

4.b. Budget Assumptions 6-25-17

The attached Excel format budget 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). RVC engaged EdTec to advise and consult in the development of accurately projected Revenues, Expenses and Cash Flow.

The narrative below lays out the assumptions on which this budget is based. The budget reflects a positive operating income in each of the first three years of RVC operations resulting in 3 years in an ending balance that is 28% of that year's expenses.

A. Demographics

RVC is patterning itself on the Ross Valley School District (RVSD) MAP program at Manor School which operated for 20 years starting in 1996. Its six teachers taught 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 were the petitioning teachers and will work for the Charter starting July 1, 2017.

One of the reasons these six teachers are starting a charter school is to be able to grow the program by eventually adding three more classrooms (or one additional "strand" of K-5 to the existing two) to better meet the demand of the many families who have annually applied but for whom there has not been 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 with 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 its first year, 2017-2018, RVC is assuming that we will open with 7 classrooms, three TK-K-1, two 2-3, and two 4-5 classes. Because of this start up configuration, enrollment in the first three years is assumed to be 172, 172, and 194, with a third 2-3 class added in the third year.

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.

The attendance rate is assumed to be 96% which is slightly lower than the attendance rate experienced by the RVSD as a whole and MAP in particular over the last few years.

RVC is targeting the following demographics:

- 6% English Language Learner
- 12% Free & Reduced Lunch

Revenues

Local Control Funding has been calculated using the most recent FCMAT calculator. 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 2020-21 are based on the FCMAT calculator.

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
COLA	1.56%	2.15%	2.35%
Target Rate	7,937	8,107	8,329
Implementation	43.97%	71.53%	73.51%

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 \$200/ADA. The allocation of Property Tax is based on the Ross Valley Elementary School District 2014-15 P-2 rate of \$4,545 per ADA. The remaining amount is funded by regular State Aid or “Local Control.”

RVC will not participate in the Federal Free and Reduced Lunch Program but will provide free and reduced priced lunches to those who qualify.

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

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 El Dorado Charter SELPA, of which RVC will be a member. 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 over time 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 \$700 per student per year through parent and community fundraising efforts. In the Ross Valley School District, the YES educational foundation, which raises funds for the arts, has raised close to \$500 per student annually. MAP parents were above average contributors. In addition, RVSD parents have contributed an average of \$125 per student to their PTA plus significant additional funds for “giving trees”, field trips, technology and other needs. RVC parents have considerable 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 \$189/ADA in 2017-18, which is based on the School Fiscal Services projections.

The Charter has applied for and received a 4375, 000 PCSGP grant. By July 1, 2017, \$150,000 has been spent, leaving \$225,000 to spend in 2017.

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 been at had 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 and eighth classroom teachers are assumed to be relatively new teachers who will start near the bottom of the salary schedule. The Special Ed teacher has been hired and her actual salary is budgeted.

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.

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 \$9,420 for 2017-18 for each employee participating and increasing by 4% per year thereafter. Two of the current RVC teachers will not take health benefits through the Charter School. It is budgeted for all the other 6 full-time teachers and administration.

The budget assumes substitutes needed for 4.5% of the student attendance days for seven teachers at a rate of \$140 per day. There is a little more in the first year because there will be more professional development that year.

The only other full-time staff will be a School Director and an Office Manager. Business services transactions will be done by EdTec in the first year and then by RVC thereafter using EdTec Accounting software, the license and support for which is included in the budget. The Charter CFO has extensive business accounting and school accounting

experience and will oversee accounting practices on a volunteer basis in conjunction with the School Director.

The budget includes salaries for two part-time certificated employees: a 7 hour a week intervention teacher and English Language Development teacher. There will also be non-certificated teachers at 7 hours each for Spanish language, Art, and Music. It also includes a PE instructor at 14 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 7 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. The budget assumes all these part time people will be employees, but it is possible the services will be contracted for at equivalent cost. The hours of these part time employees will increase as the classrooms increase from 7 to 8 in year three.

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 \$70 per student for ongoing purchasing of curriculum and reference materials, books, and other instructional equipment, materials and supplies. First year materials will be funded with the PCSGP grant.

Educational and administrative computing will all be done using the cloud for all data storage. All student and employee laptops will be Chromebooks, greatly reducing support requirements. There will be no RVC server. Technical support is budgeted at \$8,000 in years one and three and \$4,000 in year two. RVC will rely heavily on Google services which are provided free. Purchase of this equipment will be done with the PCSGP funds.

The Charter has arranged for Good Earth, a local school lunch provider, to provide daily lunch service. The budget includes both revenues and expenses for these services and assumes that revenues will equal expenses.

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 renting facilities from the Ross Valley School District using the Proposition 39 process and has accepted the District final offer including pro rata share cost is \$85,245, which has been budgeted. The number of in district students projected by RVC last November will exceed the number of actual in district students and an overallocation penalty of \$71,000 has been estimated for the first year.

The Charter School is separately budgeting for utilities, janitorial, and some 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 has included the required 1% oversight payment to its charter oversight entity, the Charter Division of the California Department of Education.

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 \$5,000 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 of \$225,000 are budgeted in the first year and these are delineated in the budget section that breaks out the restricted revenue and expense.

B. Capital Outlay

There is no capital outlay budgeted as reasonably equivalent facilities will be provided by Ross Valley School District under Proposition 39.

C. Cash Flow

A cash flow projection is included. Thanks to a five year low interest \$250,000 California School Finance Authority loan, RVC will have positive cash balances every month of the fiscal year, ending the year with a \$300,505 cash balance.

D. Contingencies and Reserves

Given its size, the Charter School plans to maintain a 6% 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.