2020-2021 BUDGET UPDATES

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2020-21 budget has been updated with the latest assumptions, resulting in a decreased ending fund balance

- Updated Title I-IV estimates (per CDE): -$25.9k
- Impact of Negotiations: -$650,187
- CAPEX: -$25k
- Furniture: -$25k
- Hybrid (one month): -$263k

Category	2020-2021 Board Approved Adopted Budget, 6/5/20	2020-2021 Revised Budget (E-Learn/Return 2nd Semester, per CA gov 7/30/2020) 8/17/20	Budget Updates 10/1/2020 (one month hybrid)
Revenue	$ 33,662,742	$ 36,618,377	$ 36,592,620
Expense	$ 33,888,246	$ 35,182,349	$ 36,186,891
Net ending balance, financial reporting	$ (225,503)	$ 1,436,029	$ 405,728

The fiscal impact of a hybrid model

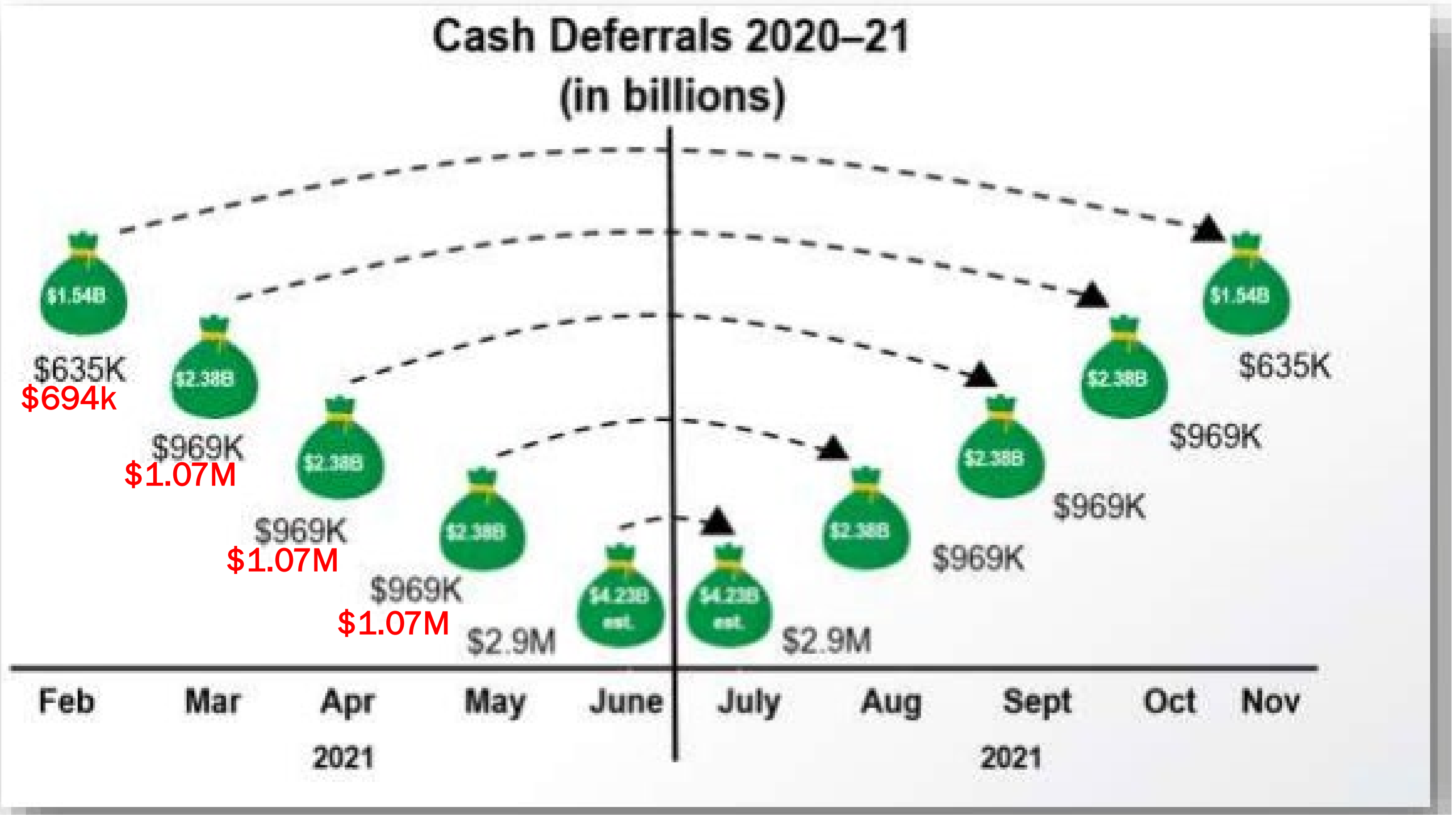
- Hybrid costs are a preliminary estimate and will continue to change as public health experts share more information
- The view below shows the impact to our ending fund balance

