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INFORMATIONAL SUBMITTAL

DATE: September 10, 2015

TO: Catherine Payne, Chairperson

FROM: Catherine Payne, Chairperson Performance and Accountability Committee

AGENDA ITEM: Action on Commission’s Financial Monitoring of Ka Waihona o ka Na’auao Public Charter School

I. DESCRIPTION

Action or update on Commission’s financial monitoring of Ka Waihona o ka Na’auao Public Charter School (“Ka Waihona”).

II. AUTHORITY

Pursuant to Hawaii Revised Statutes (“HRS”) §302D-17(a), “An authorizer shall continually monitor the performance and legal compliance of the public charter school it oversees, including collecting and analyzing data to support ongoing evaluation according to the charter contract. Every authorizer shall have the authority to conduct or require oversight activities that enable the authorizer to fulfill its responsibilities under this chapter, including conducting appropriate inquiries and investigations, so long as those activities are consistent with the intent of this chapter and adhere to the terms of the charter contract.”

Section 12.1 of the State Public School Charter Contract provides that “the Commission continually monitor the performance and legal compliance of the School. The Commission shall have the authority to conduct or require oversight activities that enable the Commission to fulfill its responsibilities under Ch. 302D, HRS, including conducting appropriate inquiries and investigations, so long as those activities are consistent with the intent of Ch. 302D, HRS, and adhere to the terms of this Contract.”

III. BACKGROUND

At the April 9, 2015 General Business meeting, an overview of the schools' financial performance as of the second quarter was presented to the Commission. As a result of its low days cash on hand measure, the Commission required Ka Waihona submit information monthly, starting with March, 2015, regarding the status of the school's finances, grants, fundraising, and reserve until such time the Commission deems such additional financial monitoring no longer necessary.

At the August 13, 2015 General Business meeting, Ka Waihona's principal, Alvin Parker, asked the Commission to reconsider the need for monthly financial monitoring of the school. He stated the school had paid off the funds drawn down from the line of credit with a bank during FY 2015 and had closed this line of credit earlier this month.

The Commission expressed concern with the pay-down of the \$200,000 drawn from its line of credit using FY16 funds, especially since Ka Waihona's FY16 budget was a break-even one.

IV. PRESENTATION

Commission staff has reviewed the July 31, 2015 financial reports submitted by the school. The financial statements will be made available to the Commissioners for their further review, if desired. Highlights of the information include:

1. Days Cash on Hand: 203 days as of July 31, 2015

The primary concern raised by staff was based on this indicator. This indicator is favorable due to the statutory requirement that 60% of a charter school's annual allocation be provided by July 20. This 60% allocation represents approximately 219 calendar days. At the end of July, Ka Waihona should have at least 188 days of cash (219 days less 31 days for July), which it does. Unfortunately, the large cash infusion to schools during the first month of operations does not provide a clear picture of a school's sustainability through the rest of the year.

2. Cash balance as of July 31, 2015: \$2,088,458

The school's cash balance as of July 31 is robust as a result of the statutory funding schedule for charter schools described above. Based on projected enrollment of 639 students at \$6,520 per student, the first funding allocation to Ka Waihona was almost \$2.5 million.

The Commission staff requested a monthly cash flow forecast for the remainder of the fiscal year to provide assurance that the school would be able to sustain its operations despite the paying down and closing out the line of credit. The school provided two forecasts which were essentially the monthly breakdown of its annual budget. Staff informed the school the reports provided did not satisfy the Commission's request for a cash flow forecast. As of this writing, this information has not been received.

This item was not discussed at the Performance and Accountability Committee meeting on August 27, 2015, due to loss of quorum.

V. RECOMMENDATION

None recommended at this time, pending receipt of cash flow forecast.