

IT'S GETTING HOT IN HERE!

CASH MANAGEMENT IN AN
INFLATIONARY ENVIRONMENT



**BANC OF
CALIFORNIA**



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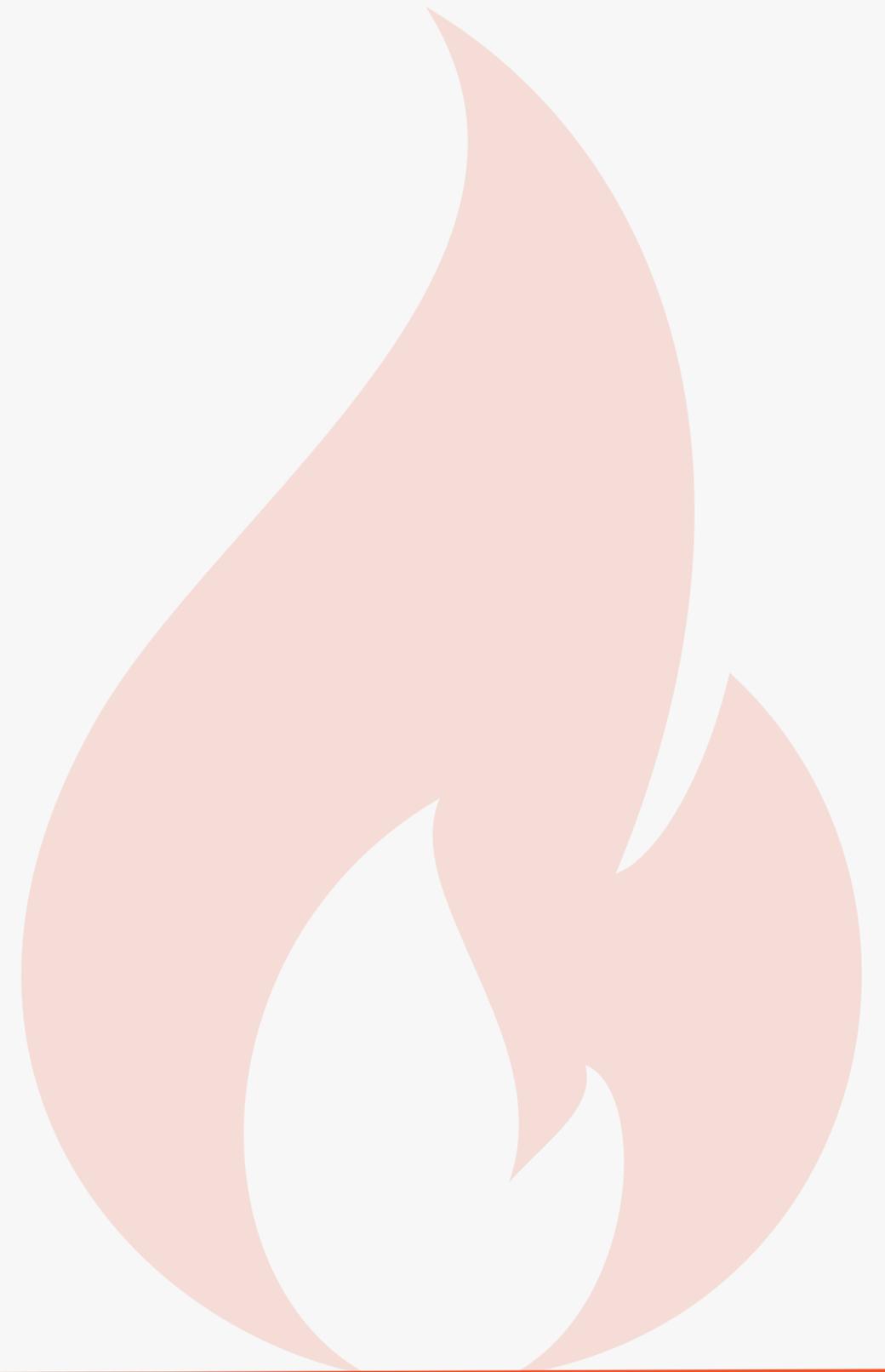


James McGrath
Founding Director
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OBJECTIVES

- How to Plan for today, but save for tomorrow?
- Setting up a Cash Management Plan
- Understand the rules when earning interest/investing
- How to make sure your cash is protected



CASH MANAGEMENT PLAN

What do you need and when do you need it for the next 12-18 months:

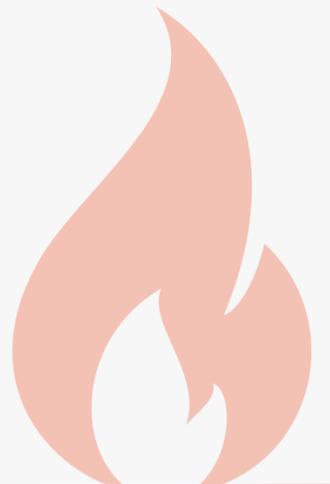
- Not just Year End – as each month ends, reach out another month
 - Does not have to be precise – gives a general sense of where problems might arise giving you ample time to problem solve
 - Why “just in time” cash management could save money
 - But remember to consider the risks involved

How are you receiving cash/sending cash?