Category	2020-2021 Board Approved Adopted Budget, 6/5/20	2020-2021 Revised Budget (E-Learn/Return 2nd Semester, per CA gov 7/30/2020) 8/17/20	Budget Updates 10/1/2020 (one month hybrid)	Budget Updates 10/1/2020 (3 months hybrid)	Budget Updates 10/1/2020 (5 month hybrid)
Revenue	$ 33,662,742	$ 36,618,377	$ 36,592,620	$ 36,592,620	$36,592,620
Expense	$ 33,888,246	$ 35,182,349	$ 36,186,891	$ 36,460,891	$36,734,891
Net ending balance, financial reporting	$ (225,503)	$ 1,436,029	$ 405,728	$ 131,728	$ (142,272)

CASH FLOW

PCHS Updated Cash Deferral Schedule

Deferrals	state wide	LCFF rcvd	% defer	To defer
Feb 21	1.54	616,136	53%	694,792
Mar 21	2.38	235,967	82%	1,074,961
Apr 21	2.38	235,967	82%	1,074,961
May 21	2.38	235,967	82%	1,074,961
June 21	4.23	-	100%	2,900,414
total to defer 20/21				6,820,088



Was $6.44 Million

NOW $6.82 Million

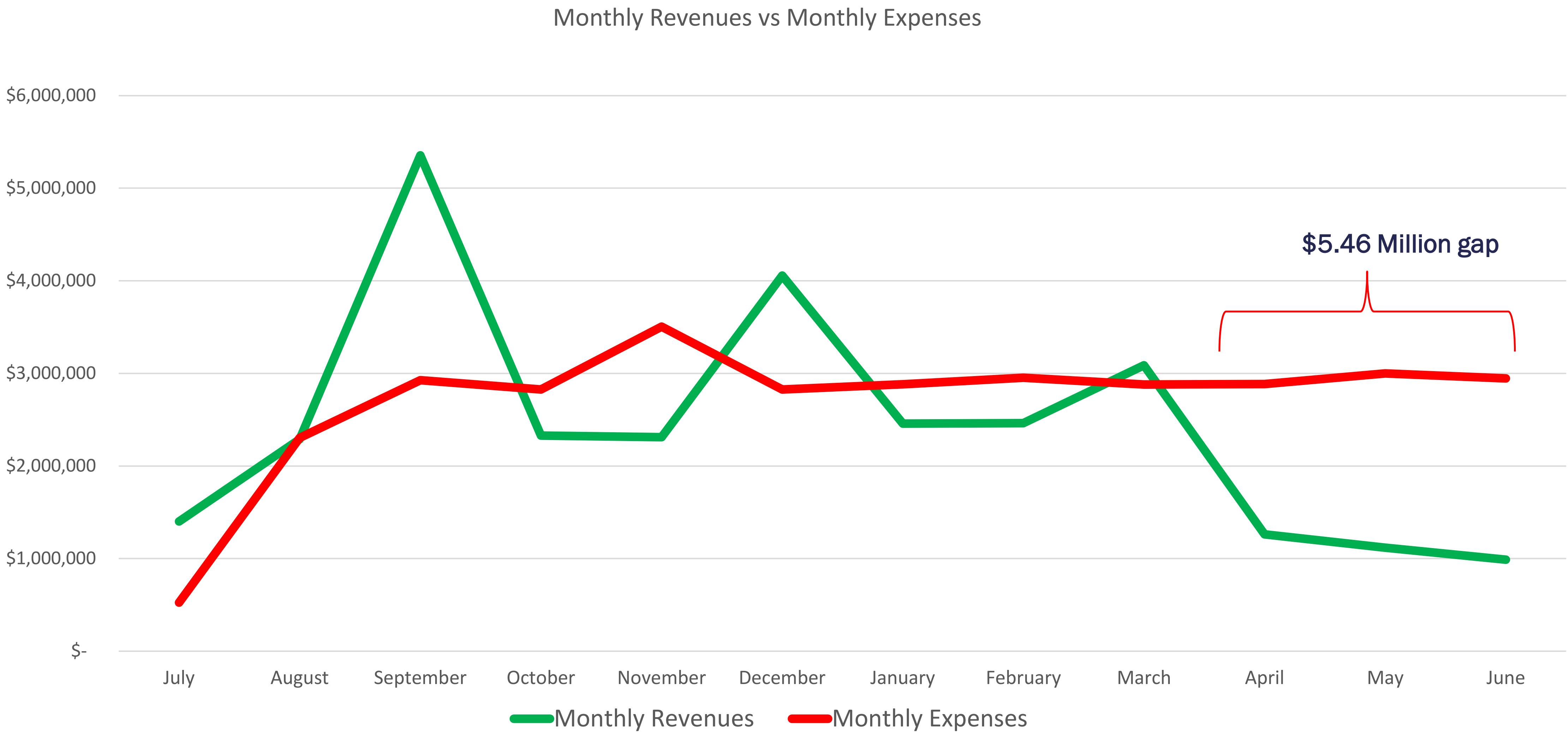
2020-21 Budget Cash Flow

PALISADES CHARTER HS

Description		Budget 2020-21	July	August	September	October	November	December	January	February	March	April	May	June
STARTING CASH			**8,775,858**	9,730,597	11,052,855	13,482,572	12,982,988	11,790,580	13,019,732	12,593,815	12,101,897	12,310,243	10,686,749	8,804,588
A. REVENUES														
1) Revenue Limit Sources	+	29,539,379	1,238,145	1,747,996	3,623,732	1,984,140	1,984,140	3,623,732	1,984,140	1,794,256	2,464,619	825,027	825,027	589,060
2) Federal Revenues	+	2,647,697	36,159	72,318	1,215,926	64,314	64,314	169,283	64,314	296,697	236,716	58,288	58,288	171,307
3) State Revenues	+	1,203,855	-	155,796	253,677	1,230	1,230	1,230	145,873	1,230	137,499	145,873	1,230	2,059
4) Local Revenues	+	3,201,689	127,757	312,742	262,291	278,115	262,291	262,291	262,291	370,364	249,094	233,270	233,270	225,785
