APPROVED

El Camino Real Charter High School

Minutes

Finance and Investment Committee Meeting

Date and Time
Thursday August 18, 2022 at 5:00 PM

Location
Virtual

The Finance and Investment 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).

ATTENTION:

WE HAVE RETURNED TO "VIRTUAL" FINANCE AND INVESTMENT COMMITTEE MEETINGS

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

VIRTUAL BOARD MEETING

The meeting of the Board of Directors will take place via a virtual/teleconferencing environment based on the following:

1. California Assembly Bill 361, signed into law on September 16, 2021;
2. Governor Newsom's State of Emergency Declaration issued on March 4, 2020; and
3. County of Los Angeles Department of Public Health's recommendation that social distancing be maintained in schools.

To join this virtual Board meeting, please register through GoToWebinar at:

Registration URL: https://attendee.gotowebinar.com/register/6634799933233570317

Webinar ID: 803-840-523

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, you may do so by clicking the "Raise Hand" icon on the control panel while in virtual attendance.

In order to conduct an orderly meeting, all members of the public will be placed on mute during the virtual Board meeting, except when making a public comment. Please note that those who elect to participate in the meeting through the call-in phone number will not have the option of being unmuted to speak during the public comments portion of the meeting.

Due to public meeting laws, the Board can only listen to your issue, not respond or take action during the Public Comments periods. 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.

NOTE: Public Comments, effective with the March 24th, 2022, Regular Board Meeting, are limited to two (2) 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 may 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.

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

Committee Members Absent
None

Guests Present
David Hussey (remote), Gregory Wood (remote), Kurt Lowry (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 Thursday Aug 18, 2022 at 5:08 PM.

B. Record Attendance and Guests

Quorum established.

C. Pledge of Allegiance to the United States of America (USA)

Ms. Malconian led the meeting members and guests in the Pledge of Allegiance to the USA.

D. Public Comments

There were no requests for public comment(s).

II. Consent

A. Approve Minutes of June 16, 2022, Finance and Investment Committee Meeting

Alexandra Ramirez made a motion to approve the minutes from Finance and Investment Committee on 06-16-22.
Danielle Malconian seconded the motion.
The committee **VOTED** unanimously to approve the motion.

Roll Call

Alexandra Ramirez	Aye
Daniela Lopez-Vargas	Aye
Danielle Malconian	Aye

III. Investment

A. Investment Update 2nd Quarter 2022

Mr. Wood, CBO, and Mr. Breller, Financial Advisor from Beacon Pointe, provide the Investment Summary, and Q2 investment update, respectively. Highlights include:

Mr. Wood - FY Investment Summary - OPEB Account:

* $21.250 Million beginning balance as of 7/1/21
* YTD Contributions $2,420.000
* Market losses of 15.1% for net investment loss of $3,210,917
* Ending Balance of $20,459,440 or total account FY loss of 3.7%

July 2022 (YTD): OPEB Account:

* YTD contributions of $220,000
* 5.0% Investment Gain of $1,032,170
* Ending Balance of $21,711,610 or 6.1% Total Change/Gain

July 2022 (YTD): General Account:

* $6,740,909 Balance on 7/1/22
* Ending $6,957,973 Balance 3.2% Change/Gain

June 2022 Month End Combined Balance (OPEB and General): $27,200,349
July 2022 Month End Combined Balance (OPEB and General): $28,669,583

Mr. Breller - Investment Update as of June 30th, 2022:

* Market Conditions and Report highlights include:

Slides 3 & 4 - Economic Environment: Mr. Breller noted that there were questions about where we expected inflation and what we expected the Fed to do and then what actually happened in response to Fed's effort to achieve a "soft landing." Recession, deep recession, and volatility characterized concerns about market conditions. 5% to 7% to 9% inflation at end of year and 8.5% in most recent months. The markets got "spooked." Fed. acted swiftly with a couple of .75 basis points rate hikes.

Charts of U.S. Economic Review Overview from Slide 4:

* GDP in negative territory now for two consecutive quarters which is a technical recession.
* In most countries they would consider that a recession.
* GDP shrunk, production was less in real dollar terms, adjusted for inflation.
* This recession is not led by joblessness, but by inflation. Noted 2008 highlights. Current 3.6% unemployment is below the NAIRU. There are more jobs than people out there looking, which cause employers to bid up to fill jobs and compensate employees, etc. This, coupled with commodities increase, has produced our current inflation.

Slide 5 - Mr. Breller reviewed the Pointe of View of "Financial Repression" (Secular Theme) and "Late Cycle Dynamics"

Slide 13 - Mr. Breller then reviewed the Market Performance Summary regarding Equity, Fixed Income, and Alternatives
* Growth value-oriented equities are holding up best in current market conditions.

