

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD

Charter Actions Requiring a Vote

- Approve a Charter Application
- Approve a Charter Renewal (15 yrs.)
- Approve Charter Continuance (5 or 10 yrs.)
- Approve a Charter Amendment Request
- Approve a Charter Agreement
- Give a Charter Notice of Concern
- Lift the Charter Notice of Concern
- Commence Charter Revocation Proceedings
- Revoke a Charter
- Board Action, Other _____

Non-Voting Board Items

- Public Hearing Item
- Discussion Item
- Read into Record

Policies

- Open a New Policy or Changes to a Policy for Public Comment
- Approve a New Policy
- Approve Revisions to an Existing Policy

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SUBJECT: Public Hearing – Fiscal Year 2019 Financial Analysis Report Technical Guide

DATE: July 15, 2019

The following proposal was opened for public comment on May 20, 2019, and a public hearing was held on June 25, 2019. Based on the one public comment received from a school, DC PCSB staff is proposing one change to the technical guide under the Days of Cash on Hand measure. The details are listed under Summary of Revisions. Due to this change, staff is requesting the Board hold a second public hearing tonight, July 15. Public comment will close on July 30. The DC Public Charter School Board (DC PCSB) is scheduled to vote on the proposal at its September Board meeting. Any public comment received will be discussed prior to the vote. To date, one public comment has been received.

Proposal

The DC PCSB staff recommends its Board extend the public comment period and hold a second hearing on the Fiscal Year (FY) 2019 Financial Analysis Report (FAR) Technical Guide. The FY 2019 FAR will apply to schools' audited financials for the fiscal year ending June 30, 2019; staff expects to issue the FY 2019 FAR in May 2020.

Summary of Revisions Made in Response to Public Comment

The FY 2019 FAR Technical Guide does not propose any substantial changes to the content, methodology, or scope from the FY 2018 FAR Technical Guide. However, one revision has been made to the Days of Cash on Hand calculation in response to public comment.

The public comment argued persuasively that the calculation of a school's cash on hand should include highly liquid short-term investments. DC PCSB has consequently adjusted the calculation to include such short-term investments in the numerator.

For FY 2020, staff is recommending a change in the floor for this metric from 15 to 30 days of cash on hand. Staff is holding off on an immediate change to the floor of this measure since FY 2019 closed on June 30, 2019. 30 days is a widely accepted metric for a healthy level of cash that an organization should have. The addition of short-term investments in the calculation will make raising the floor less onerous for schools. The proposed change, had it been applied last year, would have only impacted two local education agencies (LEAs) on the FY 2018 FAR report, as only two LEAs had fewer than 30 days of cash on hand.

Background

Each DC public charter school is required to conduct annually a thorough audit of its finances and operations, conducted by a third-party auditor, chosen by the school from a list of approved auditors selected by the Audit Review Committee, which is made up of two representatives from DC PCSB, the Office of the Chief Financial Officer (OCFO), and the Office of the State Superintendent of Education (OSSE).

DC PCSB, with support and counsel from OCFO and OSSE, analyses and summarizes the information in these audits to produce the Financial Analysis Report (FAR) that presents consistent and transparent information about DC public charter schools' finances and operations.

The FAR Report includes a Financial Report Card for each school, which provides data on the school's management organization, if applicable. Additional data tables and narrative commentary on the key trends and opportunities of DC public charter schools' finances provide context and analysis. Each of these is detailed in the FAR Technical Guide.

Beginning in fall 2015, DC PCSB began convening a Task Force of school leaders, business managers, and charter support organizations to give input into the FAR Report's methodology, design, and production process. The Task Force met monthly through fall 2015, then again monthly beginning in spring 2016. At each meeting, and in emailed surveys, the Task Force members were asked to give input into different elements of the FAR Report, with a particular focus on the metrics comprising the Key Financial Indicators and the design of the FAR Report Card. The task force has met annually since to discuss changes to the FAR Technical Guide. The group met in October 2018 to discuss the FY 2019 potential changes.

The FAR Technical Guide outlines DC PCSB's process for producing the FAR Report. It was created so that school leaders, data managers, families, and other stakeholders would understand the FAR Report's content, methodology, and scope.

The School Reform Act (SRA) requires that DC PCSB revoke the charter of any public charter school that (1) has engaged in a pattern of nonadherence to generally accepted accounting principles (GAAP); (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable.

Attachment to this Notification

Attachment A: Draft FY 2019 Financial Audit Review Report Technical Guide

Date: _____
DC PCSB Action: _____Approved _____Approved with Changes _____Rejected
Changes to the Original Proposal:

Signature: _____