PY Revenues Received		-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	=	36,592,620	1,402,061	2,288,852	5,355,625	2,327,799	2,311,975	4,056,536	2,456,618	2,462,546	3,087,928	1,262,457	1,117,814	988,210
B. EXPENDITURES														
1) Certificated Salaries	+	14,903,837	-	1,120,357	1,198,306	1,198,306	1,722,477	1,198,306	1,198,306	1,198,306	1,198,306	1,198,306	1,198,306	1,198,306
2) Classified Salaries	+	4,573,334	-	216,886	405,984	395,708	395,708	395,708	395,708	395,708	395,708	395,708	395,708	395,708
3) Employee Benefits	+	8,178,607	337,003	571,173	672,189	669,595	768,218	669,595	669,595	669,595	669,595	675,964	669,595	669,595
4) Books and Supplies	+	1,546,035	13,789	31,888	146,249	80,061	80,061	80,061	80,061	80,061	80,061	80,061	146,249	146,249
5) Services, Other Operating Expenses	+	5,518,420	148,641	246,426	441,910	418,606	472,811	418,606	473,758	527,963	473,758	473,758	527,963	473,758
6) Capital Outlay	+	427,866	5,890	78,764	35,656	35,656	35,656	35,656	35,656	35,656	35,656	35,656	35,656	35,656
7) Other Outgoing	+	295,394	17,773	35,546	23,632	23,632	23,632	23,632	23,632	41,355	20,678	20,678	20,678	20,678
8)Interprogram/Interfund Support Costs	+													
9)Other Debt Service	+	58,338	2,592	2,483	1,983	5,821	5,821	5,821	5,821	5,821	5,821	5,821	5,821	5,821
Principal Payments		-	-	-	-	-	-	-	-	-	-	-	-	-
PY Expenses Paid		-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PAYMENTS	=	35,501,831	525,688	2,303,523	2,925,908	2,827,383	3,504,383	2,827,383	2,882,535	2,954,464	2,879,581	2,885,951	2,999,975	2,945,770
NET REVENUES LESS PAYMENTS			876,373	(14,672)	2,429,718	(499,585)	(1,192,408)	1,229,152	(425,917)	(491,918)	208,346	(1,623,494)	(1,882,161)	(1,957,559)
D. TOTAL CASH MONTH ENDING	=		**9,652,231**	**9,715,925**	**13,482,572**	**12,982,988**	**11,790,580**	**13,019,732**	**12,593,815**	**12,101,897**	**12,310,243**	**10,686,749**	**8,804,588**	**6,847,029**

