

Community Learning Center Schools

Financial Presentation



Business and Development Specialists
for Charter Schools

May 29, 2014

Peter Laub

T: 510.663.3500 F: 510.663.3503 • 1410-A 62nd Street, Emeryville, CA 94608 ©2014 EdTec Inc.

Financial Presentation Agenda



- Financial Update for 2013-14
 - Budget Forecast Update
 - Cash Flow
- 14-15 Draft Budget Presentation

2013-14 CLCS Revenue Forecast Update

The revenue forecast is unchanged from the last meeting.



- **The schools ended at P2 unchanged from the earlier forecasts:**
 - Nea ended at 489.5 ADA
 - ACLC ended at 328.4 ADA

2013-14 CLCS Expense Forecast Update

Forecasted expenses are up at both ACLC and Nea



- **The primary driver of expense increases are the additional moving expenses expected for both ACLC and Nea**
 - ACLC is anticipating \$31K of additional moving expenses in this fiscal year, due to the move and the technology set up.
 - Nea is forecasted to have \$51K of move-related expenses in this fiscal year.
- **Additional changes for Nea include:**
 - Nea has some additional expenses due to severance for two employees, but some offsetting salary savings in May and June for the same employees.
 - Savings in health costs, which didn't increase as much as we had conservatively expected.
 - Paraprofessional costs are tracking lower due to one position change and under hiring relative to the plan.
- **Additional changes for ACLC include:**
 - Savings in health care costs.
- Both schools may have savings in legal fees and SPED expenses, but due to the uncertainty of where those expense categories will land, the forecast has not been changed.

2013-14 Finances: Cash Flow Update

LOC will not need to be tapped



- Cash balances are strong but decreasing over the next couple months, but will rebound with P-2 payments and the implementation of LCFF.

2. 2014-15 Budget Presentation

CLCS Draft Budget

Attached budget represents the budget that includes collective bargaining



- The finance committees of each school are evaluating the budget, but the attached budget is the latest iteration of that process.
 - There is still meaningful work to be done by the various committees of the schools.
- These budgets includes the assumption that the collective bargaining agreement is accepted as presented.
- The attached budgets include only a 22% implementation of LCFF since that is what the committees used to review these budgets before the May Revise was released.
 - However, the exhibits in this presentation include the full 28% LCFF implementation as contemplated in the May Revise of the state budget.

State Budget Update: Governor's May Revise

Overall the May Revise is not significantly different from the Governor's January Budget Proposal, and continues to include significant investment in K12 education.

Local Control Funding Formula (LCFF)

- Consistent from January, the May Revise includes \$4.5B for LCFF implementation in 14-15
- This will allow elimination of 28% of the gap between current and target funding, as proposed in January

STRS

- The May Revise proposes an increase in employer contributions from 8.25% to 9.5% in 14-15
- This is expected to increase until the 19.1% target contribution is reached (likely by FY21)
- Employee contribution would increase from 8% to 8.15% in 14-15, reaching 10.25% in 3 years
- State contribution would increase from 3.04% to 6.33% over 3 years
- Overall, this is a long term plan to solve for \$74B unfunded liability that currently threatens retiree payments

High Speed Network

- The May Revise proposes \$26.7M in one-time funds, which will be prioritized for projects critical to the implementation of computer-based assessments in 14-15 (unclear how school needs will be assessed in order to award and prioritize grants)
- Some districts are referring to this as additional Common Core implementation funds

State Budget Update: Governor's May Revise

Overall the May Revise is not significantly different from the Governor's January Budget Proposal, and continues to include significant investment in K12 education.

Rainy Day Fund

- Would set aside a portion of General Fund revenues to cover state expenditures when revenues are low, and would establish a Prop 98 reserve to minimize cuts in lean revenue years
- Contributions to the reserve would not start until pre-recession cuts are restored (likely 3-5 years)
- If approved by Legislature in June, this item would go to voters in November

Deferrals

- Consistent with the January Proposal, the May Revise proposes the “buy back” of all K12 deferrals, which would eliminate all 14-15 deferrals

Clean Energy Jobs Act (Prop 39)

- The May Revise proposes \$9M less than the January Proposal for eligible energy efficiency projects
- Should not impact planning funds already distributed, but schools are encouraged to submit plans sooner rather than later to take advantage of funding

Next Steps

- State Legislature has until June 15 to approve a budget by a majority vote
- STRS is expected to generate the most discussion over the next 30 days

