

Budget Narrative For RVC Petition Material Revision: School Operation Starting Fall of 2017 from Petition Appendix

The attached budget and cash flow projections are based on estimates of the actual revenue and costs to implement the Ross Valley Charter School (referred to below as RVC or the Charter) as described in this Petition. RVC engaged EdTec to advise and consult in the development of accurately projected Revenues, Expenses and Cash Flow.

EdTec is a social venture founded in 2001 to develop, support and advance quality charter schools. EdTec has built an excellent reputation throughout California with charter schools and their authorizers for providing the highest quality business services and operations support. EdTec's team provides expertise and support to over 350 charter schools across a comprehensive range of services.

EdTec's economies of scale deliver experienced personnel specializing in various areas of school finance and operations, including: budgeting, cash flows and forecasts, accounting, payroll, accounts payable, financial reporting, compliance management and the development of benchmarks and best practices.

The narrative below lays out the assumptions on which this budget is based. The budget reflects a positive operating income in each of the five years resulting in 5 years in an ending balance that is 52% of that year's expenses. Due to a 4 year, 1.5%, \$60,000 unsecured loan, and a planning year surplus of \$106,564, RVC is budgeting a reserve of \$232,000 or 13% at the end of its first school year.

A. Demographics

Under California law, the Charter School is petitioning to operate as a new school. But in practical effect it is patterning itself on the existing Ross Valley School District (RVSD) MAP program at Manor School which currently has six teachers in 6 multiage classrooms (two K-1's, two 2-3's, two 4-5's) averaging 22 students per class with a total enrollment of 131. All six teachers are petitioners as teachers and plan to go to work for the Charter when it begins.

One of the reasons to charter is to grow the program by three more classrooms (or one additional “strand” of K-5 to the existing two) to better meet the demand of the many families who annually apply but for whom there is not enough room. The waiting list for the program has traditionally been over 100. See table on page 23-24 of petition for the annual additions to the waiting list over the last five years. The planned class size for all K-3 classes will be 24, in keeping the California class size reduction goals. The class size for 4-5 have been budgeted at 26, allowing for the acceptance of additional students in the fourth and fifth grades as MAP has traditionally done.

In our first year, 2017-2018, we have assumed that we will open three new classes, a K-1, 2-3, and likely a 3-4. We believe it will be easier to find 3rd and 4th graders who want to change programs or schools than it will be to find 5th graders, since 3rd and 4th graders will be able to have two full years of the Charter experience. Because of this start up configuration, enrollment in the first three years is assumed to be 220, 230 and 228 and thereafter 222. In the second and third year the three 4-5 classes will have an enrollment of 28 to accommodate the extra 12 3rd graders going through 4th and 5th.

The budgeted revenue assumes full enrollment which is a reasonable assumption because of the traditionally oversubscribed nature of applications and the historical existence of a 100 student waiting list. As of the date of the submission of the Material Revision we have 280 students whose parents have applied to RVC. We are confident that with a good outreach program we will meet full enrollment in our first year. 90% of this will likely come from in-district but if needed we can market in San Rafael and elsewhere in Marin. For example, there were 80 applications for K and T/K for the fall of 2016.

The attendance rate is assumed to be 96% which is slightly lower than the attendance rate experienced by the RVSD over the last few years.

RVC is targeting the following demographics:

- 7.5% English Language Learner
- 12% Free & Reduced Lunch qualifying (70% of which is expected to qualify for Free Lunch)

To reach these percentages, which are higher than district averages, we plan to do actively seek economic and ethnic diversity in our students through our outreach efforts which are explained in the petition.

Revenues

Local Control Funding has been calculated using the FCMAT calculator released after the Governor’s January 2016 Budget. The calculator file is available on request. Major assumptions include:

- Enrollment and ADA assumptions as outlined above.

- 12% unduplicated in all years was assumed for Supplemental Grant.
- Due to the above unduplicated assumption, RVC would not qualify for Concentration Grant funding. Even if it were above 55% the charter would not qualify because the District percentages are well below.
- In order to calculate the floor rate, data was used from Tamalpais Union High School District since that is the district with the highest floor calculation in which RVC will be located.
- COLA percentages for 2017-18 through 2019-20 are based on the Governor's January Budget as well as the School Services Of California's January 15th Fiscal Report, COLA Percentages for 2020-21 and 2021-22 have been conservatively estimated at 1% per year.

Because RVC's target rate is below the floor, RVC will remain at the target rate throughout the budget projection. We have included the projected implementation percentages for LCFF although they wouldn't have any impact on funding, as RVCS would continue to be funded at the target, which will increase by COLA each year.

Given the above assumptions, the funding rates used for each year are as follows:

	2017-18	2018-19	2019-20	2020-21	2021-22
COLA	2.13%	2.65%	2.72%	1.00%	1.00%
Target Rate	8,042	8,261	8,499	8,584	8,670
Implementation	45.34%	6.15%	34.21%	50%	100%

The above revenues are funded by regular State Aid or "Local Control," In-Lieu of Property Tax, and the Education Protection Account (EPA). The Education Protection Account (EPA) is assumed to be 17.9% of the above Local Control revenues, except in the first year when it is \$200/ADA for all new schools. The allocation of Property Tax is based on the Ross Valley Elementary School District 2014-15 P-2 rate of \$4,102 per ADA. The remaining amount is funded by regular State Aid or "Local Control."

