

**Evaluating Charter School
Fiscal Viability Using
California Charter
Authorizing Professional's
Financial Health &
Sustainability Framework**



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CHARTER
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www.calauthorizers.org

Presenters



Dr. David Patterson
Placer County Board of
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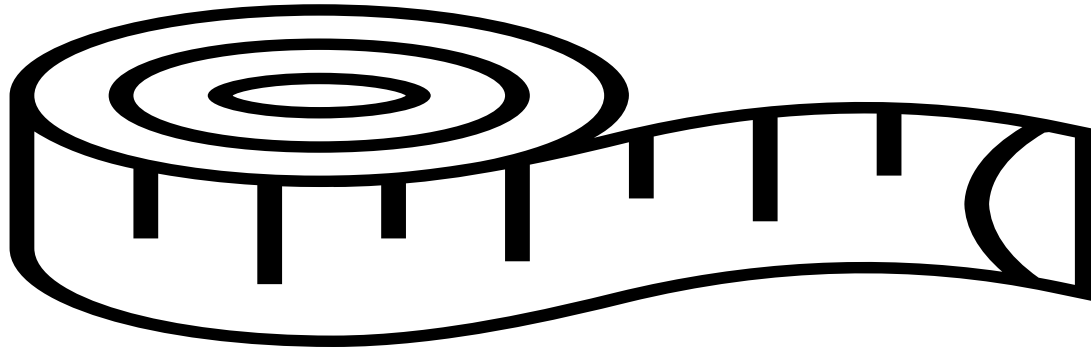
Brianna García
Vice President,
School Services of CA Inc.
Board Member, CCAP



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Executive Director,
CCAP

“If you can’t measure it, you can’t improve it.”

Peter Drucker



Are you measuring the right things?

Themes For Today

Introduction

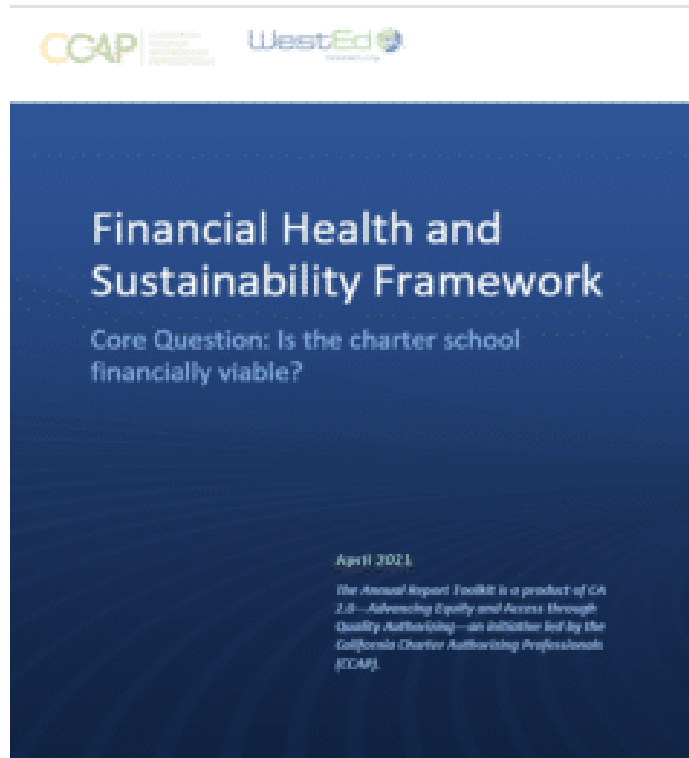
- How to fulfill your obligation to monitor the fiscal condition of each charter school
- The *Financial Framework* is used to assess fiscal performance at each reporting period
 - Provides evaluation metrics for near-term fiscal health and long-term sustainability
 - Includes fiscal indicators and measures that reflect industry standards and best practices