2014-15 Budget: Revenue Assumptions

LCFF Calculation Review



		2013-14	2014-15
"Base Grant"	K-3	\$6,952	\$7,012
	4-6	\$7,056	\$7,117
	7-8	\$7,276	\$7,328
	9-12	\$8,419	\$8,491
"Grade Level Add-ons"	K-3	\$723	\$729
	9-12	\$219	\$221
"Supplemental Grant"	20% of base grant for all unduplicated FRL/ELL/FY		
"Concentration Grant"	50% of base grant for all unduplicated FRL/ELL/FY above the 55% - capped at district unduplicated		

Move **11.78%** of the way from 2012-13 per ADA rate towards calculated target rate

Move **28%** of the way from 2013-14 per ADA rate towards calculated target rate

2014-15 Budget: Revenue Assumptions

2014-15 LCFF Target Calculation for Nea



2014-15

“Base Grant”	K-3	\$7,012	\$3.4M assumes 461.7 ADA
	4-6	\$7,117	
	7-8	\$7,328	
	9-12	\$8,491	
“Grade Level Add-ons”	K-3	\$729	\$151k K-3 and 9-12 Add-ons
	9-12	\$221	
“Supplemental Grant”	20% of base grant for all unduplicated FRL/ELL/FY		\$276k assumes 37% unduplicated
“Concentration Grant”	50% of base grant for all unduplicated FRL/ELL/FY above the 55% - capped at district unduplicated		\$0k below 50% threshold

Target = \$8,309/ADA

Move **28%** of the way from 2013-14 per ADA rate towards calculated target rate

2014-15 Budget: Revenue Assumptions

2014-15 LCFF Target Calculation for ACLC



2014-15

“Base Grant”	K-3	\$7,012	\$2.65M assumes 335 ADA
	4-6	\$7,117	
	7-8	\$7,328	
	9-12	\$8,491	
“Grade Level Add-ons”	K-3	\$729	\$39k HS Add-on
	9-12	\$221	
“Supplemental Grant”	20% of base grant for all unduplicated FRL/ELL/FY		\$158k assumes 28% unduplicated
“Concentration Grant”	50% of base grant for all unduplicated FRL/ELL/FY above the 55% - capped at district unduplicated		\$0k below the 50% threshold

Target = \$8,486/ADA

Move **28%** of the way from 2013-14 per ADA rate towards calculated target rate

2014-15 Budget: Revenue Assumptions

LCFF Implementation



- Schools will move toward their target rate over the next 8 years
- Each year, the target rate is recalculated
- In 2014-15, Nea and ACLC will move 28% from the 13-14 rate to the new target rates of \$8,309/ADA and \$8,486 respectively.

The following implementation schedule is based on the Governor's January budget proposal, which is consistent with the recent May Revise:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Implementation % Towards Goal	11.8%	28.05%	33.95%	21.67%	25.0%	33%	50%	100%
Total Effective Implementation %	11.8%	36.5%	58.1%	67.2%	75.4%	83.6%	91.8%	100.0%

- Nea's and ACLC's effective 2014-15 rates are \$6,849/ADA and \$6,994/ADA, respectively.
- **NOTE:** The budgets in front of you assume a 22% implementation, which is what the finance committees saw. The final budget proposal will include the 28% implementation which will add an incremental \$50K to the Nea bottom line and \$37K to the ACLC bottom line.
 - The exhibits in the following slides include the 28% LCFF implementation.

2014-15 Budget: Cash Flow



- In January, the Governor proposed a deferral-free schedule for 14-15
- The May Revise is consistent with this proposal, and the outlook is positive for a deferral-free school year. Tax receipts have tracked higher than the Governor's projections.
- Even if state budget is approved with no deferrals, economic conditions in California could change quickly and necessitate the need for deferrals at some point in the year

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
State Aid - Standard	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Deferral												
Deferral												
Deferral												
Deferral												
State Aid - Adjusted	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
EPA	0%	0%	25%	0%	0%	25%	0%	0%	25%	0%	0%	25%
Property Tax	0.00%	6.00%	12.00%	8.00%	8.00%	8.00%	8.00%	8.00%	14.00%	7.00%	7.00%	7.00%

- - No Deferrals Planned - -

2014-15 Budget: CLCS Overview

2014-2015 budget has been prepared based on the current year staffing levels and adjusting appropriately for programmatic, staffing and funding changes.



