies focused on tools that provide spend visibility and control
- Relevance and usage of commercial cards has grown in almost every aspect of the cash management process; economic conditions create opportunity to revisit benefits of commercial cards and “get back to the basics”
- Organizations continue to actively automate the accounts payable process across the P2P lifecycle, deploying various technologies
- Organizations increasingly operating globally and banks collaborating to serve them at an accelerating pace
- A segment receiving heightened focus (and scrutiny) for expense visibility is corporate events, meetings, and employee incentives
- Large entities increasingly demand more than reporting, i.e. actionable information that can be used for strategic purposes
- Public sector is seeking control and misuse management tools as they expand programs beyond cards and moving large market

Payment Trends – Making Progress

Most companies have made strides implementing check outsourcing, purchase card and automated T&E expense solutions.

But barriers exist with other payment types

- Payments where a reliance on vendor adoption is prevalent
- Limited IT resources and lack of integration between accounts payable and other systems are mitigating factors to success

Rising Electronic payments and Purchasing Card volumes have driven benefits for many organizations

- P2P Transaction costs can be cut by nearly half
- Gain significant Working Capital Benefits
- Commercial cards shorten P2P cycle time by a third
- Reduce cycle times at the same time maintaining or extending DPO

Electronic Payment & Purchasing Card Payment Volumes are Rising...

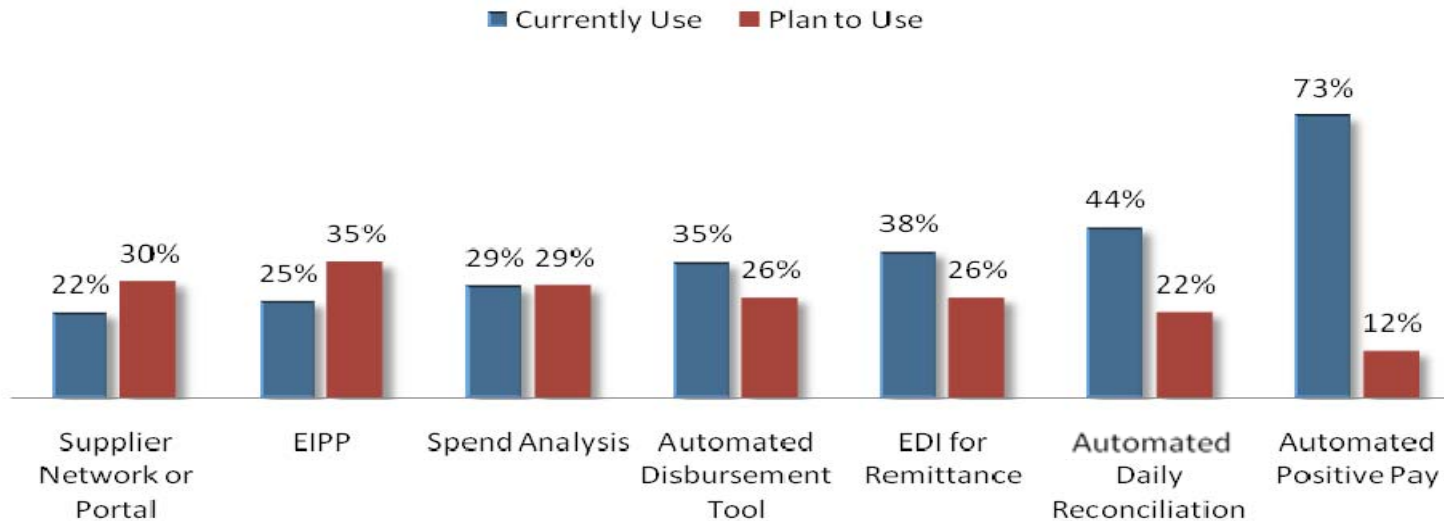
Study of best -in-class organizations shows success with Electronic Payments adoption

