Stepping Up To Best Practices

Middle-market companies like the Columbus Regional Airport Authority and TriNet aggressively pursue treasury efficiencies.

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Columbus Regional Airport Authority CFO John Byrum and Randy Bush, director of finance and administration

Faced with volatile markets and economic uncertainty, middle-market companies are moving from OK practices to best practices. For example, the $81 million Columbus Regional Airport Authority in Ohio is liquid enough and stable enough that it could have continued to run its sleepy paper-based, manually intensive treasury operation indefinitely. Instead, CFO John Byrum brought Randy Bush over from the parking division as director of finance and administration, and together they launched a transformational project to replace outdated practices with best practices across the board. Their search for guidance led them to Treasury Strategies, an industry leader in defining forward-looking best practices as Treasury 3.0.

Treasury Strategies (TSI) first signed on in 2010 as a consultant to help CRAA design a slick but compact treasury gem and then re-upped in 2011 as project managers to direct the implementation of their design.

“We’ve implemented about 20% to 25% of our plan already, starting with collections,” Byrum says. “Now we’re pushing ahead with vendor payments and hope to complete the transformation in 2012.” An airport authority is more like a small city than a small corporation, he observes. “We have our own police department, our own fire department and our own emergency medical personnel.”

As 2010 started, the authority’s collections were almost entirely paper checks and remittance documents that arrived at a post office box, where a hired courier picked up the mail daily and hauled it to CRAA offices. There staffers swam through a sea of paper to bundle checks into deposits to be physically carried to the bank and post the payments to A/R. Now virtually all payments going into the general fund (still mainly checks) arrive at a Huntington Bank lockbox, where they are imaged, while a different lockbox collects restricted funds.

“We discovered that we had two staff members spending hundreds of hours a year preparing deposits,” Bush says. “We needed to find a better way. Now we do it all online. Staff almost never touches paper. The funds are available at least a day sooner. We had one employee leave and found that we didn’t need to fill the position.”

CRAA is “very impressive about adopting a plan and sticking to it,” says Paul LaRock, a TSI principal who has worked closely with the authority. “We’ve seen other companies choose the latest technology, but they don’t always execute crisply. These guys mean business. They want the cost savings and they want the time savings, but it’s all part of their determination to get their processes right. They are very quality-oriented.”

Posting to the Microsoft Dynamics NAV accounting system is still done manually from bank-generated images. “We haven’t figured out yet how to automate that process, but we are working on it,” Bush says. The lockbox archive is a disk the bank sends monthly. CRAA also adopted a more sophisticated bank account structure, with zero-based collection and disbursement accounts and a concentration account at Huntington that allows for efficient investment of cash while the zero balances reduce risk. Chase Paymentech handles the high volume of credit card payments from parking charges and gets the funds into the concentration account in 24 hours, even on weekends, Bush adds. “Cash now flows pretty quickly.”

The much more aggressive use of bank cash management services has upped the banking fees CRAA pays, Bush says, but he estimates the savings outweigh the costs by $163,000 a year. While only one employee was not replaced, several others have been “repurposed” to more productive duties, he says. “With Treasury Strategies’ help, we’ve become well-informed, able to go to our banks and aggressively negotiate the best fees,” Bush notes.

While CRAA is aggressively improving processes and leveraging banking services, it has not stocked up on technology. TSI looked into sophisticated software like treasury workstations and in the end recommended that CRAA not buy it. “They were candid and said that on our scale, it wouldn’t really pay us,” Bush says. “We appreciated their honesty.” The only third-party software CRAA uses is SymPro to monitor its very conservative investments, he says.

There is a lot more low-hanging fruit to pick, especially on the accounts payable side, Byrum says. “Our vendor payments are still 100% checks,” he reports. “Our plan is to move to ACH whenever possible. We’re starting with employee reimbursements because we already have that bank account information through our direct deposit program. We’ll do employees in the first quarter and start phasing in vendors after that. We’re already collecting bank account information from vendors.”

“We’re also looking into a p-card program,” Bush adds. “We’re hearing mixed reviews from companies we’ve talked with. Controls are an issue.”

“We intend to improve our whole purchasing process,” Byrum says. “We’ll see whether p-cards will be part of that.”

CRAA has $90 million of A+ or A2-rated revenue bonds outstanding and can draw on a $75 million A1+-rated commercial paper program as needed, Byrum reports. “Our debt is conservative, about $21 per enplaned passenger,” which is how airports measure leverage, he says. “We’re building a new runway with financial help from the FAA. We’re using short-term debt but expect to pay it all off by 2018.” The authority also keeps more than 500 days of operating cash in a strategic reserve, well above the standard 365 days, he reports. “Including restricted funds, we have almost $120 million in liquidity.”

While CRAA does not live close to the financial edge, low debt costs and efficient liquidity management are important, Byrum points out. “We’re not a hub for a major carrier, so our business is spread among nine airlines,” he explains. “We need to be a low-cost airport so that we can offer attractive prices to airlines, which are very cost conscious these days.”