Enrollment

- Assumed 486 students at Nea and 353 students at ACLC and 95% attendance rate:
 - At Nea this represents a 6% decrease in enrollment due to potential attrition.
 - At ACLC, there is 3% growth, which includes a small amount of attrition among cohorts (except for 8th to 9th which is more marked), but a net increase at most grade levels as the larger lower grade levels replace smaller upper grade levels (57 6th graders replacing 24 graduating seniors)

Facilities

- In 14-15 FY, Nea and ACLC will be on one site, which will entail meaningful moving and facilities set up expenditures, but will result in some small economies of scale and shared resources
- The big win of the new facility is a long horizon without facilities uncertainty.

Staffing

- Subject to discussion in the finance and staffing committees, ACLC is planning to add two FTEs – two facilitators, one of which would be an Asst. Lead Facilitator
- Nea is currently planning to add one facilitator at the second grade level, but that could change depending on enrollment projections.
- Collective bargaining is ongoing, and stipends still need to be resolved.

2014-15 Budget: Nea Overview

Key highlights of 14-15 budget and changes from 13-14



Nea	<u>2013/14</u>	<u>2014/15</u>
	Current Forecast	Preliminary Budget
SUMMARY		
Revenue		
General Block Grant	3,073,746	3,162,245
Federal Revenue	81,063	81,311
Other State Revenues	520,058	349,993
Local Revenues	257,534	247,556
Fundraising and Grants	93,120	95,914
Total Revenue	4,025,521	3,937,019
Expenses		
Compensation and Benefits	2,699,062	2,738,379
Books and Supplies	216,878	216,711
Services and Other Operating Expenditures	992,700	866,966
Capital Outlay	-	-
Total Expenses	3,908,640	3,822,057
Operating Income (excluding Depreciation)	116,881	114,962
<i>Operating Income (including Depreciation)</i>	116,881	114,962
<i>Operating Income as % of Expenses</i>	3.0%	3.0%
Fund Balance		
Beginning Balance (Unaudited)	1,039,509	1,156,390
Operating Income (including Depreciation)	116,881	114,962
Ending Fund Balance (including Depreciation)	1,156,390	1,271,353
Ending Fund Balance as a % of Expenses	30%	33%

- Enrollment: 486
- ADA : 461.7
- One-time Common Core and Prop 39 monies not in 14-15
- *Note: the budget to the right includes higher 28% LCFF implementation.

- One additional facilitator, but reductions due to Mr. Bentz retiring and lower overall admin comp for site-based administration.
- Savings in Prop 39 expenses (no revenue either)
- Reduction in misc operating expenses, business services, legal fees, utilities.

2014-15 Budget: Nea Revenue Overview

Percentage variances for enrollment and funding



	<u>2013-14</u>	<u>2014-15</u>	Δ
Enrollment	517	486	-6%
LCFF GAP Closed %	12%	28%	
Funding Rates			
K-3 LCFF Entitlement	6,952	7,012	1%
4-6 LCFF Entitlement	7,056	7,117	1%
7-8 LCFF Entitlement	7,276	7,328	1%
9-12 LCFF Entitlement	8,419	8,491	1%
Lottery	154	154	0%
Federal Revenues	81,063	81,311	0%
Other State Revenue	520,058	349,993	-33%
Other Local Revenue	257,534	247,556	-4%
Fundraising	93,120	95,914	3%
Rev/Learner	7,786	8,101	4%

- *Note: table includes higher 28% LCFF implementation.
- Reduction in state funding from removal of Common Core and Prop 39.
- Decrease in local revenue due to smaller enrollment-driven revenues and removal of one-time revenues.

2014-15 Budget: Nea Expense Overview

Key expense variances from 2013-2014 to 2014-2015



	<u>2013-14</u>	<u>2014-15</u>	Δ
Enrollment	517	486	-6%
Facilitators	28.8	29.1	1%
Admin	2.8	2.2	-24%
Avg. Fac. Salary	54,146	56,655	5%
Facilitator Cost per ADA	2,799	3,042	9%
Cert. Admin Cost per ADA	729	568	-22%
Health/FTE	5,838	6,655	14%
Books & Supplies	\$216,878	\$216,711	0%
District Oversight	3%	3%	0%
Sped Contractors	149,094	153,566	3%
Technology Services	63,500	77,405	22%
Exp/Student	7,560	7,864	4%

- Enrollment decline due to possible attrition
- Increase in number of facilitators
- Increase in average facilitator cost and per ADA cost due to higher salaries, one more facilitator, and fewer students.
- Decrease in admin cost and admin cost per ADA
- Increase in tech expenses, due in part to installation of new systems.

