APPROVED

El Camino Real Charter High School

Minutes

Finance and Investment Committee Meeting

Date and Time
Tuesday October 19, 2021 at 4:00 PM

Location
VIRTUAL BOARD MEETING - Please see below

The Finance Committee is a standing committee of the Board of Directors of El Camino Real Alliance.

For committee meeting materials, please go to the school's main office, or call (818) 595-7500. Some board meeting materials are also posted in the school's website (https://ecrchs.net - click the ECR Board tab).

VIRTUAL COMMITTEE MEETING

In accordance with Governor Newsom's Executive Order N-29-20, the meeting of the Finance Committee will take place via a virtual/teleconferencing environment.

To join the virtual Committee meeting, please register through GoToWebinar https://attendee.gotowebinar.com/register/7567505744770627851, webinar ID 172-519-475. You must register for the event (note you do not need to enter your legal name to participate). Once registered, you can attend the meeting through the online link, or by telephone (a call-in number and audio PIN will be provided after you register and prior to the meeting).

PUBLIC COMMENTS

If you would like to make a comment during the Public Comment section or during an agenda item, you may do so in two ways: (1) click the "Raise Hand" icon on the control panel; or (2) email your comment to comment@ecrchs.net and it will be read on the record. **Please note**: your name will be read on the record along with your comment; if you do not wish to have your name read, please indicate on your email.

In order to conduct an orderly meeting, all members of the public will be placed on mute during the Committee meeting, except during public comments. Note that for those who elect to participate through the call-in number, you will not have the option of being unmuted during the meeting.

The Public Comments agenda item is set aside for members of the audience to raise issues that are not specifically on the agenda. However, due to public meeting laws, the Committee can only listen to your issue, not respond or take action. The Committee may give direction to staff to respond to your concern or you may be offered the option of returning with a citizen-requested item. These presentations are limited to three (3) minutes and total time allotted to non-agenda items will not exceed thirty (30) minutes. A member of the public who requires the use of a translator, in order to receive the same opportunity as others to directly address the Committee, shall have twice the allotted time to speak. When addressing the Committee, speakers are requested to adhere to the time limits set forth. In order to maintain allotted time limits, the Committee Chair may modify speaker time allocations or the total amount of allotted time for an item.

Consent Agenda: All matters listed under the consent agenda are considered by the Committee to be routine and will be approved/enacted by the Committee in one motion in the form listed below. Unless specifically requested by a Committee member for further discussion or removed from the agenda, there will be no discussion of these items prior to the Committee votes on them. The Committee recommends approval of all consent agenda items.

In compliance with the Americans with Disabilities Act (ADA) and upon request, El Camino Real Alliance may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Requests for disability related modifications or accommodations shall be made 24 hours prior to the meeting to David Hussey, in person, by email at comment@ecrchs.net, or by calling (818) 595-7500.

Committee Members Present
Daniela Lopez-Vargas (remote), Danielle Malconian (remote)

Committee Members Absent
None

Guests Present
David Hussey (remote), Gregory Wood (remote), John Arndt (remote), Kurt Lowry (remote), Mike Breller (remote)

I. Opening Items

A. Call the Meeting to Order

Danielle Malconian called a meeting of the Finance and Investment Committee Committee of El Camino Real Charter High School to order on Tuesday Oct 19, 2021 at 4:02 PM.

B. Record Attendance and Guests

Quorum established 2-0.

C. Public Comments

Nobody requested to make a public comment and nobody submitted a public comment via email.

II. Consent

A. Approve Minutes of September 20, 2021 Finance and Investment Committee Meeting

Danielle Malconian made a motion to approve the minutes from Finance and Investment Committee Meeting on 09-20-21.
Daniela Lopez-Vargas seconded the motion.
No comments or discussion.
The committee **VOTED** unanimously to approve the motion.

Roll Call

Danielle Malconian	Aye
Daniela Lopez-Vargas	Aye

III. Investment

A. Investment Update

Mr. Wood noted that the summary he provided on the screen reflects the OPEB account starting at $22,050,000 and that it is currently at approximately 21.93 million. He noted that market conditions were down in September and there has been some marker recovery to the tune of a half a million dollars.