How to Use the Tools

- Examples using the metrics
- Interactive discussion

CCAP's Toolkit

Financial Health & Sustainability Framework



Financial Framework



Performance Indicators



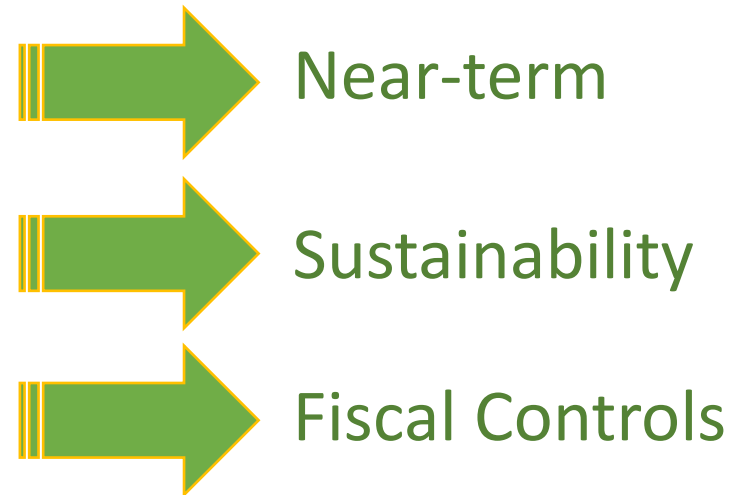
Template



[Link to the document](#)

Financial Health & Sustainability Framework

The Framework
includes three
measures to evaluate a
school's financial
performance



Some Guiding Questions In Each Section



Near-Term

- Current Ratio—“Can the school pay its short-term obligations?”
- Unrestricted Days Cash—“Does the school have the cash available to pay its bills?”
- Enrollment Variance—“Does the school’s actual student enrollment provide enough revenue?”
- Debt Default—“Does the school have the resources to service the debt?”



Sustainability

- Total Margin—“Is the school living within its means?”
- Debt to Asset Ratio—“What the school owns versus what it owes.”
- Cash Flow—“How much money the school has to spend.”



Fiscal Controls

- Audit Performance—“Did the auditors provide a clean opinion?”
 - “What internal controls are in place?”

Financial Health & Sustainability Framework

Overview

	Definition	Example
Indicator	Categories of financial performance	Near-term
Measure	Means to evaluate one aspect of an indicator	Unrestricted days cash
Metrics	Method of quantifying a measure	Formula
Targets	Thresholds that signify success in meeting the standard of performance for a specific measure	Greater than 1.1
Rating	Assignment of a school's performance into a category, based on how the school performs against a target	Meets standard

Sustainability Indicators

Cash On Hand

Does the school have the cash available to pay its bills?

Enrollment/ADA

Variance

Does the school's actual student enrollment and ADA support the projected revenue?

Unduplicated Pupil

Percentage (UPP)

Variance

Does the school's actual UPP funding support the operating budget?

Reserve

Does the school have resources to weather uncertainties?

Current Ratio

Can the school pay its short-term obligations?

Near Term Indicators

Operating Margin

Is the school deficit spending and has not made spending adjustments?

Debt Ratio

Ability to repay loan requirements within the fiscal year without additional borrowing

Cash Flow From Current Operations

How much money the school has available to invest in new programs and negotiations

Fiscal Compliance

**Generally
Accepted
Accounting
Principals**

**Does the charter
school follow
GAAP?**

**Financial
Reporting**

**Are the Budget,
Interim and Audit
reports timely?**

Let's See How It Works—Unrestricted Days of Cash

Measure 1b: Unrestricted Days Cash — “Does the school have the cash available to pay its bills?”