2014-15 Budget: ACLC Overview

Key highlights of 14-15 budget and changes from 13-14



ACLC	2013/14	2014/15
	Current Forecast	Preliminary Budget
SUMMARY		
Revenue		
General Block Grant	2,105,035	2,345,368
Federal Revenue	44,056	45,134
Other State Revenues	362,810	254,126
Local Revenues	117,514	113,065
Fundraising and Grants	158,483	140,948
Total Revenue	2,787,899	2,898,640
Expenses		
Compensation and Benefits	1,742,728	1,896,997
Books and Supplies	173,968	182,063
Services and Other Operating Expenditures	789,326	717,097
Capital Outlay	-	-
Total Expenses	2,706,022	2,796,156
Operating Income (excluding Depreciation)	81,876	102,484
<i>Operating Income (including Depreciation)</i>	81,876	102,484
<i>Operating Income as % of Expenses</i>	3.0%	3.7%
Fund Balance		
Beginning Balance (Unaudited)	996,144	1,081,674
Operating Income (including Depreciation)	81,876	102,484
Ending Fund Balance (including Depreciation)	1,081,674	1,184,158
<i>Ending Fund Balance as a % of Expenses</i>	<i>40%</i>	<i>42%</i>

- Enrollment: 353
- ADA : 335.4
- No Common Core or Prop 39 in 14-15
- Reduction in 180 Grant.
- *This budget includes higher 28% implementation of LCFF

- Two additional facilitators – one with admin responsibilities – offset in part by savings from one paraprofessional reduction.
- Reductions in misc operating, legal fees, janitorial, and clean energy, offset by increases in SPED contractors.

2014-15 Budget: ACLC Revenue Overview

Percentage variances for enrollment and funding



	<u>2013-14</u>	<u>2014-15</u>	Δ
Enrollment	344	353	3%
LCFF GAP Closed %	12%	28%	
Funding Rates			
4-6 LCFF Entitlement	7,056	7,117	1%
7-8 LCFF Entitlement	7,276	7,328	1%
9-12 LCFF Entitlement	8,419	8,491	1%
Lottery	154	154	0%
Federal Revenues	44,056	45,134	2%
Other State Revenue	362,810	254,126	-30%
Other Local Revenue	117,514	113,065	-4%
Fundraising	158,483	140,948	-11%
Rev/Learner	8,104	8,211	1%

- *Note: table above includes higher 28% LCFF implementation.
- Reduction in state funding from removal of Common Core and Prop 39.
- Reduction in 180 Foundation grant

2014-15 Budget: ACLC Expense Overview

Key expense variances from 2013-2014 to 2014-2015



	<u>2013-14</u>	<u>2014-15</u>	<u>Δ</u>
Enrollment	344	353	3%
Facilitators	12.1	13.1	8%
Admin	2.2	2.8	32%
Avg. Facilitator salary	\$ 56,511	\$ 58,956	4%
Facilitator cost per ADA	\$ 2,446	\$ 2,465	1%
Cert Admin cost per ADA	\$ 718	\$ 884	23%
Health/FTE	6,357	7,247	14%
Books & Supplies	\$173,968	\$182,063	5%
District Oversight	3%	3%	0%
Sped Contractors	14,600	65,038	345%
Technology Services	80,000	82,400	3%
Exp/Student	7,866	7,921	1%

- Increase in average salary of facilitators
- Slight increase in avg. cost per ADA
- Increase in Admin cost per ADA
 - Note this percentage is slightly skewed because one of two new facilitators is being coded to cert. admin.
- Jump in SPED contractors due to possible non-public placement

2014-15 Budget: Risk Factors

While the EdTec projections are conservative, there are still several risk factors



- Enrollment Projections
 - Nea likely has the most risk around the enrollment projections, but the move may impact both schools meaningfully.
- Staffing
 - Collective bargaining has not been completed. Actual compensation costs may vary.
 - Stipends, which have historically been a non-negligible part of the compensation are still being worked out.
 - The number of BTSA-eligible teachers still needs to be determined.
- Funding Rates
- SPED
 - SPED costs can be variable, while funding is more or less fixed. Building a SPED reserve is advisable.

Draft 2014-15 Budget: Next Steps



- The Nea and ACLC finance, staffing, and boards still have a ways to go to put forward a recommendation.
- The revised budgets will come back to the CLCS board for review and approval at the next board meeting.
- Approve 14-15 Budget and multi-year budgets at June board meeting.