- ACH transactions increased 57%
- Purchasing card use increased 48%
- 48% decline in checks usage

New Technology

- Supplier Networks
- EIPP
- Supplier Spend segmentation tools
- EDI Remittance Delivery

Top Technology Solutions to Improve Electronic Payments



Source: PayStream Advisors 2009

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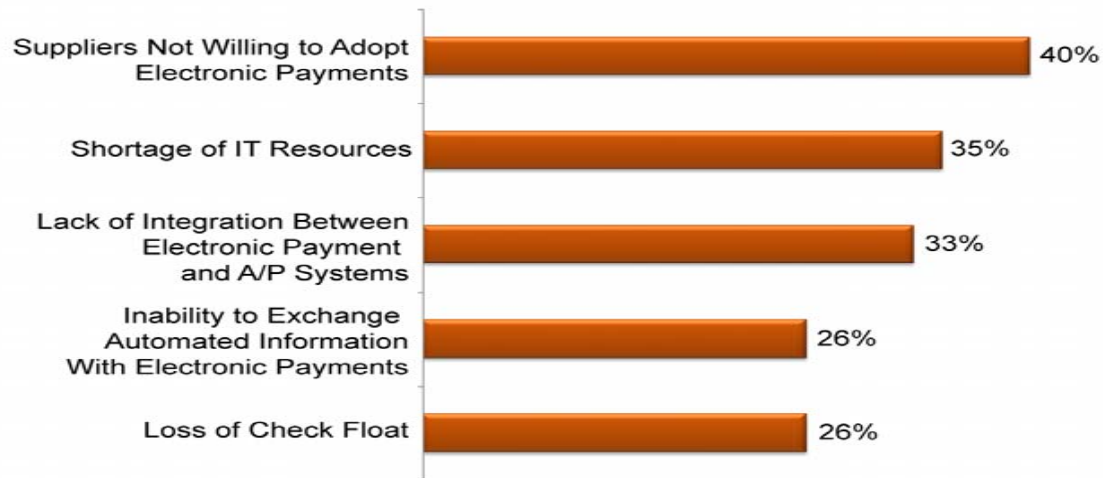
But Paper Still Remains the Rule, Not the Exception

Vendor Adoption: most significant barrier to electronic payments

Reflected by the amount of paper in Accounts Payable process:

- 74% of B2B AP payments are paper-based
- 85% of Invoices are submitted via paper
- 80% of invoice activity is paper-based

