



CBO REPORT

By: Juan Pablo Herrera
Board Meeting 01/12/2021

Business Updates

■ 2019-2020 Audit:

- *Audit is on-track. Will share findings at March B&F and BOT meeting. Deadline to submit is 3/15.*

■ Cafeteria

- *CDE Nutrition audit begins on Jan 11th (virtual)*
- *In-depth audit which covers nutrition sales/revenue, meal counts/claims, food safety, income verification, etc.*
- *The result of the audit could have a financial impact on our 2021-22 funding*

■ Unduplicated Pupil Count

- *Measures students who meet income/categorical requirements for free/reduced meals: EL, foster youth, homeless.*
- *This directly impacts our LCFF funding: +20% funding to support these high needs students*
- *The pandemic has made it very difficult to complete free/reduced meal applications and verify student eligibility.*
- *This will impact our 2021-22 funding. We will quantify it at the upcoming board budget workshop.*

■ Charter ASAP TRAns Program:

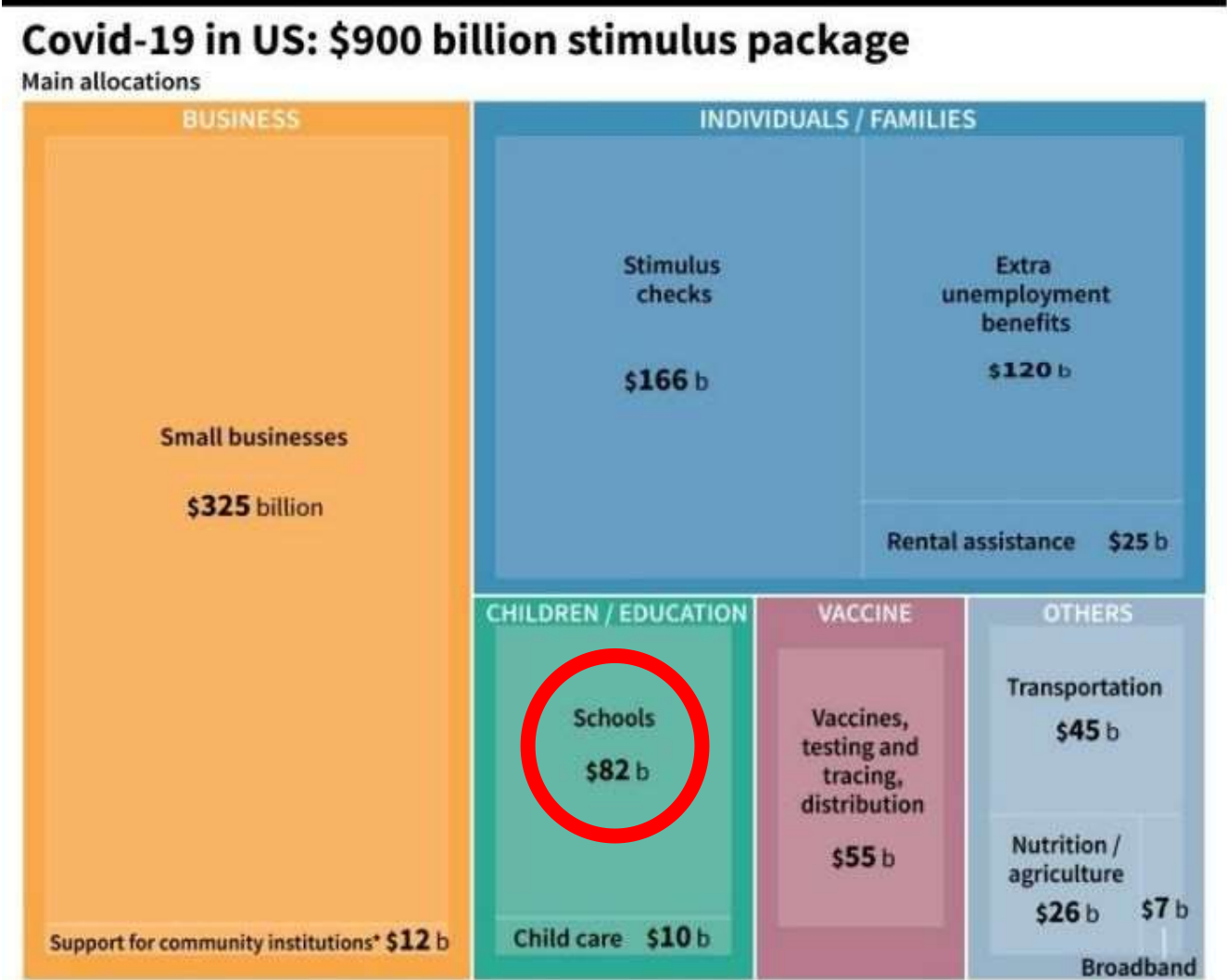
- *PCHS approved to participate in Charter TRAns program. Option to receive funding of \$5.2 Million to help bridge upcoming deferrals. Cost of financing is \$54k with an interest rate of 2%. Finance team recommendation is to not participate. See appendix item for more detail.*

