

# 25 Recommendations on Responsible Financial Management & Budgeting during Uncertain Times



— *experience. expertise. execution.* —

Presented by: **Raj Thakkar, Founder & CEO**

Thursday, April 9, 2020

NYCSA, NYSED & SUNY

# Notes Before Getting Started

## Unprecedented Information Overload:

1. We recognize webinar-fatigue is happening.
2. I purposely created very detailed slides, due to the information overload.
3. You can use the slides as a checklist to follow up on recommendations and decision points that resonated for your school/network.
4. Yes, PDF of detailed slides and recording will be made available.
5. Recommendations are *“if you haven’t done this already”* and *“only if you agree”*.
6. We’ll also share an Impactful-1 Pager (that won’t be discussed today, created long ago & may help) called: **50 Ideas to Raise Revenues, Cut Costs & Save Time.**

# Background

## Vision

One day, ALL charter schools will view and value responsible financial management as **VITAL**.

## Mission

To empower charter schools with **VITAL** knowledge and services to understand and practice responsible financial management.

## Core Values

**K**indness

**A**ccomplishment

**R**espect

**M**otivation

**A**ppreciation

# Our Why

1 IN 7 CHARTER SCHOOLS HAVE BEEN SHUT DOWN.



80% DUE TO  
FINANCIAL  
MISMANAGEMENT.

This is a solvable problem, that our 56 teammates have been solving for the past 14 years.

OUR PURPOSE: **ERADICATE**  
FINANCIAL MISMANAGEMENT



# Agenda

## **25 Responsible Financial Management & Budgeting Recommendations to:**

1. Protect your School Now (10)
2. Implement during Q4 (through 6/30/20) (10)
3. Execute during FY20-21 (5)

***End with Q & A for NYCSA, NYSED, SUNY & CSBM***

# 10 Recommendations to Protect your School Now

1. Calculate how many months of cash you have on hand.
  - ✓ You need to know how much runway exists.
2. Establish a credit line.
  - ✓ Contact your bank for their instructions on how.
  - ✓ Target Amount: 5-10% of Revenues/Enough to Cover 2 Payrolls
3. Increase credit line amount, if already in place.
4. Transfer interest earned from dissolution to operating account.
  - ✓ Small but every dollar counts.

# 10 Recommendations to Protect your School Now

5. Decide if you will apply for Paycheck Protection Program funding.
  - ✓ **Yes:** Need to make up for potential decreases in per pupil funding OR if student enrollment is lower than expected
  - ✓ **Unsure:** Orgs awarded PPP is subject to FOIL, decide if this matters
  - ✓ **No:** Have plenty of reserves, feel orgs who truly need should have access
  - ✓ NYCSA & National Alliance for Public Charter Schools says charter schools should consider applying, but totally up to Management & Board.
  
6. If large enough surplus in FY19-20, consider purchasing items needed for FY20-21 in Q4 (if you have a place to ship/receive).
  - ✓ Displacement may open up surplus for FY20-21 Budget.

# 10 Recommendations to Protect your School Now

7. If you're in a leased facility, contact your landlord.
  - ✓ **Request rent forgiveness during mandated stay-at-home measures:**  
There's no harm in asking kindly and respectfully.
  - ✓ **If not, offer to tack on time away from building to end of the lease:** If their mortgages are also on hold for same duration, this should feel fair.
  - ✓ **If that is also not agreed to, request payment plan:** Right now, cash is king. Divide up amounts owed across the remainder of the lease.
  - ✓ **Ask if renegotiating the terms of the lease is possible.**
    - Ex. WeWork is asking for up to 30% reductions on rent/sq.ft.
8. If you have lenders, request flexibility on loan covenants.
  - ✓ We are seeing a lot of humanity and common sense practices being put in place during these extraordinary times.

# 10 Recommendations to Protect your School Now

9. For security, custodial, and cafeteria staff who have work only when in your building, consider what feels fair & feasible:
  - ✓ **If applying for PPP & expect to receive it, then pay them.**
  - ✓ **If aggregate unemployment benefits are equal to or more than current pay, some schools are discussing this math and being honest.** Consider likelihood of staff getting these benefits with unemployment bureaucracy. Get legal advice.
  - ✓ **If you have part-time work for staff, consider the NYS Shared Work Program.**
    - Ex. If there's 60% work for F/T staffer, unemployment may cover pay for the remaining 40%. Go to <https://www.labor.ny.gov/ui/employerinfo/shared-work-program.shtm> and watch three videos that are 3-4 min each.
10. For consultants/vendors, ask if they plan to apply for PPP funding.
  - ✓ Perhaps they're solving their own challenges.