Barriers to the Adoption of Electronic Payments

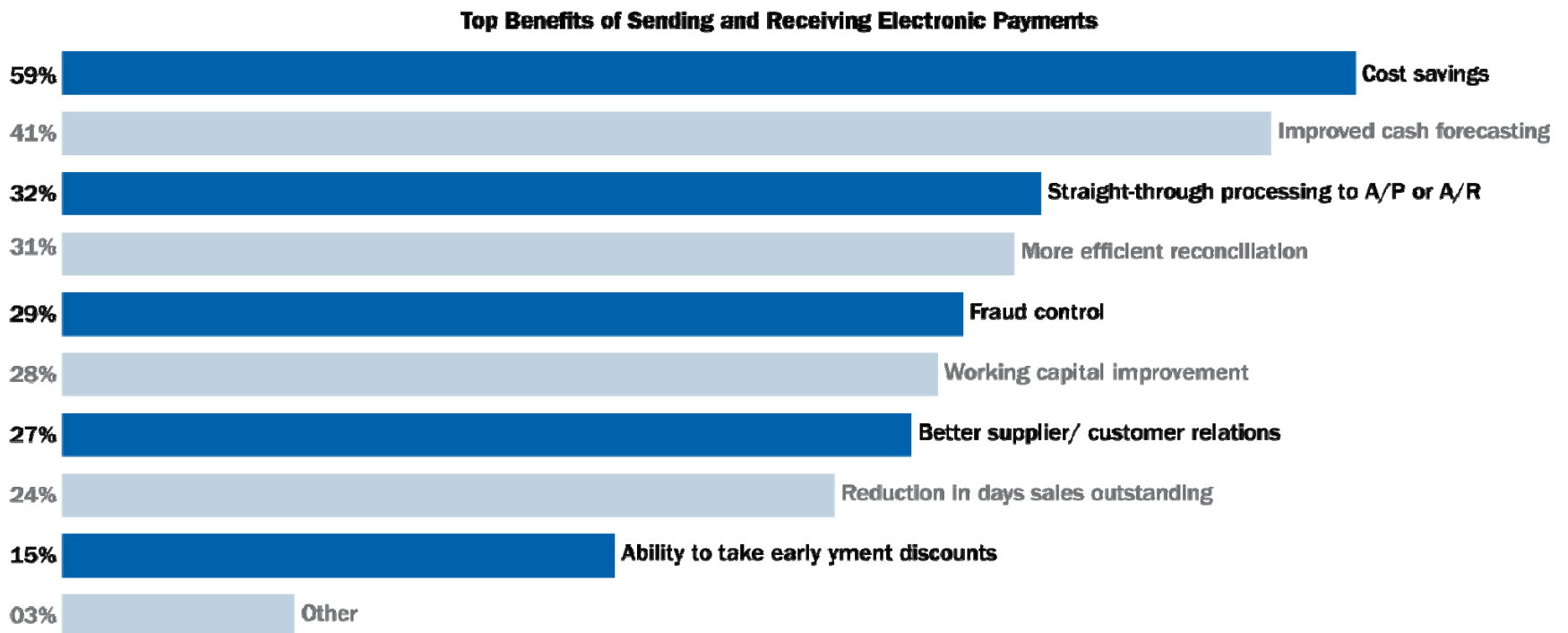


Sources: 2007 AFP Payments Study; Aberdeen Group

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ePayments are often the first building block in Procure-to-Pay cycle optimization.

ePayments efficiencies drive working capital optimization.



Overview of Payment Solutions

eInvoicing is a key step in working capital optimization.

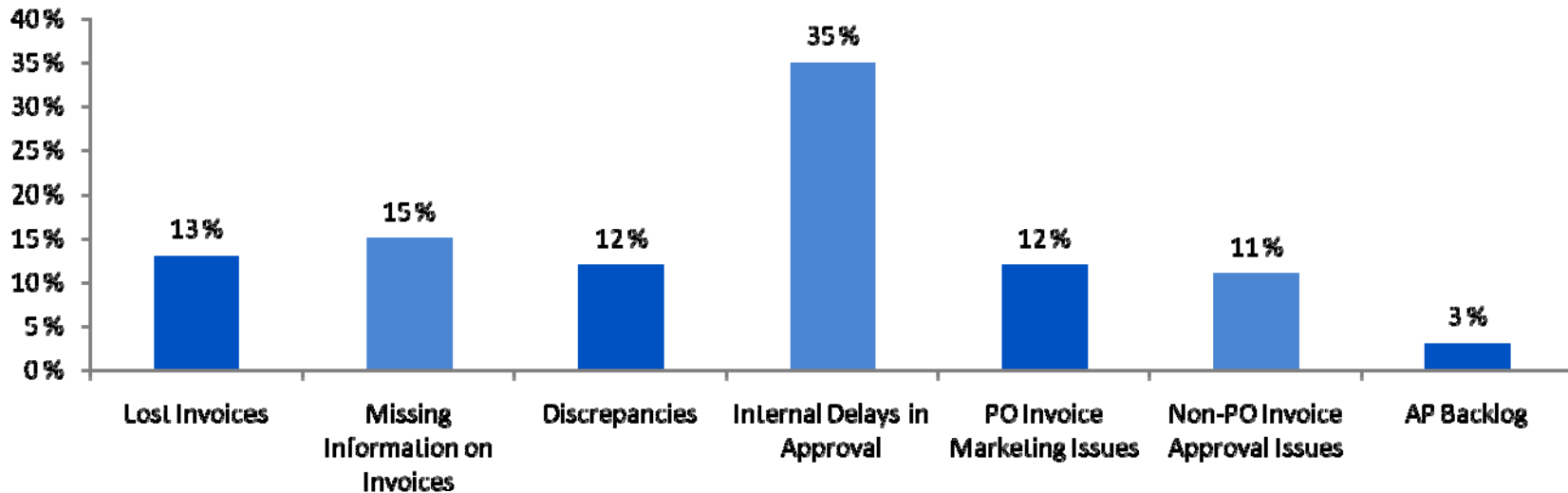
It's 10:00 a.m. on Friday. Do you know where your invoices are?