- Utilize technology – your bank and/or back office partner should be able to support

Risk Management

- Fraud Protection
 - Positive Pay



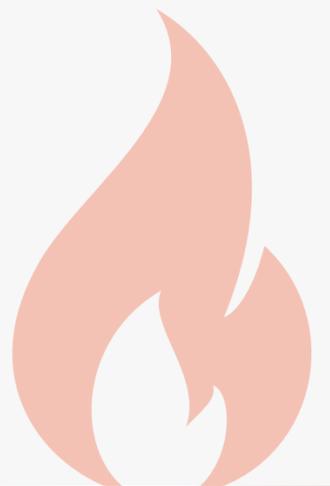
CASH MANAGEMENT PLAN

If you have a cash hole, options include:

- **Move expenses around** – be careful as these relationships can be critical and we want to be careful about not asking too much
- **Financing**: When is the best time to ask a bank for credit? [shameless plug]
 - value of a line-of-credit
- **Fund-raising**: beyond bake sales
 - Existing staff experience?
 - Hire skill-set
 - 3rd party
 - Grant writing

Who needs to be aware of the plan?

Creating awareness, if not buy-in, will help when things get rocky



WHAT TO DO WITH EXTRA CASH

If you Have Cash – What to do with it?

- With the above in good shape, we have confidence what is needed today and likely over the next 12-18 months, and therefore how much can be “invested/not required immediately” and for how long
- Prudent Man Rule



WHAT TO DO WITH EXTRA CASH

How to hold:

- CD
- Money-market
- Best of both worlds: Combination of earn interest and line of credit
- Deposit protection
 - S250K – Basic
 - ICS – up to \$150MM
- Securities investment: Schwab; County Treasury



WHAT TO DO WITH EXTRA CASH

Investment and Reserve Policy

- Reviewed by your attorney
- Adopt by the board
- Reserve Guidelines
 - set it aside and don't use unless predetermined strategic circumstances are presented
 - Prudent Man Rule
 - Avoid principal risk
 - Have a board approved policy (**especially NCB schools**)
 - Re-evaluate with some regularity – recommended at least annually
 - Helpful for a funding determination



WHAT TO DO WITH EXTRA CASH

Understanding Covenants

- What are covenants
- Why are they important
- What are they testing for

Without covenants, your schools should still set minimums/goals

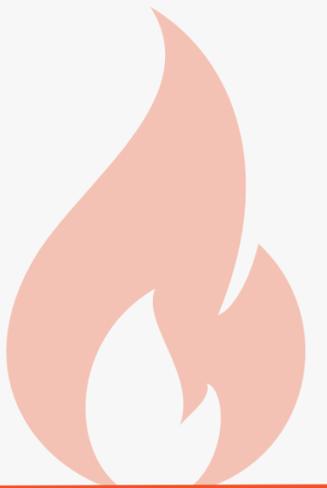
- Creates financial stability
- Establishes a baseline
- Creates a measurement for success