Mr. Breller of Beacon Pointe then discussed briefly overall market environment and how it shapes where we are today. He noted that equity markets are flat, but small caps are "roaring." He noted that emerging markets are down 8% due to concerns about China and regulatory concerns. He noted that the bond market is flat. He discussed next the notion that the government is trying to put through the idea of "financial repression," noting if we can keep nominal rates low and push inflation a little higher we can still pay off the debt. Stocks are expensive. Interest rates are very low, therefore, the cost of capital is low. Stock valuations are higher when rates are low. Equities high, while bonds are there for capital preservation. Stocks are the main asset in the long-term account, particularly in the OPEB account and less so in the Gen. Account. Stock P/E ratio reflects 5% growth whereas bonds are yielding 1.5%. Accordingly, stocks are a better long-term investment in this current climate.

Next, Mr. Breller provided an overview of Slide 1 (OPEB Composite) noting that his team's fiduciary duties are with regard to the bottom of Slide 1 and to ensure that our performance is within policy range goals. He noted that all are within policy range. He noted that the OPEB is a growth-oriented portfolio (cited current allocations and policy percentages from the slide) and he explained the Total Value of ECR OPEB Composite through September 30th, 2021, is $21,903.602.

Mr. Hussey asked if when we receive the next/December Quarterly report, if we would be able to see a 3-month comparison with the market and Mr. Breller responded in the affirmative, stating that the slide would contain a 3-month number for that purpose.

Next, Mr. Breller discussed the ECR Gen. Account (GA) Composite (slide 9). He noted that the Gen. Account is comprised of short term assets and 70% of overall allocation is fixed income so the purpose of the GA is capital preservation and a little income, rather than a growth portfolio. Mr. Breller than presented the asset allocation breakdown shows that each allocation is performing at or near it's policy and that all allocations are within the IPS Range.

Mr. Breller noted that August 1st is the date that would be fair for comparison purposes with our benchmarks. It's inception is one month earlier than that of the OPEB account. Mr. Breller noted that September was a volatile month for equity markets, but that the S&P is now at or near an all-time high.

Ms. Malconian asked how is ECR funding this account, and Mr. Wood, CBO, replied that we are not actively contributing to the GA account at this time, but ECR is contributing about 2.6 million to the OPEB trust account.

Ms. Malconian asked Mr. Breller if there is any update to the investment policy comments that were sent over. Mr. Breller noted yes, and that a main question was whether or not a hedge fund should be included in the alternatives category. He noted that there is not, noting that the policy goal is to avoid speculation and to focus strategy between risk and

return. He noted that they don't use a hedge fund as a vehicle, so we invest in a less risky asset by buying a put to limit potential loss. He cited the Swan Hedge equity, for example. Other alternative investments are Real Estate Investment Trusts (REITs). Mr. Breller noted that Beacon Pointe includes these securities in the GA because they diversify the fund. Lastly, he noted that he is confident that they have lined things up as intended and communicated with committee and stakeholders accordingly.

IV. Finance

A. September 2021 Financial Update

Mr. John Arndt of ICON School Management provided the ECRCHS Financial Report as of September 30, 2021.

First, Mr. Arndt reviewed the Balance Sheet, noting that most assets are in Cash, which has increased due to the 20-21 One-Time Funds, PPP Loan and recent forgiveness of 3.8 million, and 20-21 Deferral Payments. He did note that the State of CA overpaid with Deferrals, which will reduce revenue for 21-22 by $2 million. He also noted that Long-term debt decreased due to FMV adjustment to OPEB Accounts. Lastly, Mr. Arndt highlighted ECRCHS's Restricted Funds net position balances as follows: Lottery - $233, 711; ELO - $733,967; and ELO PP - $239,972.

Capital projects will be included. Those will be unrestricted.

Mr. Wood noted that he wants to be careful with the terminology and reminded all that the proper term would be "designated funds," as opposed to "restricted funds." He also noted that with unrestricted funds, we need to set money aside for a number of capital projects and we want to come up with a list of high-priority capital projects and that is the reason for the large number of unrestricted funds and we look forward to working with the Board to identify capital projects to be initiated through funds to be approved/designated by the board for such projects to meet the needs of the organization.

