APPROVED

# El Camino Real Charter High School

# Minutes

## Finance and Investment Committee Meeting

**Date and Time**
Thursday January 20, 2022 at 4:30 PM

**Location**
Virtual Committee Meeting

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 via the following link:

**Registration URL: https://attendee.gotowebinar.com/register/3636599944725157902**
**Webinar ID: 555-878-947**

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 public 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 your comment will be read on the record.

IMPORTANT NOTE REGARDING SENDING IN A WRITTEN COMMENT:

For anyone who wishes to send in a written comment to be read during Public Comments, you are strongly encouraged to email your comment to the aforementioned email address at least one (1) hour prior to the Official Board Meeting start time (e.g., by no later than 3:30 p.m. for a 4:30 p.m. Board Meeting start time). Otherwise, there is no guarantee that your comment will be viewed and read during Public Comments. If your written comment is received and is expected to be read on the record, your name and title/role will also be read on the record. If you wish to not have your name read on the record, please indicate so in your email.

Please note that, in order to conduct an orderly meeting, all members of the public will be placed on mute during the Board 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 Board can only listen to your issue, not respond or take action. The Board 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 Board, shall have twice the allotted time to speak. When addressing the Board, speakers are requested to adhere to the time limits set forth. In order to maintain allotted time limits, the Board 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 Board to be routine and will be approved/enacted by the Board in one motion in the form listed below. Unless specifically requested by a Board member for further discussion or removed from the agenda, there will be no discussion of these items prior to the Board votes on them. The Executive Director 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.*

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

**Committee Members Absent**
*None*

**Guests Present**
David Hussey (remote), Gregory Wood (remote), Kurt Lowry (remote), jarndt@iconsm.com (remote)

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## 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 Thursday Jan 20, 2022 at 4:30 PM.

### B. Record Attendance and Guests

All Committee Members and expected guests were present.

### C. Pledge of Allegiance

Mr. Hussey lead the Pledge of Allegiance.

### D. Public Comments

Dr. Lowry reported that no request to make or read a public comment had been received.

## II. Consent

### A. Approve Minutes of October 19, 2021, Finance and Investment Committee Meeting

Danielle Malconian made a motion to approve the Minutes of the Finance and Investment Committee Meeting on 10-19-21.
Daniela Lopez-Vargas seconded the motion.
The committee **VOTED** to approve the motion.

**Roll Call**

| | |
|---|---|
| Danielle Malconian | Aye |
| Daniela Lopez-Vargas | Aye |

## III. Investment

### A. Investment Update

Mr. Wood, CBO, provided an update on ECR's Investments portfolio, with highlights as follow:

* Portfolio is comprised of OPEB and General Fund investments:

OPEB:

* Mike Breller of Beacon Pointe (fund manager), will provide a formal and more in-depth presentation during either the January or February 2022 Regular Board Meeting for the full board and public.

* OPEB account YTD valued at $23,414,747.

* OPEB account had three different investment managers during 2021-2022, whose returns were/are as follows:

* Polen Capital Mgmt. return = -0.2%
* Fiduciary Mgmt. = 10.0%
* Beacon Pointe = 4.5% (current fund manager)

* OPEB began the year at $21.250,357
* OPEB YTD Contributions = $1,320,000
* OPEB Gains of $844,390
* OPEB Investment Change = 4%
* OPEB Total Change = 10.2% (includes ECR monthly contributions)

GENERAL:

* Same three investment advisors/managers, plus the two (2) annuities listed

* Overall YTD 0.18% combined growth

* Mr. Wood asked committee members whether or not Mr. Breller should make a presentation at the FEB. Finance and Investment Committee Meeting and at the Regular FEB. Board Meeting, to which Ms. Malconian and Ms. Lopez-Vargas responded that they would like to have Mr. Breller present at both meetings.

## IV. Finance

### A.

**December 2021 Financial Update**

Mr. John Arndt provided the December 2021 Financial Update, with highlights that included the following:

Balance Sheet:
* Total Assets Up 27.63%
* Cash increased due to 20-21 one-time funds, PPP loan, and 20-21 Deferral Payments
* State overpaid with Deferrals and will reduce cash for 21-22 LCFF ($2M)
* LT-Debt decreased due to FMV adjustment to OPEB Accounts as well as PPP Loan being forgiven
* Restricted Net Position:
    * Lottery $233,711
    * ELO - $733,967
    * ELO PP - $239,972

Total Liabilities Down 16.32%
Long-Term Debt Down 40.90%

Unrestricted New Position - Investigating allocation of Net Assets into a Designated Fund for Deferred Maintenance (Capital Improvements)

Mr. Wood noted that in a later agenda item that we will discuss moving monies from unrestricted net assets to capital projects.

