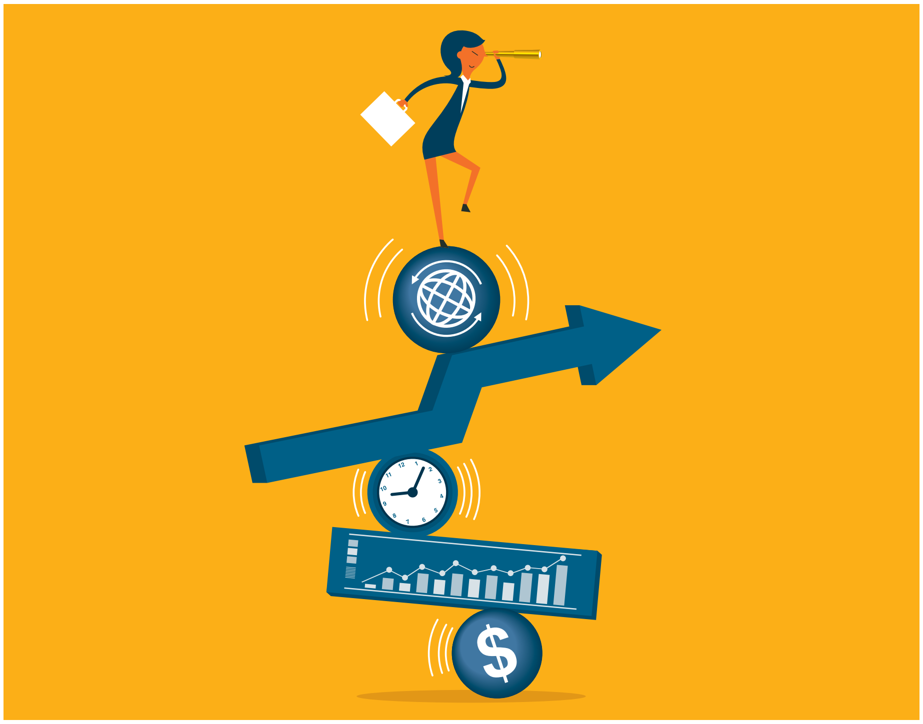

Next chapter: cash flows and investments

By Chase Byler, senior vice president, PSDLAF

As we look to close the chapter on the lowest interest rate environment of the modern era, we shift our focus to the next one, which feels a little more familiar. As rates begin to rise and we prepare for a new fiscal year, proactive cash management again becomes a focus to sustain and grow interest earnings from investments, as well as identify savings opportunities.

It does seem like an eternity ago that we could discuss actual earnings made on investments, but as we look for rates to potentially rise, preparing a proper cash flow can put your school entity a step ahead.

What is the benefit? Historically, locking in fixed rates for even two or three months has typically outperformed liquid rates in a normal or rising interest rate environment. In a declining interest rate environment, liquid rates will typically outperform fixed rates. Fortunately, a declining interest rate environment is not anticipated anytime soon at the time of this writing. However, as we experienced in 2020, things can change in a heartbeat.

If your school can earn an additional 10 basis points on a $1,000,000 investment for the full fiscal year (365 days), that is an additional $1,000 to spend on essential needs. What could your school do with an extra $1,000, $10,000 or $20,000?

Optimizing cash flow is a management practice that should be employed by all, in my opinion. It is a practice of analyzing expected receipts and expenditures to prudently invest funds not needed even for short periods of time (such as two or three months). This process aids in suitable investment decisions as well as cost savings opportunities that may arise.

Yet another avenue of savings that each school should consider is a procurement/rebate card program.

Having the entire cash flow profile available may provide the opportunity to invest in more advantageous rates, which would match an expenditure further out on the cash flow (such as a debt service payment in April as taxes roll in during the month of September). Schools should work with their individual investment providers to find opportunities that are most suitable for them. (Just remember that there is no substitute for "safety first.")

Yet another avenue of savings that each school should consider is a procurement/rebate card program. These programs are specifically designed to help schools take advantage of earning a rebate on the funds they already spend. Most programs or rebate card providers will work with each school to help analyze spending and let schools know what types of rebates could potentially be earned. Some programs can also aggregate the school's spend with that of others to increase total rebates paid. Schools should research the programs that are available to assess if this type of program is suitable and valuable to them.

As we all look forward to an environment that is more familiar, we head into a new fiscal year with renewed energy. The past few years provided low interest rates due to the pandemic as well as a host of other unexpected "curve balls" that we had never dreamed of. At some point in the past two fiscal years, all of us wondered if this was "the new normal" and hoped for the day that we were able to move onto the next chapter. I think we can agree that it is time for us to, hopefully, turn the page.