Definition: The unrestricted days cash ratio indicates how many days a school can pay its expenses without another influx of cash. The unrestricted days cash ratio tells authorizers whether the school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense. National standards state that 60–120 days of cash-on-hand is considered a model practice.

$$\text{Unrestricted Days Cash} = \frac{\text{Unrestricted Cash and Equivalents}}{\frac{\text{Total Expenses} - \text{Depreciation}}{365}}$$

EXPENSES	
Program Services	1,745,443
Management and General	256,870
Fundraising	13,338
Total Expenses	2,015,651

CASH AND CASH EQUIVALENTS - END OF YEAR \$ **546,474**

$$\text{Unrestricted Days Cash} = \frac{546,474}{\left(\frac{2,015,651}{365}\right)} = \frac{546,474}{5,522.33} = 98.96$$

Meets Standard:

98 Days Cash exceeds 60 Days Cash

Measure 1b: Unrestricted Days Cash

Meets Standard:

60 Days Cash

or

Between 30 and 60 Days Cash and one-year trend is positive

Does Not Meet Standard:

Days Cash is between 15 and 30 days

or

Days Cash is between 30 and 60 days and one-year trend is negative

Falls Far Below Standard:

Fewer than 15 Days Cash

Let's See How It Works—Enrollment Variance

Measure 1c: Enrollment Variance — “Does the school’s actual student enrollment support the projected revenue?”

Definition: Enrollment variance is the difference between the forecasted enrollment and the actual enrollment. The accuracy of forecasted enrollment indicates to the authorizer whether the school is meeting its enrollment projections and thereby generating sufficient revenue to fund ongoing operations. It also provides the authorizer with an indication of the school’s budgeting practices and whether it accurately and/or conservatively projects enrollment.

$$\text{Percent Forecast Accuracy} = 100 \times \left(\frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} \right)$$

Measure 1c: Enrollment Variance

Meets Standard:

Enrollment Variance equals or exceeds 95 percent in the most recent year

Does Not Meet Standard:

Enrollment Variance is between 85 and 95 percent in the most recent year

Falls Far Below Standard:

Enrollment Variance is less than 85 percent in the most recent year

$$100 \times \left(\frac{355}{375} \right) = 94.67\%$$

Does Not Meet Standard:

Enrollment variance is between 85 and 95 percent in the most recent year

Let's See How It Works—UPP

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance – “Does the school’s actual UPP funding support the operating budget?”

Definition: UPP variance is the difference between the projected and actual percentage of enrolled students who are English learners, qualify for free or reduced-price meals, or are foster. The accuracy of forecasted UPP indicates to the authorizer whether the school is accurately forecasting its unduplicated pupil enrollment, thereby generating the forecasted revenue under the state Local Control Funding Formula to fund ongoing operations.

$$\text{Percent Forecast Accuracy} = 100 \times (\text{Actual Percentage} / \text{Projected Percentage})$$

Measure 1d: Unduplicated Pupil Percentage (UPP) Variance

Meets Standard:

UPP Variance equals or exceeds 95 percent in the most recent year

Does Not Meet Standard:

UPP Variance is between 85 and 95 percent in the most recent year

Falls Far Below Standard:

UPP Variance is less than 85 percent in the most recent year

$$100 \times \left(\frac{60\%}{65.5\%} \right) = 91.6\%$$

Does Not Meet Standard:

UPP Variance is between 85-95 percent in the most recent year.



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Interactive Discussion

- **Evaluating which metric is most important and why**
- **How outside factors can influence the importance of metric choices**
- **Consider multiple metrics as a basis for your professional conclusion**



Resources & CCAP Links

- [CCAP Resource Library](#) – free and public
- [Financial Health & Sustainability Framework Toolkit](#)
- [Annual Report Toolkit](#)
- [CCAP Newsletters](#) and [News & Updates](#)

CASI: Charter Authorizer Support Initiative

- CDE-funded training and networking initiative implemented by CCAP and Santa Clara County Office of Education (SCCOE)
- Other COE partners as “hubs” for regional networks of authorizers
- Other strategic partners: FCMAT, SSDA
- Special focus on small and rural authorizers
- [CASI website](#)

Contact Us

You have Questions? We have answers!

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Thank you!



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