



# PALISADES

## CHARTER HIGH SCHOOL

### CBO Report Board of Trustees Meeting February 8, 2022

#### **2021-2022 BUDGET UPDATE**

- As shown in our First Interim report, PCHS is projecting a deficit of \$336,943.
- At our Special Budget & Finance committee meeting on 2/7, we identified ~\$183,150 of unbudgeted transportation expenditures. CBO recommendation is to reallocate relief funds (currently allocated for 2023-24) to close the gap.

#### **STATE BUDGET UPDATE: 2022-23**

- The Governor's January workshop (held virtually) detailed some insight into the 2022-23 budget.
- **COLA:** The governor's proposed COLA is 5.33%.
  - The Legislative Analyst Office (LAO) is projecting a higher COLA at 6.17%. The final COLA will be confirmed in May 2022.
- **ADA:** The governor's proposal is to base ADA on a new funding mechanism (see below). However, this is only for school districts and excludes Charter schools. There will be additional discussions to determine if Charter schools should be included. Higher of the following:
  - (1) Current Year ADA, (2) Prior Year ADA, OR (3) 3-year average of ADA
- **Universal Meals:** The governor's proposal calls for universal meals (2 free meals per student per day). Additional funding is provided to offset the cost.
- **STRS/PERS:** Unfortunately, there was no additional funding to off-set the increasing pension obligations. As a result, the employer contribution rates will significantly increase in 2022-23.

Employer Contribution Rates	2020-21	2021-22	2022-23
PERS	20.7%	22.91%	26.10%
STRS	16.15%	16.92%	19.10%

- Additional one-time funding was allocated for Special Education, Facilities and Transportation, although the impact to PCHS is unknown at this time.

#### **COMPLIANCE**

- The 2020-2021 audit has been finalized and submitted on 1/31.
- Compared to 2019-2020, PCHS' financial position changed significantly due to the following:
  - **Decrease in OPEB liability** (retiree benefits) from \$21.2 Million to \$14.38 Million. This is a result of investing the retiree benefit funds and the school now being able to use a 5% target rate of return. Previously, the auditor/actuary required us to use a lower rate of 2.67%.
  - **PPP loan:** The \$4.6 Million loan is no longer shown as a liability given the forgiveness amount. Although the forgiveness happened in the 2021-22 year, the auditors were required to follow FASB guidelines and account for it in 20-21.



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- Unfortunately, there was one (1) audit finding related to our Unduplicated Pupil Count.
  - Of the English Learner (EL) sample population tested, one (1) of the students reclassified in the 2018-2019 school year. However, CALPADs reporting still designated the student as an English Learner in 2020-2021. The clerical error has a fiscal impact of \$557.
- We are planning an audit debrief with the audit committee in the coming week. The auditors will also present the report at the March 2022 board meeting.

### **EMPLOYMENT BENEFITS**

- We are working with Arthur J. Gallagher & Co (our insurance broker) to explore options for alternative employee benefits coverage (medical, dental, vision, life, etc.). This includes coverage for active employees, retirees, and eligible dependents. This was discussed in the LTHB committee meeting, and we have asked Gallagher to explore the following options:
  - Explore matching the exact LAUSD benefits
  - Explore options with a Health Savings Account (HSA), Health Retirement Account (HRA) or comparable coverages
  - Explore a non-composite plan.
- We are in the process of providing census data to our insurance broker so that they can market our package and provide us with options by March 2022.

### **INVESTMENT OF RETIREE FUND**

- To confirm, \$5 Million of the retiree benefit fund (Fund 20) has been transferred into our brokerage account at Merrill Lynch (under management of the RVR Group). Moving forward, we will make monthly contributions to the invest account (from the Retiree Benefit Fund). These contributions include (1) the track loan repayment and (2) PCHS' contribution of \$790,000 (which was approved as part of the 2021-22 budget).
- The investment management team at Merrill Lynch has already invested \$1,125,000 into the market. The recommendation was to dollar-cost-average the remaining amount, on a monthly basis. Meaning, each month the investment manager will put another \$1.125 Million into the market, until we are fully invested.
- We expect to be fully invested by June 2022. Although, the investment advisor communicated that market volatility, or a market dip, could accelerate our investment timeline.
- Things like the impact of the pandemic, supply chain constraints, corporate earnings, and the potential Federal Reserve rate hike, are all contributing to market volatility. Therefore, dollar-cost-averaging is a more conservative approach to take.
- We are aiming for a March 2022 portfolio review from the investment manager.

### **CAFETERIA/NUTRITION**

- Request For Proposal (RFP): We are in the process of bidding out the food service contract. The deadline was extended. We will keep all stakeholders informed of how the RFP is proceeding.
- The bid will include a tour, meeting with stakeholders and we will also solicit feedback from LTSP and budget committees in Feb-April 2022.
- Additionally, our large 4-door reach in refrigerator is not working (fell below the required temperature for food safety). On the day it stopped working, the health inspector also came. It was noted in our recent health inspection. We are in the process of soliciting quotes for a replacement. It will be less expensive to get 2 two-door fridges instead of 1 four-door fridge.



## NEW SOURCES OF FUNDS

- **Reminder: A-G Completion Improvement Grant:** PCHS' preliminary allocation is \$816,034. The final allocation will be available in February 2022. This grant must increase access to A-G courses and eligibility. PCHS must adopt a plan by April 1, 2022, and must spend the funds 2026. The CDE has not yet provided a template for the grant/plan. More information regarding allowable can be found [here](#).

## LOOKING AHEAD

- PPP: full forgiveness was granted in January 2022. We will be soliciting feedback from all stakeholders to identify spending priorities for the funds.
- Second Interim is due on 2/23. This is our 2<sup>nd</sup> checkpoint and a chance for us to revise the budget/assumptions.
- The 2022-2023 budget development process starts now. We will provide budget buckets to all departments and host various meetings to solicit feedback, understand needs and propose a budget that (1) reflects stakeholder feedback, (2) supports our LCAP/goals and (3) is balanced.