RVC has budgeted for Child Nutrition using 2014-15 reimbursement rates. To be conservative, RVC only expects to be reimbursed for 95% of Food Service costs.

The Charter School does not expect to receive Title I, II or III given the low rate of high need pupils.

For Special Education purposes, the budget assumes that RVC will operate as its own LEA for Special Education Purposes. The funding is based on current assumptions that are used for those charters that are members of either the Sonoma or El Dorado Charter SELPA. Special Education expenses are allocated to one Special Ed teacher and the rest to Special Education Contracted Services. We assume that Special Ed expenses will exceed revenues by 15% except in the first year when the expense percentage will be higher because there are no Federal revenues.

RVC will create a Special Ed allocated Reserve Account and will put \$30,000 per year into this Reserve until it reaches \$150,000. This reserve will be set aside for any non-public school placements or other extraordinary Special Ed expenses that might occur.

The budget assumes that the Charter will raise an average of \$125 per student per year through community fundraising efforts. This assumption is based on two experiences. First, in the Ross Valley School District, under a voluntary district-wide elementary school agreement, called the Round Table Agreement, elementary schools are allowed to raise \$125 per student annually in their combined fundraisers and any amount over that is donated to the District's Educational Foundation (called YES) and historically Manor and the other elementary schools in the district have raised between \$25 and \$50 per student over that amount. Second, the Charter development team has raised \$66,000 in donations in the last 24 months to support its development efforts. In addition, many current RVC parents and teachers have been very involved with YES fundraisers and Manor's Winter Faire. These parents and teachers have a lot of fundraising experience and feel confident they can raise at least the projected amounts.

The Charter School also has budgeted for state lottery revenue. These funds do not begin to arrive until year 2 (year 1 funds are accrued). This has been budgeted at \$181/ADA in 2017-18, which is based on the 2015-16 School Fiscal Services rates.

The Charter has applied for and received a PCSGP CDE grant. RVC has been awarded a \$375,000 grant. The attached budget anticipates spending the entire amount before July 31, 2017. The budget shows revenue of \$275,000 in the year 2015-16 but since none of the expenses are budgeted to start until July 1, 2016, only part of this \$275,000 accrued revenue will be received since most of that revenue will be for reimbursing approved expenses. The PCSGP budget was approved in January 2016.

B. Expenses

Many expenses are projected to increase at 1-2% per year. Others are estimated at a per pupil, per square foot rate, per teacher, or a per cent of payroll and the rates are noted in the comments section of the budget.

Staffing and Benefits

We have assumed that all 6 current MAP teachers will be employed by the Charter at the Step and Column rate they would have had if they had stayed in the Ross Valley School District. The budget assumes the Charter will use the Ross Valley School District (RVSD) step and column salary schedule as its own full time teacher salary schedule on an ongoing basis as the RVSD RVTA negotiated schedule moves over time. The seventh, eighth, and ninth classroom teachers are all assumed to be new teachers who will start at the bottom of the salary schedule. The Special Ed teacher is assumed to start at Step 5 Column 2 on the RVSD salary schedule.

It is assumed that all certificated employees will participate in STRS. Non-certificated staff will be part of social security and not be part of PERS. Increases in STRS contributions contained in current law are assumed. Salary increases are assumed at to RVSD salaries which have already been negotiated through 2016-17 and then 1 % each year thereafter.

The Ross Valley Charter School will offer a cafeteria health plan to all full time employees and contribute the same as RVSD does for participating employees under its RVTA contract. Assumed rate in the budget is \$10,305 for 2017-18 for each employee participating and increasing by 2% per year thereafter. Three of the current MAP teachers do not use health benefits and do not plan to with the Charter School. It is budgeted for all other full-time teachers and administration. If these employees were not to join the charter, RVC would hire teachers with somewhat less experience than the average 16 years that current MAP teachers have.

The budget assumes substitutes needed for 5% of the student attendance days at a rate of \$140 per day.

The only other full time staff will be a School Director and an Office Manager. Business services will be done by the classified full time staff using EdTec Charter Accounting software, the license and support for which is included in the budget. The Board CFO has extensive business accounting and school accounting experience and will oversee accounting practices in conjunction with the School Director.

The budget includes salaries for three part time certificated employees: a 10 hour a week intervention teacher, an 8 hour a week English Language Development specialist, and an 8 hour a week Spanish language teacher. It also includes several non-certificated part time employees: a PE instructor 18 hours/week so that each classroom will have two PE periods per week; a counselor for 2 hours/week; two five-hour-a-day lunch supervision and office receptionist personnel; and finally a 10 hour/week Spanish speaking Parent Outreach person to work with socio-economically disadvantaged parents to facilitate their access to and comfort in the charter educational community so that they feel part of the educational community. The budget assumes all these part time people will be employees, but it is possible the services will be contracted for at equivalent cost.