Mrs. Malconian commented that the committee and Board agree that designating funds for capital projects is a priority.

Ms. Lopez-Vargas asked if the conversation about capital projects is going to be held in the capital projects committee and Mrs. Malconian responded in the affirmative, noting that a capital projects committee meeting will be scheduled in the coming weeks.

Mr. Arndt then reviewed the Cash Flow Report, providing an overview of operating activities, investing activities, financing activities, and net cash decrease for September. Mr. Arndt noted that the net cash decrease is due to Investments going down due to the cash transfer into US Bank.

Next, Mr. Arndt reviewed the Cash Analysis slide, noting that the number of Days of Cash on Hand for 2021-2022 are 188 and the number recommended is 90.

Next, Mr. Arndt discussed the YTD profit and Loss position, noting that Actual YTD Revenues are much higher the the Prior YTD due to the recent Forgiveness of the PPP loan which had been recorded previously as debt and is now reported as Federal Revenue. Mr. Arndt noted our Net Income Position as $3,680,714 (Actual YTD Sept. 2022). He noted that with school being back in session, we will have more operating expenses related to classroom instruction and sports activities and other additional expenses with the reopening of school.

Next, Mr. Arndt discussed the YTD budget comparison, noting that Lottery Amounts went from $150 - unrestricted / $49 - restricted to $163 - unrestricted / $65 Restricted (more revenue). Additionally he noted that SEF Tax Rate went down from 1.23% to .50% (Savings); SPED Rates are projected to increase from the $689 - State/$267 - Federal (more revenue). Lastly, Mr. Arndt noted that the outcome of pending contract negotiations will affect Salaries form 21-22 FY Budget.

Mr. Wood noted that if we are looking at being through 3 months, anything that approaches 25%, that would be the norm. The only outlier is books and supplies, and it is quite normal when we start a school year we want to make sure that we have as many textbooks and instructional materials in the our classrooms and so organizationally, I am not concerned with the 50% number in the percent used column.

Next, Mr. Arndt reviewed Department Budgets (4000s) as relate to Approved Textbooks and Core Curricula materials, and Instructional Materials and Supplies. He noted that Textbooks and Instructional Materials in certain departments have exceeded budgeted amounts due to the need of purchasing more materials in order to continue higher educational standards.

Mr. Wood repeated that organizationally we did not have this department level type of a budget prior to this year. Administrative Director solicited input from departments on their expected textbook and IMA budgets and Math Department and COVID-19. As we go forward, we have placeholders that will be more specific in terms of specific types of textbooks and we will create a feedback loop for this year and next.

Mrs. Malconian asked why the Math Department spent so much on books and Mr. Hussey noted that he had told the Department to order books because he had noticed during the pandemic that at least one of the texts was not accepted. Additionally, when the department ordered books, it took longer than expected to place the order. Mr. Hussey wants the teachers to clearly plan for textbook adoptions from review of texts and rollout, including specific budget. Mr. Wood is asked to introduce a clear process her for textbook ordering.

Mrs. Malconian asked a follow-up question: Were the new textbooks to replace worn-out books or did the math department adopt a different book? Mr. Hussey informed that it was to replace books for Math Analysis.

Ms. Lopez-Vargas asked if teachers are able to see where they are with their textbook budgets and Mr. Wood responded in the affirmative, that upon request at this time, teachers may see the textbook and IMA budget balances.

Mr. Hussey added that this is a work in progress and we are in the process of educating department chairs.

Mrs. Malconian noted that we can start holding chairs accountable and Mr. Hussey noted too, that then teachers will be educated to understand and own the budget.

Mr. Arndt noted that the 2021-2022 1st Interim Budget process has begun and that ECRCHS will review financials every month to continue to monitor 21-22 financial activity.

Mr. Wood noted that a financial report would be due by December 15th, and that he expects a Board update during the regular November 2021 Board Meeting and absolutely by Dec. 9th.