■ Actuarial Valuation Update:

- *Our Accumulated Postretirement Benefit Obligation (APBO) increased by approximately \$1.43 Million (+7.3%) vs last year. See appendix items for more detail.*

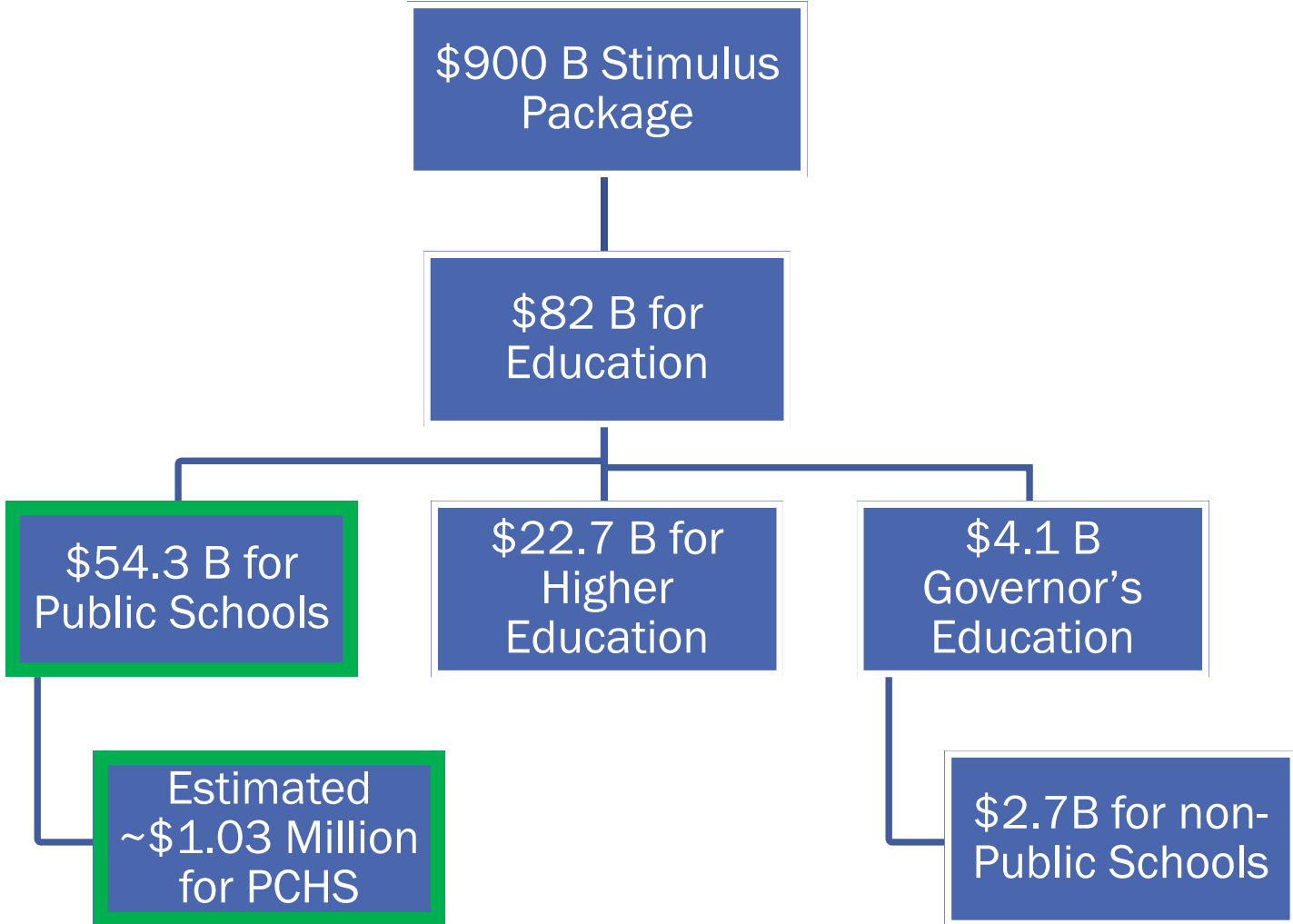
Federal Stimulus Package: Overview

- In late Dec '20, congressional leaders reached a deal on a ~\$900 Billion COVID-19 relief package



Source: US lawmakers/media *financial institutions or loan companies for low-income and minority communities. AFP

Federal Stimulus Package: Education Funding



Known as the Elementary & Secondary School Emergency Relief Fund (ESSER)

ESSER Funding for PCHS: one-time relief funds

- Please note, official ESSER funding levels have NOT been released
- Based on School Services of CA estimates, PCHS should receive approximately **\$1.03 Million** (preliminary estimate)

LEA

ESSER Funding Estimate		
County	LEA	December ESSER Funding
Los Angeles	Palisades Charter High	\$1,003,588

- ESSER funding is based on Title 1A, Part A allocations. As a result, funding levels will significantly vary based on LEAs with different student populations
- The funds are roughly 4X the amount of ESSER funds PCHS received during the CARES Act

FAQ: ESSER Funds

What can we use these funds for?

- Allowable uses are the same as the 1st round of ESSER funding: [click here](#)
- There are 2 new additions to allowable uses of ESSER funds
 1. *School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs*
 2. *Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement*

When will PCHS receive these funds?

- TBD, but likely within the next 12-16 weeks.

Are we guaranteed to receive the \$1.03 Million?

- No, that figure is just a preliminary estimate and can change. Also, we need to apply in order to receive the funding. Lastly, the State is only required to distribute 90% of the funds to LEAs and has discretion on how to distribute the remaining 10% of funds.

When must the funding be spent?

- September 30, 2022

Federal Stimulus Package: Additional Items

- Deadline to spend Federal portion of LLM funds extended from 12/30/2020 until 12/31/2021
 - *Does not impact PCHS as we fully expended the federal portion of LLM funds*