Books and Supplies

The MAP curriculum has always been very different from the RVSD curriculum. It has always been taught to the California standards but the teachers have developed their own reading and other curricular and reference materials. The budget reflects \$77 per student for ongoing purchasing of curriculum and reference materials, books, and other instructional equipment, materials and supplies.

Educational and administrative computing will all be done using the cloud for storage. Support to Chromebooks, laptops and office computers will be supported remotely

using standardized disk images. This cloud use and technical support is budgeted at \$8,000 per year.

The Charter School will arrange for an outside vendor, possibly in conjunction with a local school district, to provide daily lunch service. The budget includes both revenues and expenses for these services at a small cost to RVC, assuming a conservative 95% reimbursement rate.

Services and Operating Expenses

Services and Operating expenses and cost rates were estimated by EdTec based on its experience for doing back office services for over 350 California Charter Schools.

RVC is planning to rent facilities privately. We have budgeted for up to twelve 900 sq. ft. rooms plus 30% of other space at a rate of \$1.13 a square foot per month for a total of \$190,888 per year. We are doing a Proposition 39 request as part of this Material Revision so we expect our actual facilities expenses in 2017-18 to be closer to \$0.20 a square foot per month or \$33,695 per year. But we are keeping our larger budgeted amount so we have the flexibility to pursue other facility options should they be available.

The Charter School is separately budgeting for utilities, janitorial, and repairs and maintenance. Utilities are based on the industry standard of \$.25 per square foot per month for 10 months of use. Janitorial and repairs and maintenance are based on the costs of these services at similarly-sized schools in EdTec's client base in the Bay Area.

The Charter School has included the required 1% oversight payment to its charter authorizer.

Professional development is an important part of the Charter School. Much of the professional development during the year will be run internally at minimal cost in twice weekly 2 hour teacher meetings, but the school is budgeting \$800 per teacher to pay for specialized support starting in year one.

The Charter school is budgeting \$15 per student to contract for required health screenings and health training for staff.

Start Up Expenses

The budget assumes \$40,000 for salaries and benefits (or contract expenses) for the equivalent of a School Director and Office Manager and \$30,000 for stipends for teacher training and curriculum development during the 2016-17 fiscal year. Under Books and Supplies it includes: \$42,500 for startup instructional materials and art and music equipment; \$36,725 for classroom furnishings include furniture, printers, video display projection equipment, file cabinets, wall boards and shelves; \$42,060 for teacher laptops and 125 chrome/books laptops for a more than 1:2 computer to student ratio, \$10,000 for administrative furniture and equipment and before school year supplies, and \$28,215 for network infrastructure. Under Servicing and Other Operating Expenses it

includes: \$34,080 for facility rental prior to July 1, 2017; \$25,575 for setup and training of Accounting and Business Services software, policies and procedures; \$40,000 over two years for Special Ed startup expenses, \$4,500 for new teacher professional development; \$6,500 for SIS system license and setup and training; \$10,000 for startup consulting services for Governance Training and the development of HR, Risk Management, IT and other policies and procedures as well parent, student, and employee handbooks; \$18,000 for startup technology consulting services; \$1,295 for student recruiting;

C. Capital Outlay

Budgeted Capital Outlay expenses are \$28,215 for Internet Network Infrastructure in the startup period.

D. Cash Flow

The cash flow projection assumes the Education Protection Account is disbursed quarterly. Property Tax payments are paid each month by the district. State Aid or "Local Control" is paid according to the 5-5-9 schedule with no deferrals.

To allow for county processing time, all payments are expected in the month following the disbursement month. For example, the July state aid payment of 5% is included in August in the cash flow forecast.

RVC will apply for the California School Finance Authority Charter School Revolving Loan Fund. The Charter School has forecasted receipt of \$250,000 in principal in July 2017, and assumes a four-year payback period. Repayments of this principal consist of \$62.5k per year, in six equal portions in September through February. The Charter School has also budgeted interest expense for this loan. The interest expense was calculated based on current expectations for Revolving Loan Fund terms (approximately 1.38% interest).

In the unlikely case that the Charter School does not receive the Revolving Loan, the Charter School could sell receivables to finance operations. The Charter School does not anticipate needing to borrow funds from the County Superintendent of Schools or the County Board of Education per Ed Code section 47603.

E. Contingencies and Reserves

Given its size, the Charter School plans to maintain at least 10% undesignated budget reserve for economic uncertainties starting with in year one. The Charter has two former RVSD trustees on its Board and believes in the importance of maintaining strong budgetary reserves. One of these board members, Conn Hickey, has extensive private sector financial management experience. He managed an \$8 million IT budget and staff at Westamerica Bank for over 25 years. He has also been to numerous CBO trainings put on by CASBO and ASCS. RVC's response to negative financial events will be to cut expenses and/or increase revenues, just as school districts have to do.