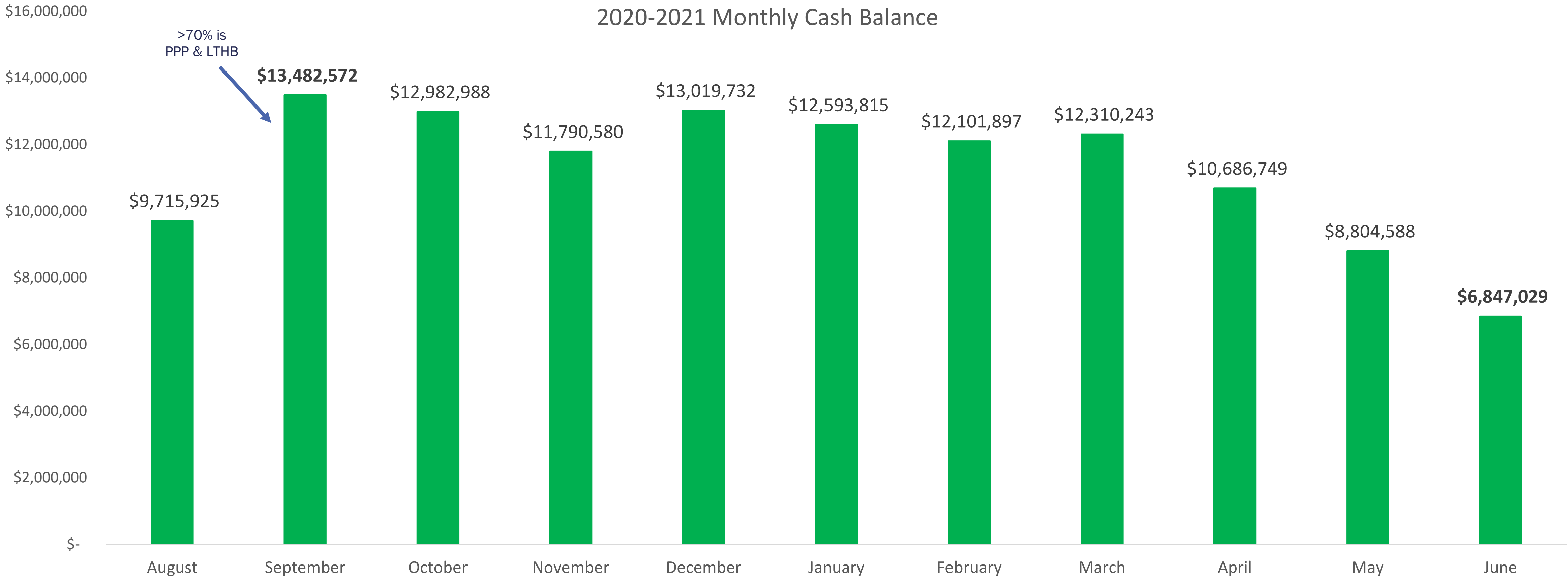
Monthly Revenues vs Expenditures

- Final 3 months of 2021 represent the biggest gap
- During this time period, expenses outpace revenues by $5.46 Million