WHAT TO DO WITH EXTRA CASH

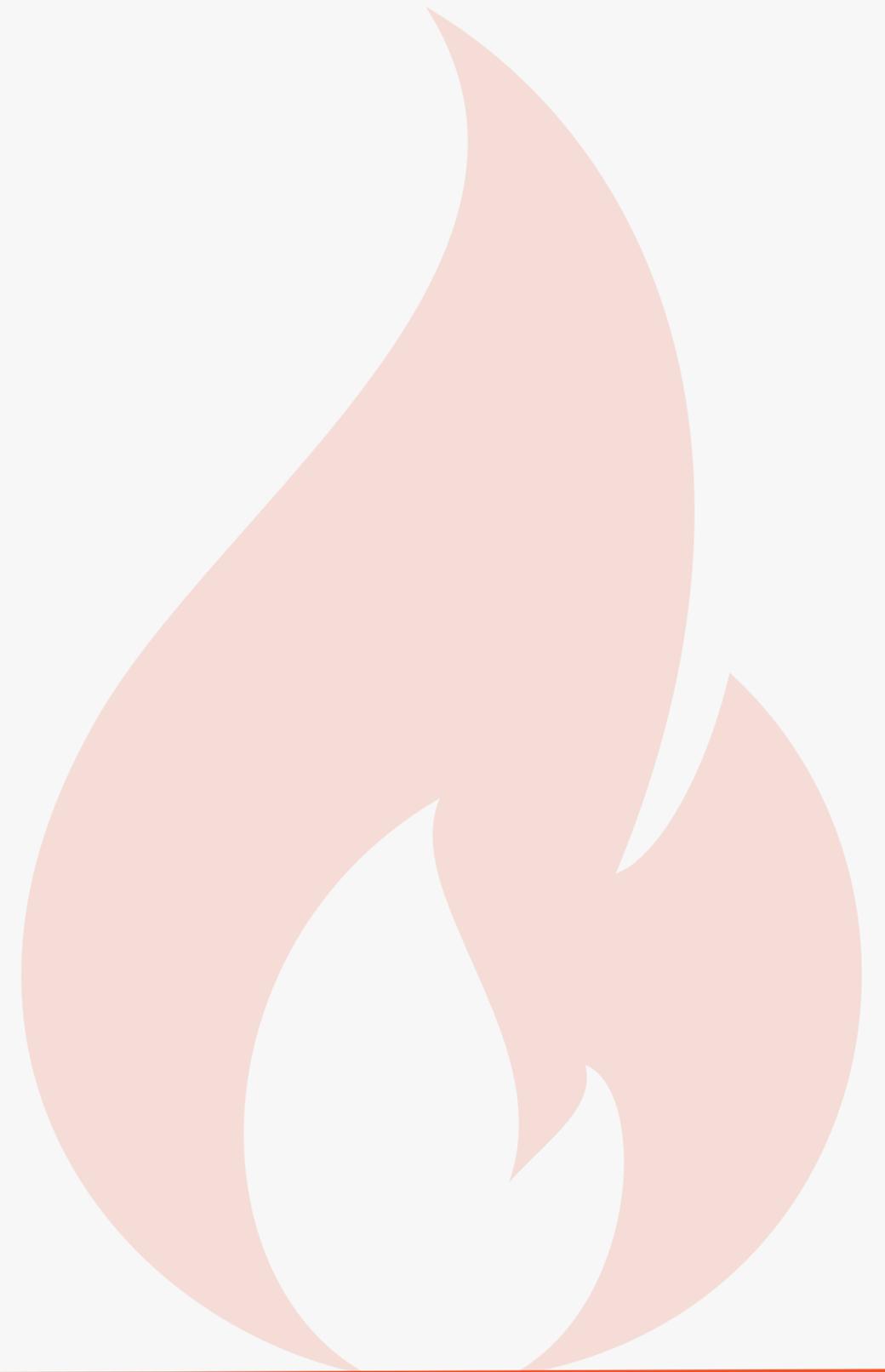
Concerns to consider when earning extra cash

- Federal Cash reporting requirements
 - Once a school earns \$500 in interest on unearned federal money, they need to return all interest on it
 - Additional work to track money
 - Should be reported quarterly and annually to CASHMANAGEMENT@cde.ca.gov
- Keeping the school's liquidity at a sustainable level



OBJECTIVES REVIEW

- How to Plan for today, but save for tomorrow?
- Setting up Cash Management Plan
- Understand the rules when earning interest/investing
- How to make sure your cash is protected



CHARTER SCHOOL LEGISLATIVE UPDATE & REVIEW OF 2023-24 CA BUDGET



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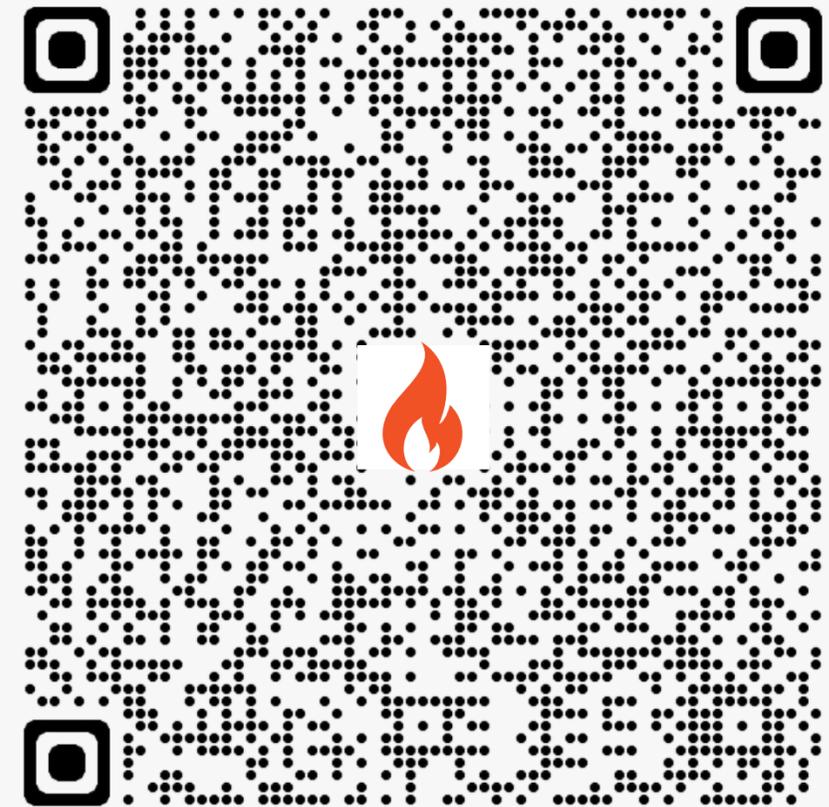
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JOIN US LIVE

November 14 1:00PM - 2:00PM PT



SCAN TO REGISTER

THANK YOU!

ANY QUESTIONS?



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