- PPP forgiveness process was significantly simplified for smaller loans
 - *Does not impact PCHS as our loan amount is higher than the minimum requirement*

Governor Newsom's \$2B "Safe School for All Plan"

- The governor has proposed a bill that would incentive LEAs to re-open. More about the 4 focus pillars [here](#):
- This is not incremental funding for 2020-21, just re-allocating funds that were already going to K-12
- Schools would receive between \$450-\$750 per ADA
- Phase 1 includes TK-2 (targeting mid Feb re-opening) and 3-6 (mid March re-opening) as well as high needs students across all grade spans (special education, English learners, foster youth, homeless, etc.)
 - *Note: the reopening target dates apply to counties with <28 positive cases per 100,000 residents*
 - *Schools can apply for the incentive, but the expectation is they reopen the following month that the local county reaches <28 positive cases per 100,000 residents*
- Middle School & high school are excluded from the incentive plan, but our high needs student population would allow us to participate.
- It's likely that Middle/High school will be included later, but a later re-opening means reduced incentive amounts
- Requirements in order to participate:
 - *Board approved collective bargaining agreement or MOU*
 - *COVID-19 Safety Plan (CSP)*
 - *Need to be in a county with <28 positive cases per 100,000 residents*
 - *Need consistent testing for all students/staff (varies based on purple/red/yellow tier)*

Looking Ahead

- Finance is attending the Governor's Budget workshop presented by School Services of CA: 1/15
- Tentative date for Board Budget Workshop: 2/2/21
- State Budget deferrals will begin next month
 - *Must monitor cash flow closely!*
- 2019-2020 Audited Actuals: Due 3/15
- 2nd Interim Report: Due 3/15

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APPENDIX





Charter School Pooled TRANs (California School Finance Authority)

- PCHS approved to participate in this low-cost borrowing to help bridge upcoming deferrals
 - TRANs amount of \$5.2 Million, but can be decreased based on need
 - If PCHS wants to participate, BOT approval is required by 2/5
 - Finance office recommends we do not participate