Cash Analysis:

* Days of Cash on Hand: 201 (Recommended: 90) - Mr. Arndt noted that this is great for our organization.
* Most cash positioned in County Treasury and earning nominal interest, but interest nonetheless

Mr. Wood asked Mr. Arndt if he's doing the analysis of cash based on the balances on the screen/slide, to which Mr. Arndt replied in the affirmative. Mr. Wood noted that these balances included the OPEB account balances amounts which are not available for use as they are restricted funds and so the numbers ought to be lower when considering only unrestricted funds.

Profit and Loss (summary):

Revenues:
Adopted Budget: $45,751,865
1st Interim: $49,082,103 due to PPP loan forgiveness

Net Income: on-track for $5.9M
Doing better than last year due to federal revenue increase ($3M) and Fair Market Value Adjustments.

Profit and Loss (YTD):

Mr. Arndt noted that this slide shows the YTD changes in profits and losses (revenues and expenditures).
* Total Revenues increased 13.52% from December 2020 YTD to December 2021 YTD
* Total Expenditures increased 11.25% from December 2020 YTD to December 2021 YTD
* Certificated and Classified Salaries increased 9.44% and 8.97% respectively

Budget Comparison YTD:

Total Revenues up 53.56% (Dec 2021 Actual to 1st Interim Budget)

Total Expenditures up 48.09% (Dec 2021 Actual to 1st Interim Budget)

Mr. Wood noted that it is a good thing to have made the books and supplies expenses showing at the beginning of the year.

Mr. Wood also noted that the 2nd Interim Budget will reflect the salary increases and adjustments made as a result of ratification of collective bargaining agreements.

Net Income (Loss) 93.21%
Net Income Before FMV ADJ. up 87.27%

Department Budgets (4000s):
Total Textbook Expenditures % Used = 75.82% of overall adopted budget for textbooks and core curricula materials.

2020-2021 Audited Financials have been extended from December 15th to January 31, 2022, due to Ed. Code 41020 (h).

Mr. Wood noted that in speaking with auditor that he and Mr. Hussey would like to have a draft of the interim financial report by this coming Monday, Jan. 24th, 2022, so as to be able to make any adjustments to the report before the filing deadline of Jan. 31st, 2022.

Mr. Arndt then provided a brief preview of Custom Comparative Balance Sheets with all accounts, positions, and balances; then Comparative Income Statements.

Ms. Malconian asked about the OPEB Liability line, specifically that there is an $11M difference between OPEB Account and Liability, and asked what is the year over year in the OPEB liability.

Mr. Wood explained that the liability is $33M and actuary reports numbers fluctuate. Ms. Malconian asked if teacher retirements impact the liability and Mr. Wood explained that monthly teacher retirement expense is approximately $350,000 and that does not reduce the OPEB liability. OPEB is not currently bearing the cost of retirees.

ECR is funding retirement costs without impacting the OPEB account.

Ms. Malconian asked if there is a discussion about a more aggressive strategy for unrestricted funds, to which Mr. Wood replied that part of the conversation with Mr. Breller is to possibly show scenarios for a third portfolio for designated capital projects. Once the finance committee approves that, then the next thought is to consider some possible strategies to invest unrestricted funds. Doing so would require an investment policy.

Ms. Malconian noted that the gen. fund appears to be one that is kept more risk-averse, to which Mr. Wood replied in the affirmative.

### B. Review of December 2021 Check Registers

Daniela Lopez-Vargas made a motion to vote to recommend approval of December 2021 Check Registers.
Danielle Malconian seconded the motion.
Mr. Wood reviewed the December 2021 Check Registers, then the motion to recommend was made, seconded, and passed.
The committee **VOTED** to approve the motion.

**Roll Call**

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|---|---|
| Daniela Lopez-Vargas | Aye |
| Danielle Malconian | Aye |

### C. Review of December 2021 Credit Card Bills

Daniela Lopez-Vargas made a motion to vote to recommend approval of the December 2021 Credit Card Bills.
Danielle Malconian seconded the motion.
Mr. Wood reviewed the December 2021 Check Registers, then the motion to recommend was made, seconded, and passed.
The committee **VOTED** to approve the motion.

**Roll Call**

| | |
|---|---|
| Danielle Malconian | Aye |
| Daniela Lopez-Vargas | Aye |

## V. School Business

### A. Average Daily Attendance (ADA) Update

Mr. Wood, CBO, provided the ADA Update, with highlights as follows:

* P1 Report filed (first four months of school year) reported in beginning of Jan. State uses prior year's ADA.
* March or April will be 2nd report (State will finalize and adjust/update)
* Final Report afterward.
* COVID is prompting discussions at State/Legislative levels regarding possible alternatives to LCFF funding (enrollment, current year vs. prior year or two-year avg.).
* 93.7% ADA impacted by COVID; pre-pandemic is in excess of 96% +
* COVID positivity rate at ECR is still below average.
* We have 3536 students enrolled; increased enrollment by almost 10 and 91 foreign students.