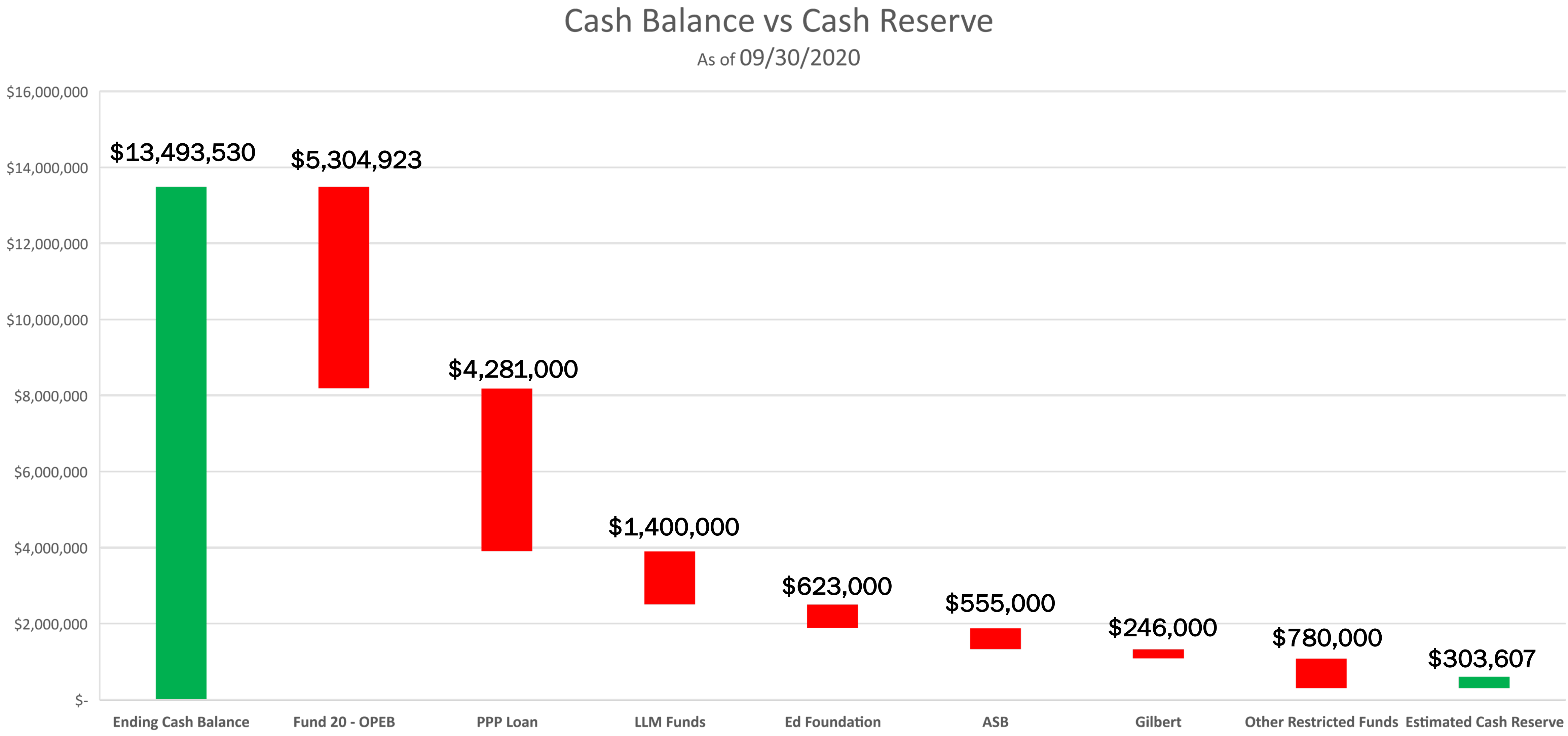


Our cash position indicates a healthy balance, yet the majority of funds have restricted use

- These figures represent our month-end cash balance (after accounting for revenues/expenses = cash that remains)
- Yes, we have enough cash to get us through deferrals. However, the majority of our cash on-hand is restricted.
- PCHS will need to spend PPP funds and explore an inter-fund transfer from Fund 20 (Lifetime Health Benefits)



Our September ending cash balance of $13.4 Million includes mostly restricted funds



CASH RESERVES

Cash Reserves

Cash

- The amount of actual dollars a district has in the bank or treasury at any given time.