Slide 14 - Mr. Breller then reviewed U.S. Equity Sector Review

* Reviewed One Year "Value," "Core," and "Growth" equities returns for Large, Mid, and Small Capitalization equities (All down, respectively).

Mr. Breller noted that Energy/Oil equities are at 39.2 growth, while utilities, consumer staples, and Healthcare also posted positive returns, while all sectors of the economy posted negative returns for the 2nd Quarter.

Slide 26 - OPEB Total Composite:
* Market Value of $20,49,132
*down 11.5% for the quarter, down 17.5% YTD
* All managers/funds within Investment Policy Range
* Bonds down 10.6%; worst bond market.

Slide 27 - Polen and FM, Invesco down; possible replacement in fund in near future
* Discussed relative and deep value managers

Ms. Malconian asked Mr. Breller what Beacon Pointe has in mind to try to ensure that the investment accounts do not lose another 10-15% next year, to which Mr. Breller noted that he believes that the worst is over as he believes most interest rate movement is "behind us," although he anticipates some ahead and rates are higher with more yield support.

He noted that equities will bounce around and that the numbers are June 30th numbers.

He noted that the S&P was up 9% in the month of July. Mr. Breller predicts a possible 5-6% bounce-back during the month of July numbers. He noted that he's not going to add more risk to the portfolio and the stocks/bonds mix is there. He notd that they may look at fund managers and do some reallocation, if/as needed. He expects things to moderate from this point.

Mr. Wood noted the following:

* While the investment lost 15% in the full year, we brought back 5% in the OPEB account just in the month of July.

* At the bottom of slide 24, all investments are within the policy range that we established and Beacon Pointe is managing our funds within what we as a Board has asked them to do.

Mr. Breller provided an overview of the General Account, nothing that the asset mix is flipped and therefore the risk is lower. He noted bond yields are demonstrating income, the general account is also within the policy range and everything is invested as it should be.

Mr. Wood noted that the fund has also bounced back 3.2% just in the month of July, after YTD overall losses, trending in a direction that we would like to see.

Ms. Malconian thanked Mr. Breller and Mr. Wood, noting that moving forward she would like for the committee to be provided a brief overview of the background and conditions and then hear where we're headed and what is the focus of the next quarter.

Mr. Breller noted that he will be attending the Regular August Board Meeting virtually.

B. Discussion and Vote on OPEB Account Actuary Review as of 6/30/22

Danielle Malconian made a motion to recommend to the full board the acceptance of the OPEB Actuary Review Report as of June 30th, 2022.
Alexandra Ramirez seconded the motion.
Prior to the vote, Mr. Wood, CBO, introduced Mr. Brett Schwab, the Actuary to present the executive summary. Mr. Schwab noted the following regarding the 6/20/22 valuation of the retiree benefits, known as the OPEB:

Summary of Key Results (p. 1 of report)

* Notable Funded Percentage increase from 65% as of 6/30/21 to 78.1% as of 6/30/22.
* The 65% from last year was also a notable increase from the 46% from two years ago.
* There are a lot of factors that contribute to the increases, and the main driver this year is interest rate hikes. Two years ago, asset returns were high.

* High healthcare premium increases, coupled with unknown interest rate and asset returns could adversely impact a third consecutive year of growth.
* Unfunded APBO decreased from $11,447,081 to $5,744,200, which was a result of a high discount rate.

Mr. Schwab then reviewed the Accumulated Post-Employment Benefit Obligation (APBO) review from p. 6,
* Beginning of Year APBO ending June 30, 2022 - $32,697,438
* Service Cost $2,211,965
* Interest Cost $959,098
* Actuarial Gains - costs of premiums increased more than expected for pre-aged 65 and less than expected for post-age 65.

Mr. Wood noted that on p. 3 we have a gain of nearly $9.3 Million and on p. 5 he noted that our current liability for FY ending June 30, 2022, at $432,783, and Non-current liability for the same period of $25,770,857.

Mr. Wood also reviewed from page 5 the expected benefit payment amounts for the next ten fiscal periods, the expected contribution of $2,640,000 to the trust for the fiscal year ending June 30th, 2023, and amounts expected to be amortized out of AOCI through the Net Periodic Post-Employment Benefit Cost during fiscal year 2023.

Finally, Mr. Wood, noted that we are on a fast-track toward fully funding our post-retiree benefits account, barring anything that would derail progress.
The committee **VOTED** unanimously to approve the motion.