Mr. Wood then provided a Cafeteria Update, noting that participation in the food program has historically been lower, but due to COVID-19, we are seeing a substantial increase in breakfast and lunch participation which has resulted in a net gain of $23,645.04, with any gains being reinvested in outdated supplies and equipment for the cafeteria food service. One other item for the record: Chartwell will be opening up the cafeteria for staff for pre-ordered or on-site meals and I"ve seen preliminary menu items and we will reopen the cafeteria next week.

Ms. Lopez-Vargas asked if the percent of free and reduced price lunch is about 35% of our student population. Mr. Wood said that the IT department is working on confirming the percentage of students who qualify for free and reduced lunch and that funds available may support wi-fi hot-spots and other.

Mrs. Malconian, asked how ECR is marketing trying to promote parents to sign up for free and reduced lunches. Mr. Wood noted that it is via email and Camino Corner and that preceding years' students are rolled over for 45 days. Federal Revenues are impacted.

Mrs. Malconian asked what percentage has ECR received new applications for. Mr. Wood noted that he did not have the exact number and would have to get back to the Board on that, while Mr. Hussey noted that the number is approximately 35% overall at this time, a surprisingly high number considering there is no initial buy-in for the free lunch.

B. Review of September 2021 Check Registers

Danielle Malconian made a motion to recommend approval of the September 2021 Check Registers to the Board.
Daniela Lopez-Vargas seconded the motion.
Mr. Wood reviewed the check registers for September 2021, including the general account and the ASB Account.

The committee VOTED unanimously to approve the motion.

Roll Call:
Danielle Malconian = Aye
Daniela Lopez-Vargas = Aye
The committee **VOTED** unanimously to approve the motion.

Roll Call	
Daniela Lopez-Vargas	Aye
Danielle Malconian	Aye

C. Review of September 2021 Credit Card Bills

Danielle Malconian made a motion to recommend approval of the September 2021 Credit Card Bills to the Board.
Daniela Lopez-Vargas seconded the motion.
Mr. Wood reviewed the credit card statement for September 2021.

The committee VOTED unanimously to approve the motion.

Roll Call:
Danielle Malconian = Aye
Daniela Lopez-Vargas = Aye
The committee **VOTED** unanimously to approve the motion.

Roll Call	
Danielle Malconian	Aye
Daniela Lopez-Vargas	Aye

V. School Business

A. ADA Update

Mr. Wood provided an ADA update as follows:

ECRCHS currently has 3550 students, down approximately 54 students from proposed 3604.

ECRCHS had 3653 students during the 2020-2021 academic year. COVID-19 has adversely impacted our enrollment and ADA.

Possible adverse financial implications/impact to our Local Control Funding Formula (LCFF) based on trend is projected to be $800,000.00.

Historically, ECRCHS ADA is 96%. August 2021 was 93%. September was 95.8%.

In order to increase ADA and enrollment, ECRCHS is considering permitting students who are currently wait-listed to enroll. Current number wait-listed is 71 students. Mr. Hussey noted that he is considering the possibility of allowing wait-listed students to enroll at ECRCHS at the beginning of the Spring Semester which is a more natural and less disruptive time period for students to transition to a new school.

B. Discuss Committee Meeting Dates

Mrs. Malconian initiated discussion of proposed Finance and Investment Committee Meeting dates for the remainder of the 2021-2022 academic year, as follows:

The Nov. 2021 Committee meeting date is still to be determined due to Committee members' concerns that an originally proposed date of November 8th does not provide much time for preparation of reports. The Committee is favoring the possibility of moving proposed Committee agenda items to the Regular November Board meeting on November 18th.
The Dec. 2021 Committee meeting date is still to be determined. The Committee is favoring the possibility of moving proposed Committee agenda items to the Regular December Board meeting on December 16th.

Other proposed dates are proposed as follows:
Jan. 20th
Feb. 17th (Note: Mike Breller to be present quarterly investment report)
Mar. 17th
Apr. 21st
May 19th
Jun. 16th

VI. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 5:32 PM.

Respectfully Submitted,
Kurt Lowry

Daniela Lopez-Vargas made a motion to adjourn the meeting.
Danielle Malconian seconded the motion.
The committee **VOTED** unanimously to approve the motion.