2%10net30 = 36% APR

Knowledge is Power.

Problems that Lead to Late Payments

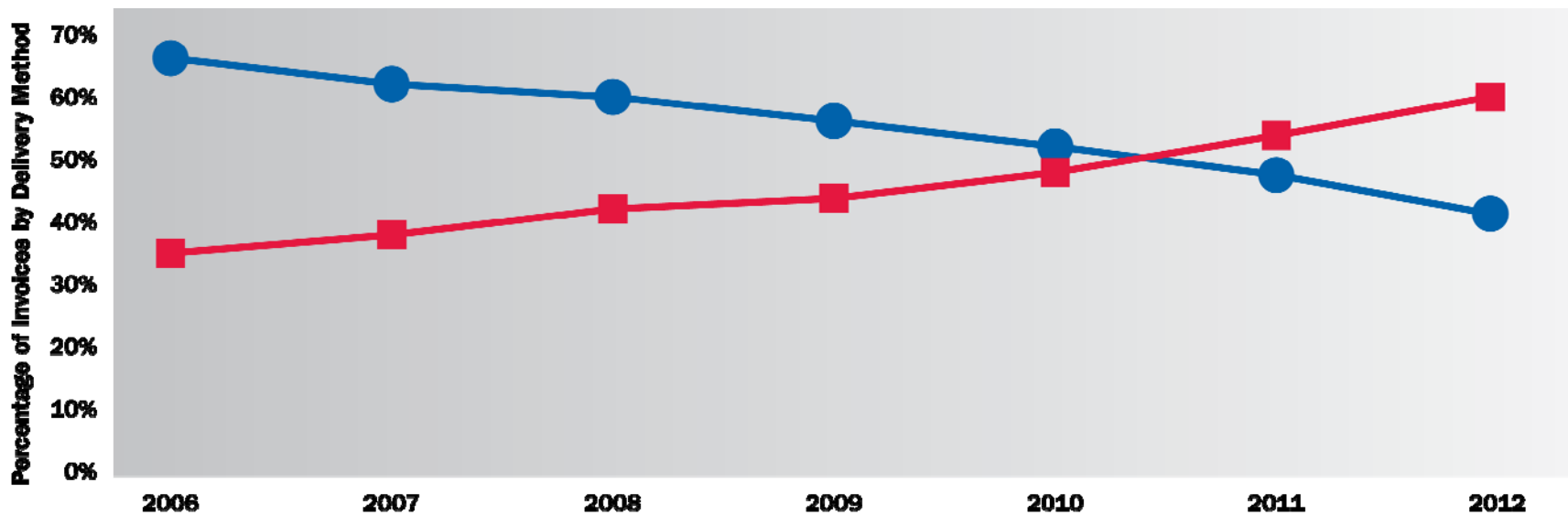
By a wide margin, internal delays in approval is the biggest cause of late payments.



Source *Electronic Invoicing Adoption Survey Report, Based on the Results of PayStream Advisors' Survey Q3 2008*

The successful implementation of eInvoicing is within your reach.

