APPROVED

Veritas Preparatory Charter School

Minutes

Finance Committee Meeting

Date and Time
Thursday February 16, 2023 at 4:00 PM

Location
Veritas Prep Charter School 1st Floor Conference Room or Dial-In Number: 866-848-2216, Conference Code: 7783935205, Leader Code: 2356

Join Zoom Meeting
ID: 82384629673
Passcode: 966439

(US) +1 929-205-6099
Passcode: 966439

Committee Members Present
D. Ford (remote), D. Fuller (remote), L. Goncalves (remote), R. Martin (remote), R. Romano (remote), T. Maxey (remote)

Committee Members Absent
M. Landon

Guests Present
N. Gauthier (remote)

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

D. Ford called a meeting of the Finance Committee of Veritas Preparatory Charter School to order on Thursday Feb 16, 2023 at 4:07 PM.

C. Approve Minutes

D. Fuller made a motion to approve the minutes from Finance Committee Meeting on 01-23-23.
T. Maxey seconded the motion.
The committee **VOTED** unanimously to approve the motion.

II. Finance

A. Monthly Financial Reports

Revenue Highlights and Changes: Actual enrollment is 485 students. The projected tuition revenue is based on an average of 491 students from the beginning of the school year until January. Grants are being monitored closely and trending as expected with the majority of those allowable expenses being related to staffing costs. In January about $24k was recognized from ECF and Medicaid funds that were not previously captured in the budget or projections.

The committee discusses reasons for attrition. Rachel talks about our stance this year on backfilling seats. We will enroll a higher number of students in 9th grade for the coming year. We will also backfill some of these seats in 10th grade.

The committee discusses current application status for school year 2023-24 and our concerns around fully enrolling 5th grade.

Expense Highlights and Changes: We will consider a budget revision in February to account for known increased costs. See notes on the bottom of the Statement of Revenue, Expenses and Change in Net Position for more details regarding expenses. Released the full amount of Contingency due to lower than expected student enrollment.

Change in Net Position: With cash averaging below $1million we are currently experiencing a 30 day window of available cash which is 60 days short of ideally where it would be, so there is strong need for future surpluses to build the available cash back up to a healthy level. There have been recent investments in fixed assets and long term purchases that have been paid for out of cash. The majority of those purchases have been planned ($675k) and some unplanned ($86k) which is what reduced our available cash by about 25 days, just to share a different perspective.

B.

High School Real Estate/Tax Update

Rachel says we filed an abatement in collaboration with the property owner. She fills the committee in on conversations she has had with the property owner about other options, including buying the building, if we cannot reduce the tax rate.

Follow up: Denise asks about an estimate as to the market value of the building. Rachel will follow up.

The committee discusses how the current value of the building was determined.

Denise mentions the appraisal and the three values that would have included. Rachel believes this is what was used when determining the value of 9 million.

Robbie asks about renting out the portion of the building we are not using?

Rachel says we could do this through August but finding a renter would be difficult.

C. Friends of VPCS Debt Service Covenant

Current Language:

1. DSCR for Borrower (Friends): Borrower shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.00:1.00. Defined as: Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.

1. DSCR for Guarantor (Veritas): Guarantor shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.20:1.00. Defined as: Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.

Proposed Language:

DSCR: Guarantor and Borrower on a combined basis, shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.20:1.00. Defined as: Combined Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.

The committee approves the proposed language and will bring this to the Board as an FYI at the meeting at the end of this month.

D.

Capital Plan Expenditures Summary

Lynne updates the committee about changes from last month:

We received a grant to outfit the science labs at the high school. This happened sooner then we had planned because of this grant. Due to plumbing costs, this was added to the Capital Plan because those costs will not be covered by the grant.

E. Long Term Projections

Narrative Summary Scenario A1
Major Assumptions and Highlights:

This is our best case scenario - full enrollment in all grades, fully staffed, etc.