Roll Call	
Alexandra Ramirez	Aye
Daniela Lopez-Vargas	Aye
Danielle Malconian	Aye

C. Discussion and Vote on Addition of Certificated Trustee to OPEB Investment Account

Daniela Lopez-Vargas made a motion to recommend to the full board the addition of Mr. Brian Wilson as the new certificated co-trustee to the OPEB Investment Account.
Alexandra Ramirez seconded the motion.
Prior to the vote, Mr. Hussey informed the board that Mr. Webster, co-trustee during the past year, had left El Camino employment at the end of this past school year.

The co-trustee position vacancy had been announced to staff and Mr. Wilson had announced his interest in the position.

In response to Ms. Malconian's question regarding Mr. Wilson's tenure at the school, Mr. Hussey noted that Mr. Wilson has been a teacher at ECRCHS for over 20+ years, and perhaps was in the 25-year range.
The committee **VOTED** unanimously to approve the motion.

Roll Call	
Daniela Lopez-Vargas	Aye
Danielle Malconian	Aye
Alexandra Ramirez	Aye

IV. Finance

A. Discussion and Vote on 2022-2023 On Schedule 3% Salary Increase Due to Increase in LCFF Funding

Danielle Malconian made a motion to recommend to the full board the proposed 22-23 on-schedule 3% salary increase due to an increase in LCFF Funding.
Alexandra Ramirez seconded the motion.
Prior to the vote, Mr. Hussey, Executive Director, noted that he was happy to report that the adopted 2022-2023 budget of $38,575,151.00 has been increased due to an increase in LCFF funding of approximately $700K.

Mr. Wood, CBO, reviewed proposed budgets and expenditures based on 3% on schedule increases for certificated and non-certificated employees.

Mr. Wood then reviewed proposed employee benefits increases based on 3% on-schedule salary increases, noting that all other adopted budget expenditures (books and supplies, services and other operating expenditures) would remain the same.

Mr. Wood noted that even with the added proposed 3% on-schedule increase for certificated and non-certificated salaries, ECRCHS is still showing a net increase (surplus) in the 2022-2023 budget in the amount of $275,056.95.

Mr. Wood noted that he and Mr. Hussey agreed that the 3% ongoing increase for all certificated and non-certificated employees is affordable, reasonable, and sustainable (LCFF-based - not one-time).

In response to Ms. Malconian's question, Mr. Wood noted that the proposed increase in revenue from LCFF minus the expense of the ongoing salaries and benefits increase is $275,056.95. Without the 3% salary increase the net increase would be approximately $1.1 million.

Mr. Hussey noted that this increase will help ECRCHS attract and retain teachers and staff in a competitive environment wherein ECRCHS also offers a healthy lifetime benefits package.

Ms. Malconian agreed, noting that it's a great way to start the year and to show that ECRCHS is willing to spread some of the State funds to our teachers and staff.
The committee **VOTED** unanimously to approve the motion.

Roll Call

Alexandra Ramirez	Aye
Danielle Malconian	Aye
Daniela Lopez-Vargas	Aye

B. Review and Approval of June 2022 and July 2022 Check Registers

Alexandra Ramirez made a motion to recommend to the full board the approval of the June 2022 check registers.
Daniela Lopez-Vargas seconded the motion.
Prior to the vote, Mr. Wood, CBO, noted that this review and vote will include only the June 2022 check registers as July's check registers will be reviewed next month.

Mr. Wood proceeded to review all June 2022 check registers.
The committee **VOTED** unanimously to approve the motion.

Roll Call

Alexandra Ramirez	Aye
Danielle Malconian	Aye
Daniela Lopez-Vargas	Aye

C. Discussion and Vote on 2022-2023 Proposition 30 Budget

Danielle Malconian made a motion to recommend to the full Board the approval of the 2022-2023 Proposition 30 Budget.
Alexandra Ramirez seconded the motion.
Prior to the vote, Mr. Wood, CBO, and Ms. Ilyas, ECRCHS Financial Manager, reviewed the LCFF Ed. Protection Account (EPA) current Year, with highlights as follows:

*Total Revenues LCFF Sources = $9,938.853
* Expenditures: Certificated Salaries, total = $8,601,146
* Employee Benefits, total = $9,938,853
* Total Expenditures = $9,938,853

Net Fund Change: $0
The committee **VOTED** unanimously to approve the motion.

Roll Call

Alexandra Ramirez	Aye
Danielle Malconian	Aye
Daniela Lopez-Vargas	Aye

V. Closing Items

A. Adjourn Meeting

Ms. Ramirez made a motion to adjourn.
Ms. Malconian seconded the motion to adjourn.

Voice vote unanimous in favor of adjourning the meeting.
There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:10 PM.

Respectfully Submitted,
Kurt Lowry