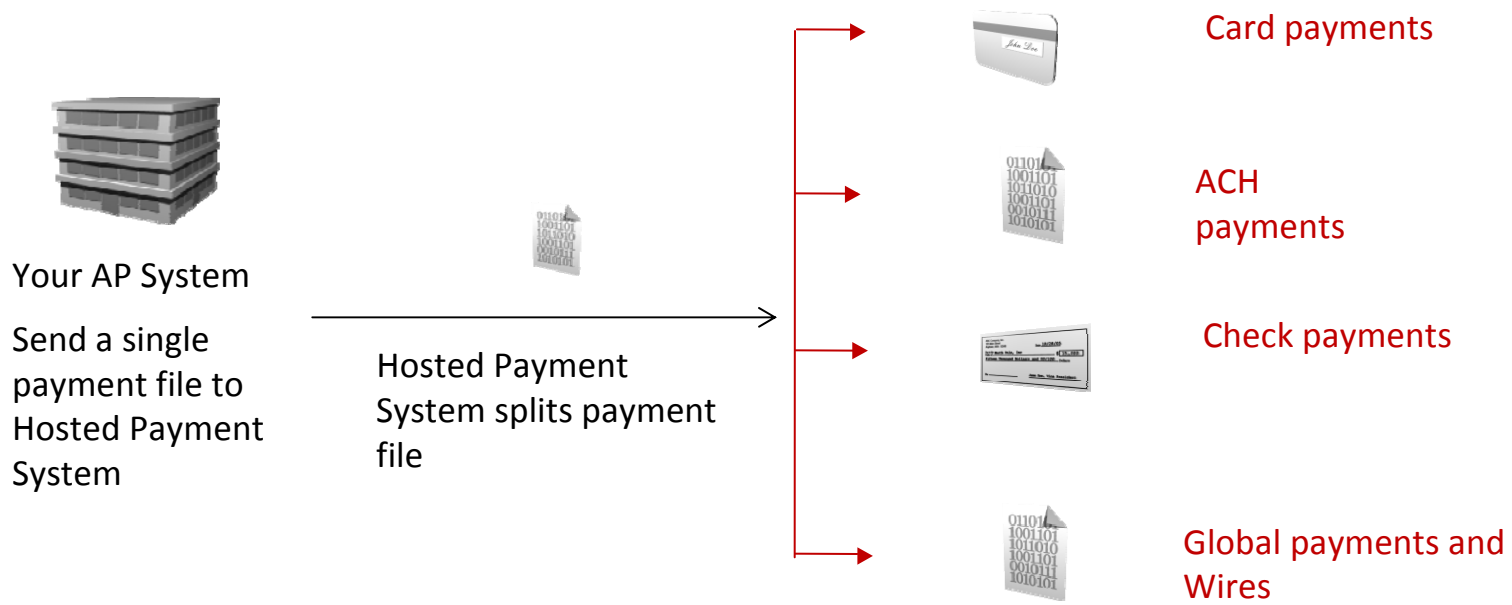
- Electronic invoice processing costs are 33% to 37% lower than manual processing costs.
- Best-in-Class enterprises on average display 83% lower processing costs than all other enterprises, and process invoices 80% faster than their peers.



Source: 2008 Aberdeen Group

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Comprehensive Payables Solution



- Benefits**
- Proven network and provider
 - Single-file, single-provider solution
 - Leverages existing financial systems and processes
 - Modular Components
 - Compelling business case and ROI
 - Integration into Supply Chain financing and eInvoicing solutions

Building the Business Case

Creating the Business Case

Take a multi-generational approach

- Create and communicate end-state vision
- Pick 1-2 specific goals to be attained within year

Link benefits of end-state to strategic organizational objectives

- Improved working capital management
- Reduced processing costs by X% (cost/benefit analysis)
- Increased ROI
- Optimized vendor base
- Extended payment terms

Build the business case

- Establish attainable, easily measurable targets
- Celebrate success

Four step approach:

1. Conduct a high-level End-to-end (E2E) assessment
2. Gain organization buy-in for change
3. Evaluate ePayments and remittance delivery options
4. Evaluate solutions provider

Benefits:

Maximize Working Capital and Decrease Cost

Maximize Working Capital

- Increase Days Payables Outstanding (DPO)
 - Consider payables and receivables discounting vs. DPO angle)
- Leverage electronic invoicing products
 - Capture early payment discounts
- Capture available discounts more quickly and offer discounts to suppliers

Cost Savings

- Drive down costs to process payment from purchase order delivery through payment
- Rapidly adopt electronic processing to reduce paper, fee and labour costs
- Reduce start-up costs by implementing electronic payment and invoicing products

ePayments Financial Benefits Model – Doing the Math

•Payments Profile

- \$100 million in non-payroll AP; \$1,000 average transaction, 100,000 transactions per year
- 80% of AP payments made via check (80% of total AP \$ spend)
- Days payable outstanding is 37 days (net 30 + 7 days mail float)
- Assuming the Level of “Average” Automation (\$3.63 /transaction saved)
- Assume the following:
 - 5% Cost of Funds
 - Convert 50%, or 40,000 paper checks to electronic as follows:
 - ACH increases by 30,000 transactions (\$32M spend)
 - Card increases by 10,000 transactions (\$8M spend)
 - Assume 20 days extended float savings on check to card migration
 - 50 basis points rebate on card spend

Financial Benefits Model	
Total estimated annualized checks migrated (25% of Checks)	40,000
Average savings per check migrated*	\$3.63
Total savings for check migration*	\$145,200
Value of float (\$8mm for 20 days at 5%)	\$21,918
Estimated rebate (Based on \$8M x 50bps)	\$40,000
Total estimated annual benefit savings annuity	\$207,118

What Best in Class Organizations Do

- Realize automation and outsourcing are primary enablers for value creation in Accounts Payable
- Incorporate outsourcing into Accounts Payable strategy
- Are aware that reducing paper process: achieves corporate “green” goals + cost efficiencies
- Understand payments staffing levels can be stabilized or reallocated
- Can examine vendor-relationship pricing through automation (ACH or card)
- Can manage authority and control workflow in payment processes

*Single-file solution:
helps migrate 40 to 70% of paper cheques to more cost-efficient
electronic payments.*

Program Implementation Tips

Look for these best practices in a provider's approach to solutions

- **Modular yet scalable** solution with options that give you flexibility to meet your evolving needs for order to pay solutions
- **A collaborative model** that benefits all and delivers improved relationships, as automation drives value for both buyer and supplier
- **Integrated** to simplify your user experience
- **Flexible turn-key integration** process that can support multiple payment types in a format easily produced by your AP system
- **Compelling ROI** based on cost displacement, extended cash flow benefits and potential rebates
- Proven **supplier enrollment program** with a large network of suppliers that provides **Day 1** value and can convert 40-70% of AP paper within 6 months
- Improved **controls, compliance** and **fraud reduction**



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Technology for Treasury Management



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Louisville & Jefferson County KY Metropolitan Sewer District



Louisville MSD Background (Core Services)