CALIFORNIA SCHOOL FINANCE AUTHORITY





Charter School Pooled TRANs (ASAP Program)

Estimate of Financing Costs (excludes TRAN interest)

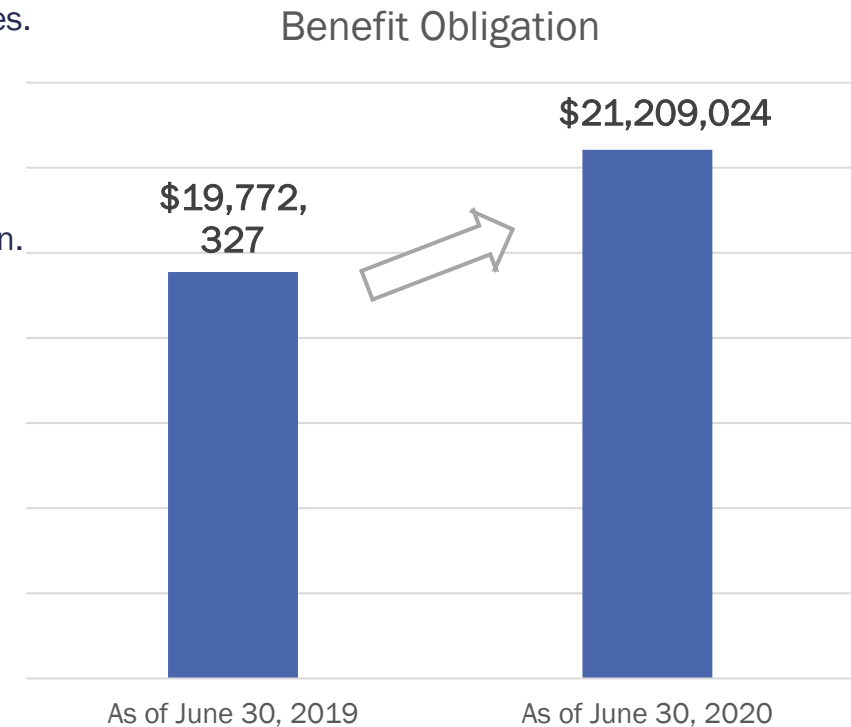
(1) This estimate of financing costs has been prepared in good faith.
 (2) The actual financing costs may differ from this estimate based on the composition of the TRAN pool.
 (3) This estimate does not include the Borrower's cost to engage Borrower's Counsel to provide their required legal opinion. Upon request, CSFA will provide contact information for law firms the Borrower may wish to engage for this purpose.
 (4) A complete estimate (financing costs, interest on TRAN and net TRAN proceeds) will be included in the Program financing documents to be provided to the Borrower for board action.

Name of Applicant/Legal Borrower	Palisades Charter High School	
Date Estimate Provided	12/22/2020	
FIRST ESTIMATE: Total Deferrals Financed by TRAN	\$5,230,604	
FIRST ESTIMATE: Financing Costs	\$54,000	
FIRST ESTIMATE: Charter Schools Included in TRAN	Charter Number	Total Deferrals Financed
Palisades Charter High School	37	\$5,230,604
		\$5,230,604

- Funding would be received in March/April of 2021
- Repayment would occur during 2021-22 (after deferrals are completed)

2020-21 Actuarial Valuation has been completed

- The Accumulated Postretirement Benefit Obligation (APBO) increased by approximately 7.3% compared to the amount reported in PCHS's June 30, 2019 financial statement.
- The reason for the increase is mainly attributed to increases in Service Cost & Interest Cost
 - Service cost is an increase in obligation due to an additional year of service by employees. We must set this aside.
 - Interest cost is an increase in the present value of the liability. Our obligation increased because the benefit date is now one year closer.
 - Keep in mind, we paid the minimum this past year, which is why our obligation has grown.
- The report also makes different assumptions regarding the (1) discount rate and (2) the future medical cost trend.
 - These are the 2 biggest assumptions that can impact our obligation amount
 - The report recommends a discount rate of 2.67% (vs 5% from last report). Also recommends a future medical cost trend of 4% (vs 5% from last report)
 - The impact of these new assumptions is a \$246k increase to our obligation. We need to discuss and align on these assumptions.



The chart below shows the change in Benefit Obligation from 2019 to 2020 and quantifies the impact of each assumption our actuary made