1) Enrollment assumes a similar recruitment plan to Veritas' history, backfilling of all seats through 10th grade at 101 per grade, and retention of 80%+ of high school students in 11th and 12th grades

2) Staffing plans have been reviewed by school leadership in depth

3) Revenue Assumptions:
a) Tuition takes into consideration full funding of the Student Opportunity Act (SOA) by FY27 followed by 1.5% increases each year thereafter. MCPSA has
reviewed and conferred.
b) Entitlement Grant per pupil rates are stagnant year over year at $1,300
c) ESSER funding ends September 2024 so there is a need to reduce staffing in some areas
d) Competitive Grants will continue to be needed for the high school expansion, early college program, and funding replacement until the full SOA is realized in FY27
e) Private Grants and donations of approximately $400,000 are needed
from FY24 through FY26

4) Cost Assumptions:
a) Staffing and related costs average about 71% of the budget which is typical of Veritas's history
b) Administrative and other fixed costs average about 5% of the budget which is typical of Veritas' history
c) Instructional and student support costs average about 9% of the budget which is typical of Veritas's history
d) Facility and other related costs average about 14% which is higher than Veritas'
five year historical percentage
of 11% due to leasing the high school facility and higher property taxes than expected

5) The following budget lines will need to be monitored closely over the next few years by leadership:
a) Staffing growth plans over the next 4 years as the high school expands
to serve grades 9-12
b) Instructional costs in the areas of high school curriculum development and
early college costs as well as overall supply and material costs at both middle and high school. Currently early college costs are slightly above what is called for in the Parthenon Study which is good.

Narrative Summary Scenario B1
Major Assumptions and Highlights:

This is our worst case scenario - not fully enrolled at 5th grade. We would need to enroll really high numbers in the other grades for this to work which would increase class size which is not ideal.

1) Enrollment assumes an aggressive recruitment plan with concerns about filling 5th grade fully, backfilling of all seats 6th through 10th grade at
110+ per grade, and retention of 90% of high school students in 11th and 12th grades

2) Staffing plans have been reviewed by school leadership in depth

3) Revenue Assumptions:
a) Tuition takes into consideration full funding of the Student Opportunity Act (SOA) by FY27 followed by 1.5% increases each year thereafter. MCPSA has reviewed and conferred.
b) Entitlement Grant per pupil rates are stagnant year over year at $1,300
c) ESSER funding ends September 2024 so there is a need to reduce staffing in some areas
d) Competitive Grants will continue to be needed for the high school expansion, early college program, and funding replacement until the full SOA is realized in FY27 (50% less than Scenario A-1)
e) Private Grants and donations of approximately $400,000 are needed from
FY24 through FY26

4) Cost Assumptions:
a) Staffing and related costs average about 71% of the budget which is typical of
Veritas's history
b) Administrative and other fixed costs average about 5% of the budget which is typical of Veritas' history
c) Instructional and student support costs average about 9% of the budget which
is typical of Veritas's history

d) Facility and other related costs average about 14% which is higher than Veritas' five year historical percentage
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5) The following budget lines will need to be monitored closely over the next few years by leadership:
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The committee discusses questions related to:

- student enrollment
- current cash balances - how does the proposed budget meet our goal to increase our cash on hand?
  - In both scenarios, we are not adding to our unrestricted cash on hand and this is a concern that the team is aware of.
- IT and Technology
  - We are going to do a review of our current technology and technology services and determine where we can make cuts.
  - Denise asks what this includes?
  - Lynne says it includes Insource and an outside technologist who oversees both buildings. Network and communications - cell phones, firewall, google workspace (global software). Tech and software - Chromebooks, teacher lapbooks, classroom technology, integrated platforms.
- Transportation needs - we are doing research here related to short and long term decisions related to this need.

The committee discusses other ways to potentially cut expenses.

Rachel does believe that there is opportunities in the future such as additional revenue streams and competitive grant opportunities.

Follow Up:

- SOA grant we will know about in March - this is significant as it will go directly to our operating costs and will pay for expenses that are already on our books.
- Add another half an hour to April's meeting.

- Rachel and Lynne will get their head around expenses more and potential savings. They will also create a "gold standard" scenario that includes additional revenue streams.

III. 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 5:36 PM.

Respectfully Submitted,
D. Ford

Documents used during the meeting

- Financial Reports to Finance Committee 1.pdf
- VPCS_Capital Budget.pdf
- 5yr Projections Scenario A-1 Summary.pdf
- 5yr Projections Scenario A-1 Details.pdf
- 5yr Projections Scenario B-1 Summary.pdf
- 5yr Projections Scenario B-1 Details.pdf