- Wastewater Collection
- Wastewater Treatment
- Drainage
- Flood Protection

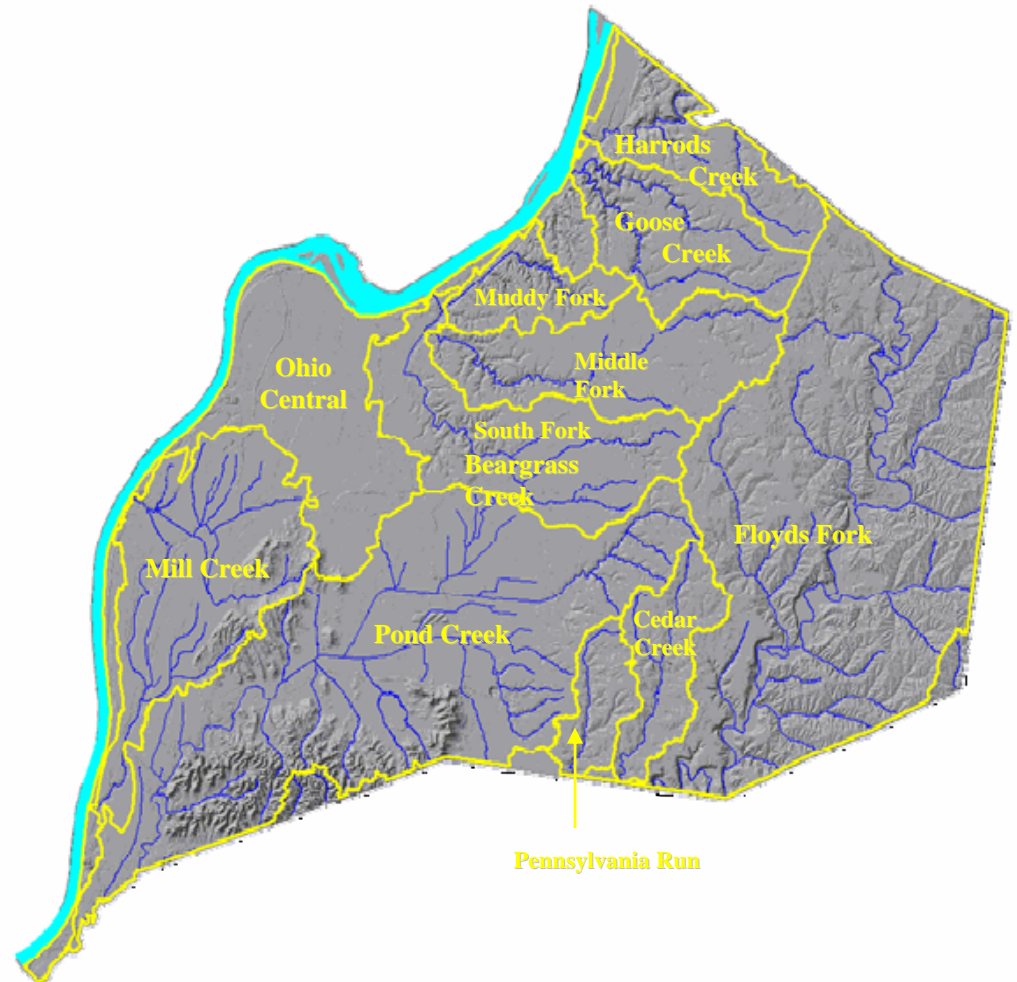


Louisville MSD Background

Customer Base

- 207,000 residential
- 19,000 commercial
- 400 industrial

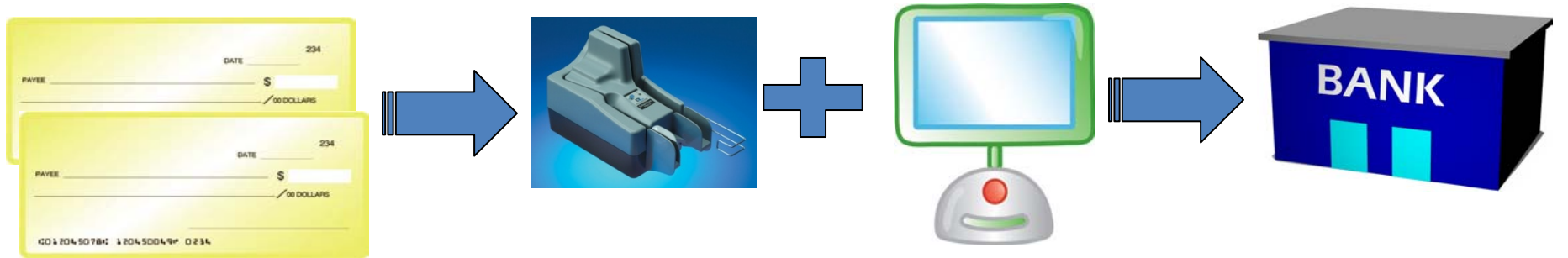
Population served is approximately 709,000.