Cash Reserve

- One-time only funds held by a district.
- Can have many different components
  - *Restricted funds, reserve for economic uncertainty, unallocated, committed*

Importance of Reserves

- Manage cash flow
- Mitigate volatility in funding
- Address unexpected costs
- Save for large purchases
- Obtain higher credit ratings

Cash Reserve Requirements

- Cash reserve requirements are based on a percentage (%) of current year General Fund expenditures

3%
- CDE/state minimum requirement (based on our size/ADA)
- Reserve for economic uncertainty

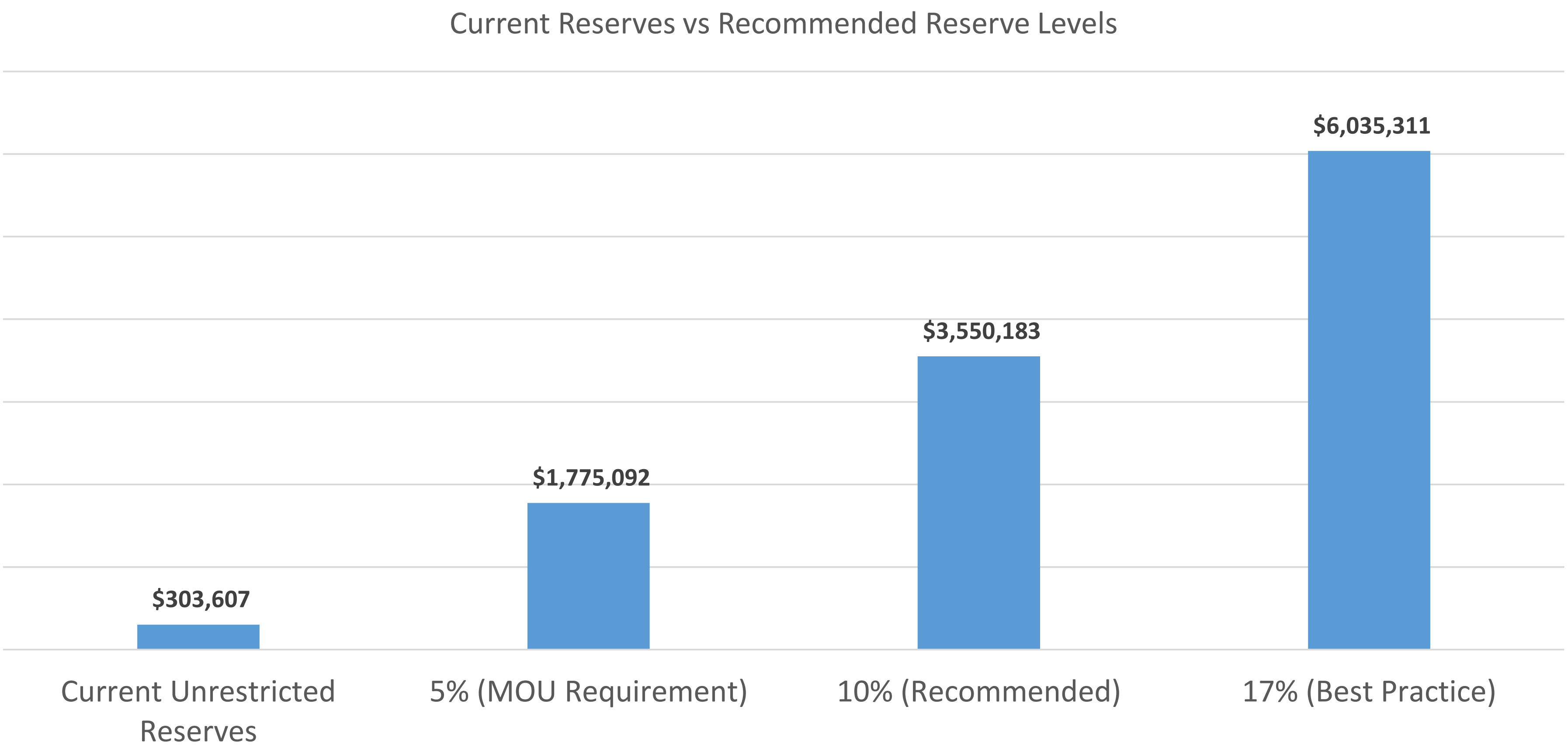
5%
- PCHS MOU states we must maintain a 5% cash reserve minimum
- FCMAT Charter Manual also states 5% minimum, but recommends upwards of 10% cash reserve