Ms. Lopez-Vargas asked Mr. Wood if he is expecting to further adjust his ADA assumptions for the second interim based on January absences, to which Mr. Wood explained the possibility ahead of or after-the-fact of ADA funding model(s) being implemented by the legislature. For now, he stated, he believes ECR will be funded based on current ADA model until he/we learn otherwise of any hold-harmless or other alternative model.

Ms. Malconian noted that we are in a good position relative to other schools whose ADA numbers are not as strong as ours, to which Mr. Wood agreed and shared hope for the possibility of increased ADA.

### B. Discussion and Vote on Closure of Paycheck Protection Program (PPP) Bank Account

Danielle Malconian made a motion to vote to recommend to the Full Board the Closure of the Paycheck Protection Program (PPP) Bank Account.
Daniela Lopez-Vargas seconded the motion.
Mr. Wood discussed that ECR had set up a separate account for the PPP loan balance. The purpose of the PPP account as designed as restricted no longer applies now that the loan repayment has been forgiven. Accordingly, Mr. Wood asked the committee to consider voting to recommend that the PPP bank account be closed so that funds are reallocated and repurposed to unrestricted funds.
The committee **VOTED** to approve the motion.

**Roll Call**

| | |
|---|---|
| Danielle Malconian | Aye |
| Daniela Lopez-Vargas | Aye |

### C.

**2022-2023 Budget Planning**

Mr. Wood, CBO, discussed and reviewed the timeline and topics for a proposed budgeting calendar for 2022-2023 budget planning purposes. The proposed calendar was included as part of the updated board packet, which is posted on the website.

The Committee noted in response to Ms. Malconian's question that the second 3/1/22 date/item listed, "Departments meet to Create Budget requests for Textbooks/Instructional Materials," will be moved tentatively to 3/11/22, and after the 3/10/22 item is presented to the Instructional Leadership Team Meeting to Discuss Budget Process/Packet.

Mr. Wood then presented two proposed forms that will help guide the budgeting and spending process for Textbooks and Instructional Materials. Mr. Wood presented a Sample Summary Form for overall textbook and IMA purchases and a Sample Department-specific form.

These forms will assist with planning and provide a reference point for historical purchases and expenditures.

**D. Discussion on Allocation of Unrestricted Funds from Net Assets Balance to Designated Capital Projects Purpose(s)**

Ms. Malconian noted that after the capitalization projects committee meeting wherein members were shown a presentation of proposed capital projects for modernization and provided a list of facilities projects underway or scheduled, committee members felt that it is important to start allocating funds for those purposes.

Mr. Wood noted that we have $19M in unrestricted funds and agreed that we need to have a mechanism in place for moving some of these funds toward many capital needs projects. As a start-up number, Mr. Wood broached the amount of $5M to go toward such capital needs or projects account.

Mr. Wood discussed the idea of an investment portfolio to best satisfy short and long-term needs and that promotes fund growth at the same time. Mr. Wood noted that every June, we might have a policy or annual percentage that automatically goes into such designated fund account. My input into the process is to set up a start up account, with seed money, board approves, set up a portfolio, Beacon Pointe aligns investment needs for this type of investment, then income and contributions are included in our fiscal policy or an end of year maintenance amount to be deposited into the fund.

Mr. Wood noted that we can provide priorities to the Board from the Capital Projects Committee's recommendations and a percentage of unrestricted profits/increases (25-50% of surplus) to a proposed capital needs projects account/fund. Mr. Wood

emphasized that any increase in unrestricted funds might be deposited, and not those from restricted funds.

Ms. Malconian noted that she would like to recommend setting aside $5M for this purpose and agrees that she would like to have as much as 50% of any unrestricted surplus go toward this account. Mr. Wood agreed.

Ms. Lopez-Vargas asked Mr. Wood if he was able to share some of the specific projects outlined for improvement and modernization and the costs. There is a presentation, per Ms. Malconian.

Mr. Hussey responded, noting that new bleachers in the stadium and gym, trying for years to obtain Closed Circuit TV, and then depending on how quickly or slowly the District moves, the turf, which is under warranty, needs to be replaced and if the project is not started right away, we won't be able to use the field next year.

Ms. Malconian also noted that there are the other projects, such as the entrance/foyer, and main halls/administration building, landscaping, and media center. Mr. Hussey noted that the media center money has already been allocated.

Ms. Malconian asked if the $5M is for use beyond the year and Mr. Hussey affirmed.

Mr. Hussey wants to include Board in the process along the way with three bids per project for transparency process.

We need to get better estimates to present to the Board and the threshold is $50K.

Dr. Lowry will add this item to the Reg. Jan. Board Meeting Agenda.

## VI. Closing Items

### A. Adjourn Meeting

Daniela Lopez-Vargas made a motion to Adjourn the Jan. 20, 2022, Finance and Investment Committee Meeting.
Danielle Malconian seconded the motion.
The committee **VOTED** to approve the motion.
There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 5:53 PM.

Respectfully Submitted,
Kurt Lowry