Revenue Composition

- FY 2010 operating revenues are projected to be approximately \$170.0 million.
- Approximately 95% of MSD's revenues are billed by the Louisville Water Company.
- 90% of revenues collected by MSD are check transactions with the remaining consisting of credit cards, cash, and ACH transactions.

Remote Deposit Capture



Prepare checks for deposit

Scan & convert checks into digital images in your office.

Electronic deposit is made into your bank account



Funds are credited to your account

Benefits of RDC

- High dollar volume of check transactions
- Maximize funds availability schedule
- Elimination of lockbox
- Reduced trips to the bank
- Improved staff efficiencies

Positive Pay

- Check file is sent to the bank which typically contains the check number and amount.
- Exceptions are flagged and the customer is given an opportunity to approve or reject exceptions.
- Reduces opportunities for check fraud.

Initiatives under consideration

- Outsourcing portions of the payables function
- Cash Vault Tracking
- Kiosk Payment Sites
- Electronic Payables Program
- Enhancements to Positive Pay

Outsourcing of Payables Function

- A single input file to the bank for all payments (check, card, ACH, and wire transfer) is generated.
- Eliminates the need for in-house check printing thus reducing the risk associated with the payables function.
- Can earn rebates from the bank.

Cash Vault Tracking

- Beneficial to governments with frequent deposit and/or armored carrier issues.
- Allows for the tracking of cash from the deposit preparation stage to the crediting of the deposit by the bank.

Kiosk Payment Sites

- Idea for governments that need multiple payment sites.
- Can opt to purchase or lease the equipment.
- Can read various remittance advices (i.e. utility bills, tax payments, parking tickets).

Electronics Payables Program

- Can be managed from or together with a P-card Program.
- Card accepting vendors are provided with a unique account number.
- File is sent to the financial institution which contains remittance information relating to each invoice.
- Credit limit on the card is increased by the amount of the payment.

Electronics Payables Program (con't)

- Financial institution notifies the vendor of a pending payment and provides the remittance information.
- Card limit is reset to zero after the transaction is completed.

Enhancements to Positive Pay

- Payee name verification – allows the bank to compare the payee name on the check to file provided by the government.
- Teller Line Positive Pay – enables bank tellers to access the client issue information to determine if a check presented for cashing at a branch is valid.

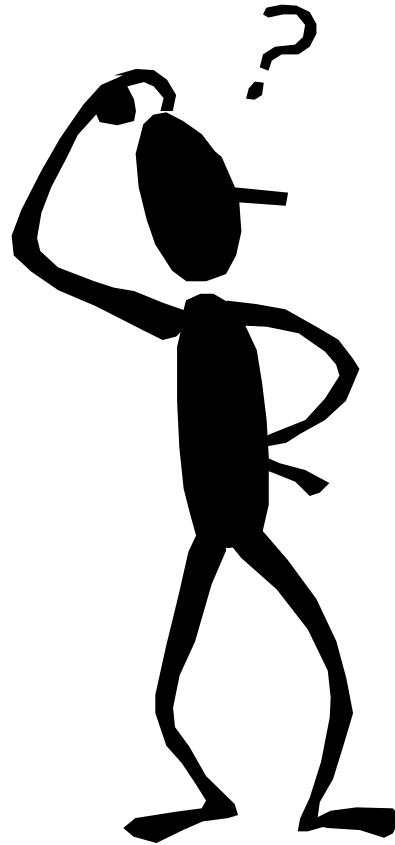
Selection of Vendors

- Review existing bank relationships.
- Utilize existing government contracts - i.e. General Services Administration (GSA).
- Prepare Request for Information followed by a Request for Proposal.

Barriers to Implementation

- Lack of Management Support .
- Cost (fees, additional equipment, training, etc.).
- Ease of use.
- Impact on customers and vendors.

Questions??



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