17%
- California Legislative Analyst Office (LAO) recommends 17% as a common practice among school districts
- While reserve levels vary by district, in 2018/19 the avg. across California school districts was 17% reserve

Although our minimum requirement is 5%. We recommend a cash reserve level of **10%**, with a plan to increase to **17%.**

Current Reserves vs Recommended Reserves

- Due to deficit spending in past years, PCHS needs a plan to rebuild reserves
- Keep in mind that as our expenditures grow, our reserve levels must increase appropriately



FISCAL PRIORITIES

Fiscal Priorities

- Building Reserves
- Lifetime Health Benefits
- Transportation
- Technology
- STRS/PERS Increases
- Hybrid Model Expenses
- IMA

DISCUSSION

PPP LOAN

PPP Overview

- Loan Amount: $4,606,000
- Funding Date: 5/14/2020
- Payback Period: 2 years (monthly P&I payment).
  - *Payments deferred for 1st 6 months*
  - *No prepayment penalty*
- Interest: 1%
- Location: Funds are currently in County Treasury (earning 1.5% interest)
- Allowable Expenditures: may be used to cover general operating expenditures
  - *"Payroll costs"*
  - *Costs related to the continuation of group health benefits during periods of paid sickness, medical, or family leave, insurance premiums*
  - *Mortgage interest (but not prepayments or principal payments), rent and utility payments*
  - *Interest payments on any other debt obligations that were incurred before February 15, 2020*
  - *Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020*
- We **will** be audited

PPP Forgiveness Overview

- Based on our funding date, allowable expenses made within an **8** week OR **24** week period may be considered for forgiveness
  - *Ex: If we funded on 5/14/20, then only expenses incurred within 24 weeks from that date may be considered for forgiveness. Anything spent outside that window may not be considered/evaluated for forgiveness.*
  - *We can only pick ONE reporting period. Either 8 week or 24 week*
  - *There are other factors/details that may slightly expand the window: payroll/pay-period date, date(s) of incurred expenses, etc.*
- Selecting a 24 week reporting window maximizes our forgivable expenses

Forgiveness Eligibility

- 60/40 Rule
  - *60% of loan must be used on payroll (no independent contractors). No more than 40% spent on mortgage, leases, utilities.*
  - *Payroll expenses are capped for those earning $100k+:*
- Staffing Requirement: FTE headcount at end of reporting period vs. a "reference period"
  - *A lower headcount may result in pro-rated decrease in PPP forgiveness.*
  - *Does not account for terminations, retirees, etc.*
- Pay Requirement: Must retain at least 75% of total salary

PPP Spending Requirement

- Spend 100% of the remaining funds on allowable payroll expenses over the next 2 pay-periods*

24 week reporting period

Submit required forms/verification to determine forgiveness eligibility

$325k

- SISC (med, dental, vision)

$310k

- SISC (med, dental, vision)

$2.269 Million

- Salaries: $1.59M
- Benefits: $675k

$2.263 Million

- Salaries: $1.59M
- Benefits: $669k

*The total expenditures on this page account to over $5.1 Million. We will "back-out" payroll expenses over the $100k salary cap to ensure that we only use PPP funds on allowable payroll expenses up to $4,606,000.

PPP Considerations

- Reporting Period
  - *Propose to adjust this to our payroll cycle.*
  - *Period would begin on 6/10 – the 1st pay cycle AFTER the loan funded*
- Payroll cap on $100k+ earners
- Need clarification on the following:
  - *Bonus/incentive (1.75%) & retro pay (0.5%)*
  - *Rehiring requirements*
  - *FTE headcount and the reference period*
- Consider a PPP consultant
- Other tax implications (PPP forgiveness is tax free)
- Remember, forgiveness is not a guarantee and we **must plan** for the loan/liability repayment