

# CAPITAL COLLEGE AND CAREER ACADEMY COUNTYWIDE CHARTER BUDGET UPDATE – JULY 11, 2023

## FISCAL ANALYSIS

At its May 16, 2023, meeting, the Sacramento Board of Education approved Capital College and Career Academy (CCCA) to open but required it to submit a revised budget for the Board's approval by July 30, 2023. CCCA submitted its revised budget on June 14, 2023, to SCOE staff for review. The newly revised CCCA budget projects a budget surplus of \$107,357 and an ending fund balance of \$530,572 for 2023-2024. This is lower than the \$293,808 surplus and \$542,236 ending fund balance CCCA was projecting at the time of the Board's May meeting primarily due to CCCA's decision to take \$192,000 in revenue from unspecified state grants which it may not receive out of its budget. We believe this change is prudent. We also note that CCCA is projecting to begin the year with a higher beginning fund balance than previously anticipated.

### **Enrollment**

As explained in SCOE's financial analysis of CCCA's charter petition, CCCA's financial condition depends on its ability to meet enrollment and attendance projections. Enrollment and attendance are the driving factors underlying the charter's largest single source of funding, the Local Control Funding Formula (LCFF) revenue. CCCA's LCFF revenue projections and the viability of its budget continue to be based on enrollment of 80 students in 2023-2024. As of June 21, 2023, CCCA has 72 students enrolled which is a significant improvement from the 61 students it had enrolled prior to the Board's May meeting. However, if enrollments continue to be below the 80 students CCCA's budget projects, its LCFF revenue may be up to \$100,000 lower than projected.

### **Fundraising**

CCCA's budget continues to be heavily reliant on one-time fundraising and grants. The budget assumes \$600,000 in donor contributions during 2023-2024. Given CCCA's fundraising success over the past year, it is reasonable to assume it will be able to continue raise money in the future. However, the level of contributions assumed in its budget exceeds what was raised last year and is not currently supported by written agreements or pledges. As a result, this is a significant source of risk to CCCA's budget.

### **Borrowing**

CCCA's cash flow projections currently reflect additional borrowing of \$700,000 in 2023-2024, most of which it is projecting to pay back in the following fiscal year. Given the timing of its revenues, the possibility that fundraising will be lower than assumed and the \$384,470 in noncapital equipment expenditures projected at the start of the year, it seems

certain that CCCA will need to borrow on at least a short-term basis to maintain cash solvency.

### **Summary**

CCCA's budget continues to include considerable risk primarily related to its fundraising revenue projections and CCCA has few options other than increased borrowing to accommodate any unforeseen costs or revenue losses if the fundraising revenues do not materialize. As a result, we strongly advise CCCA to limit its reliance on fundraising and borrowing to support ongoing operational expenses. To do so, CCCA will need to grow its enrolment and/or reduce or delay expenditures. To the extent CCCA needs to borrow, it should attempt to limit long-term borrowing and seek low interest loans with flexible repayment terms.

Below is the CCCA's revised budget:

#### **Revenue**

LCFF	\$1,084,184
PCSGP	\$500,000
Other Grants	\$271,395
Donor Contributions	\$600,000
Total	<u>\$2,455,579</u>

#### **Expenditures**

Employee Compensation	\$903,572
Equipment	\$384,470
Other	<u>\$1,060,180</u>
Total	<u>\$2,348,222</u>

<b>Surplus/(Deficit)</b>	<u><u>\$107,357</u></u>
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Beginning Fund Balance	\$423,215
<b>Ending Fund Balance</b>	<b>\$530,572</b>