March 26, 2019

Los Angeles Unified School District
Charter Schools Division
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Narrative for Board-Approved Plan to Achieve Fiscal Health

As per the charter renewal approved by the LAUSD Board in January 2019, certain benchmarks are to be completed, including the area of fiscal health. The Board of Directors of Alta Public Schools should provide a plan that demonstrates a path towards fiscal health by:

1. Identifying specific goals and metrics
2. Demonstrating the school's commitment to cease factoring receivables
3. Limiting borrowing among the individual schools
4. Establishing a timeframe that paves a positive trajectory towards fiscal health

The Director of Finance has presented to the Finance Committee of the Board a comprehensive fiscal forecast for all four business segments (Central Office, Academia Moderna, Prepa Tec Los Angeles Middle, Prepa Tec Los Angeles High) complete with a monthly statement of cash flows. The assumptions used to develop the forecast are based on Enrollment, ADA, and the latest available FCMAT calculator. The arrival of receivables to the school is based on historical experience. **Note that there is no cash flow activity from factoring receivables for any location for any year in the forecast.

Following are the goals that will steer the organization towards a strong fiscal performance along with specific methods to monitor and measure each goal:

Goal	Specific Activities to Support Goal	Measuring Method	Monitoring Method	Time Frame
Net 30 for All Vendors	Board approved budgets with 5% Surplus.	Submit annual budgets with minimum 5% surplus to authorizers.	Finance Committee input, review and approval each Spring.	Central – 06/2020 AMCS – 06/2019 PTLAM – 01/2020 PTLAH – 01/2020
	Director of Finance to provide capital budget schedule showing projects, estimated totals, and times to implement.	Report actual v budgeted capital projects by location.	Report to Executive Team monthly; Report to Finance Committee of the Board quarterly.	

Goal	Specific Activities to Support Goal	Measuring Method	Monitoring Method	Time Frame
	Use current year surplus to reduce invoices in aging order.	Present A/P Aging report (30-60-90).	Forecast model contains the reporting month's aging report, with scheduled payments by vendor by month, to be reported to the Finance Committee of the Board monthly.	
Limit school to school borrowing	All vendors that benefit multiple schools, either bill separately, or to Central Office	School to School due to/from balances do not grow on Balance Sheet.	Report on status of Due to/from to the Finance Committee of the Board monthly.	Immediately, except interest from Umpqua Bank LOC.
Settle Due to/from Balances	Adjust payments from each of the three schools (up or down) so that Due To balance does not exceed 30 days of shared expenses.	Calculate an estimated monthly amount of shared expenses per school, compare to Due to Central Office balance.	Report on status of Due to/from to the Finance Committee of the Board monthly.	AMCS – 11/2020 PTLAM – 06/2020 PTLAH – 11/2019
All Business Segments achieve Positive Net Assets	Board approved budgets with minimum 5% surplus.	Calculate year-end Net Assets balance on monthly financial report.	Report results to the Finance Committee of the Board monthly.	Central – 06/2021 AMCS – immediate PTLAM – immediate PTLAH – 06/2020

Academia Moderna

During FY19, below the current year forecast is a schedule of Cash Flow by Month. Each vendor balance is listed and has been scheduled for payment across a period of months based on projected cash flow. The school is scheduled to pay off its entire February 28 aging as well as new invoices through the end of this year, and leave a cash balance that exceeds $500,000, or a 9.7% unrestricted cash reserve (LAUSD requires 5%). The school will also slowly under-contribute its monthly portion of shared expenses to Central Office in order to reduce the Due From balance.

During FY20, the school continues to pay its vendors on a net 30 basis, continues to under-contribute its portion of shared expenses to Central Office in order to reduce the Due-From Central Office, projected to be $170k by year end. Unrestricted cash is projected to exceed $1 million. Management will likely execute several facility projects and improvements with its excess cash.

During FY21, the school settles the Due-From Central Office by Oct 2020, and then remits only its portion of shared expenses.

Prepa Tec Los Angeles Middle

Prepa Tec LA Middle has one large event that will shape its fiscal position, the closing of the bonds for the construction of its new building. Assuming this event happens in May 2019, the Umpqua Bank LOC will be taken out, the CIP will be transferred to the LLC, the school will be reimbursed for its payments towards construction costs, and remaining open construction-related invoices will be paid in full. The net effect to the balance sheet will be an increase of approximately $486k to its net assets. If the bonds do not close this year, adjustments will be made as required. On the Operating side, there was a substantial reduction to Aged Payables during March. Most of the remaining balances are scheduled to be paid by year-end, with a small remainder carried to FY20. Except for critical bills, including rent, utilities, student meals, all new invoices from the rest of this school year will be largely settled during the first quarter of FY20. Projected cash flow at June 30 is approximately $330k, or an 8% unrestricted cash reserve.

During FY20, the school will achieve paying its vendors at Net 30 by year-end, perhaps sooner depending on how cash flow behaves. The school is scheduled to remit only its portion of shared expenses to Central Office, except to be mindful of the DCOH covenant from the bond issue. Projected unrestricted cash reserve is 4.3%.

During FY21, the school will pay its vendors on a net 30 basis, will remit only its portion of shared expenses to Central Office, and begin to receive payments from Prepa Tec Los Angeles High to settle the Due From balance, approximately $300k. Projected unrestricted cash reserve is 13.9%.

During FY22, the school will pay off its CSFA Revolving Loan, and will receive its entire amount Due-From Prepa Tec Los Angeles High.

Prepa Tec Los Angeles High

During FY19, each vendor balance from the A/P Aging report dated February 28, 2019 is listed below the monthly cash flow section. Most of the aging will be paid by year-end, however, a small percentage will be carried into the first quarter of FY20. Except for critical bills, including rent, utilities, student meals, all new invoices from the rest of this school year will be largely settled during the first quarter of FY20. Amounts due to the Central Office will be settled by year-end. Projected unrestricted cash reserve is 5.4%.

During FY20, vendors are projectd to be paid on a Net 30 basis by November 2019. The school will also begin to make monthly payments against the second Umpqua Bank LOC, approximately $135k. The school will also remit its portion of shared expenses to the Central Office. Projected unrestricted cash reserve is 7.2%. The School is scheduled to achieve Positive Net Assets by year-end!

During FY21, the school is projected to begin settling the amount due to Prepa Tec Los Angeles Middle, approximately $300k, and continue to make monthly payments towards the second Umpqua Bank LOC, approximately $180k.

During FY22, the school settles its balance due to Prepa Tec Los Angeles Middle, and reduces the balance of the Umpqua Bank LOC by another $180k.

During FY23, the school settles the balance with Umpqua Bank as well as the CSFA Revolving Loan.

Central Office

During FY19, 75% of the aged A/P balance is scheduled to be paid off by year-end, with the remaining balances paid during the next fiscal year. New invoices for this year are scheduled to be paid currently based on scheduled contributions from the schools.

For FY20, the central office costs have been reduced, and CMO fees have been set to 16% until FY22 where it reduces to 14%. Some months show negative cash balances, so some vendors will be delayed by 30 day increments until cash is sufficient to settle in subsequent months.

During FY21, the Central Office is scheduled to achieve positive net assets, which is what allows the CMO fees to be reduced in FY22.