# 10 Recommendations to Implement in Q4 (through 6/30/20)

## ***Revenues***

1. Budget around Non-Negotiables
  - ✓ Anchor the budget around 1-2 non-negotiables.
2. Develop at least 2 budget versions:
  - ✓ One with enrollment as per your charter
  - ✓ Another with chartered enrollment less your historical student attrition rate
  - ✓ If planning to increase enrollment, start now as maximizing headcount may be challenging. NYCSA can help.
3. Check for unused ESSA funds from prior fiscal years and attempt to incorporate those dollars into FY20-21.

# 10 Recommendations to Implement in Q4 (through 6/30/20)

4. If you're in a private facility and if schools are allowed back in buildings, consider a change in meal vendor, if not generating surplus.
  - ✓ If your school has a high % FRPL student population and serve your own food, you should be expecting to generate a surplus on food service.
  - ✓ Contact NYCSA for additional guidance.
  
5. Don't overbill your district for general education or special education students, creating a liability to pay back in the future.
  - ✓ This is not a legitimate way to improve your cash flow and negatively impacts charter relationships with districts.

# 10 Recommendations to Implement in Q4 (through 6/30/20)

## *Operating & Capital Expenses*

### 1. Create as much Stability and Humanity as is Feasible.

- ✓ Staff members are fearing losing their jobs, so try to protect as many jobs as possible and avoid salary reductions. Most U.S. workers cannot survive a \$500 emergency expense.
- ✓ Consider freezing FY19-20 **all** salaries to be same for FY20-21.
- ✓ Make everyone whole with “thank you for staying bonus” in the same % you would have given raises, **if** Per Pupil funding is not cut further by the end of FY20-21. If funding is cut, be transparent.
- ✓ If you prefer, cut positions and/or salaries. Prepare for low morale and unexpected departures. Loyalty is a two-way street.
- ✓ If raises were promised to staff (due to increase in UFT scale) and you want to honor this, then anchor your budget around this non-negotiable.

# 10 Recommendations to Implement in Q4 (through 6/30/20)

2. Review FY19-20 budget vs. actuals to determine which expenses are truly needed; distinguish between needs & wants.
3. If you have cash reserves, now may be the time to dip into them.
  - ✓ Discuss what % you're ok with. Work with your Board to vote/approve this and document in Board meeting minutes.
    - Ex. If you have \$3M in a rainy day fund, decide if you're comfortable with utilizing 5%, 10% or 15% of it during this crisis --- only if you absolutely CANNOT create a balanced budget without this.

# 10 Recommendations to Implement in Q4 (through 6/30/20)

4. Meticulously manage your existing supplies & assets.
  - ✓ Postpone any scheduled replacement of furniture and equipment unless absolutely necessary.
  - ✓ Some schools keep ordering more items they already have plenty of.
  - ✓ Before buying anything new, reach out to other charters through NYCSA to see if they may have excess items to share.
  
5. Consider implementing Bill.com that automates bill pay.
  - ✓ Increases efficiency by reducing paperwork and the need to chase down board members for 2<sup>nd</sup> signatures.

# 5 Recommendations to Execute in FY20-21

1. After your board discusses at length & votes on an approved budget, still prepare budget scenarios of not returning to your facility by 6/30/20, 9/30/20 & 12/31/20.
  - ✓ This is the 1<sup>st</sup> pandemic we're experiencing. We don't know how long or short the stay-at-home measures will last.
  - ✓ We also don't know if and how many resurgences may occur.
  - ✓ Document lessons learned to avoid wheel reinvention.
2. Implement or amplify staff culture efforts.
  - ✓ Take a 2<sup>nd</sup> look at core values that apply to staff, if different from core values for students.
    - Ex. From Successful Culture International, a fellow entrepreneur created a GRACE Model (Grit, Resiliency, Adaptability, Connection and Empathy) that they are offering free PD on.

# 5 Recommendations to Execute in FY20-21

3. Consider potential restrictions on PPP money.
  - ✓ Will it count towards Single Audit and increase your audit fees?
    - Unclear if it counts towards threshold (\$750k changes to \$1M on 7/1/21), similar to CSP and ESSA funding, or won't, similar to E-Rate funding.
  - ✓ Will it prevent you from using them towards ESSA salaries?
    - Don't want to "double dip" causing you to return either PPP funds or have to write an amendment for ESSA funds.
4. Forecast through fiscal year end on both an accrual basis **and** cash basis.
5. Review the Impactful 1-Pager called **50 Ideas to Raise Revenues, Cut Costs & Save Time**. Implement ideas that resonate.

A person wearing a dark blue suit jacket and a light-colored shirt is holding a rectangular white sign with both hands. The sign is centered in the frame and features the word "QUESTIONS?" in a bold, dark blue, sans-serif font. The background is a plain, light gray color.

**QUESTIONS?**

# Thank You!

## Contact Information

**Charter School Business Management**

**237 West 35<sup>th</sup> Street, Suite 301**

**New York, NY 10001**

**csbm.com**

**888-710-2726**

**Raj Thakkar, Founder & CEO**

**646-584-3364**

**[rthakkar@csbm.com](mailto:rthakkar@csbm.com)**