

# Make Your Petition Budget a Slam Dunk!

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### Roadmap for a successful petition budget

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## Presenters



Sarah Bach, Sycamore Creek Community Charter

- Ocean View, CA
- OCDE vote scheduled for April 2017
- School planned to open Fall 2017



Kapil Mathur, Orange County Academy of Arts & Sciences

- Laguna Niguel, CA
- Approved by OCDE in February 2016
- School opened Fall 2016



Dorothy Lee, EdTec


## Approaching the Process



## Approaching the Budgeting Process 5

Budget collaboration involves teamwork and timing

Who is involved?



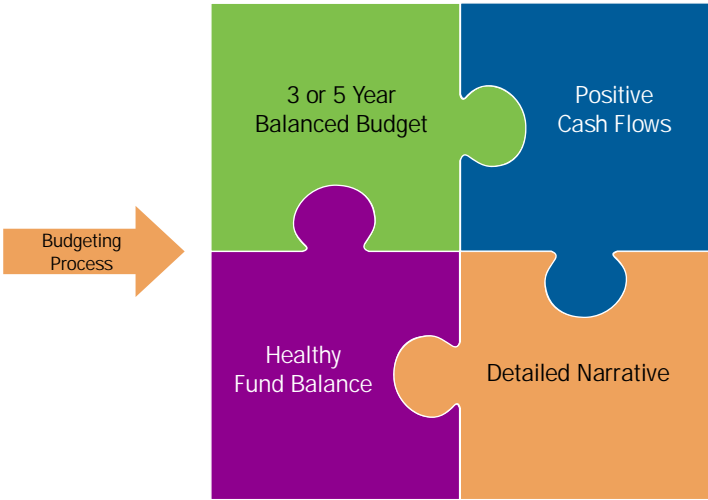
Internal Team Members   Outside Consultants   Reviewers

When do I start?

- Backwards plan
- Tandem with the petition
  - High level assumptions
  - Program developed
  - Iterate budget and petition, repeat
  - Final check on petition alignment

## Approaching the Budgeting Process 6

What's the output?



Budgeting Process →

3 or 5 Year Balanced Budget   Positive Cash Flows

Healthy Fund Balance   Detailed Narrative

# Best Practices



## Best Practices: Revenues



Average Daily Attendance (ADA) is the basis for revenue calculations

### Conservative assumptions

- **Enrollment**
  - Realistic, retention
  - ADA
- **Attendance**
  - What percentage to use
  - School type matters
- **Growth**

### Financial feasibility

## Best Practices: Revenues 9

**Funding affects the income statement and cash flow**

Get the funding model correct

Eligibility requirements

Local Control Funding Formula (LCFF)

- Fiscal Crisis & Management Assistance Team (FCMAT) Calculator
- Schools Services of California
- Narrative notations

Multiple versions

## Best Practices: Revenues 10

**Understand your largest revenue source**

The diagram illustrates the composition of the Local Control Funding Formula (LCFF). It is structured as follows:

- From the State:**
  - State Aid (received via the 5-5-9 schedule)
  - Education Protection Account (received quarterly)
- From the District:**
  - In-lieu of Property Tax (received monthly)

The equation shown is: State Aid + Education Protection Account + In-lieu of Property Tax = LCFF.

## Best Practices: Revenues

### Be clear on core revenue sources for start-up

#### Local Control Funding

- State aid, in-lieu, EPA split
- FCMAT calculator
  - Gap funding rate
  - COLA
- Unduplicated pupil percentage (UPP)
  - Your UPP
  - District UPP

#### Public Charter School Grant Program (PCSGP)

- Budget versions
- Award levels
- Not guaranteed

## Best Practices: Revenues

### Additional revenues vary by school

#### SB740

- Lesser of \$750/ADA or 75% of rent, maintenance, etc.
- Greater than 55% Free/Reduced Lunch (FRL) population
- Prop 39 and independent study schools are ineligible

#### Federal Title funds

- Funding rates vary by county
- Based on FRL
- Contingencies

#### Fundraising

- Pledge letters
- History of fundraising ability
- Discounted without backup

## Best Practices: Expenses

Each expense requires back up and continuity

### Salaries and Benefits

- **Teachers**
  - Average in surrounding districts
  - Experience level
  - Specialized subjects
- **Leadership staffing**
- **Office staff**

Charter school expenses are generally lower than district/county expenses in salary, benefits.

### Benefits

- Health and welfare, stipend, coverage
- Retirements: STRS, PERS, 403(b)/employer match

Comparative salary information

## Best Practices: Expenses

Materials and equipment expenses relate to the program

### Instructional Materials

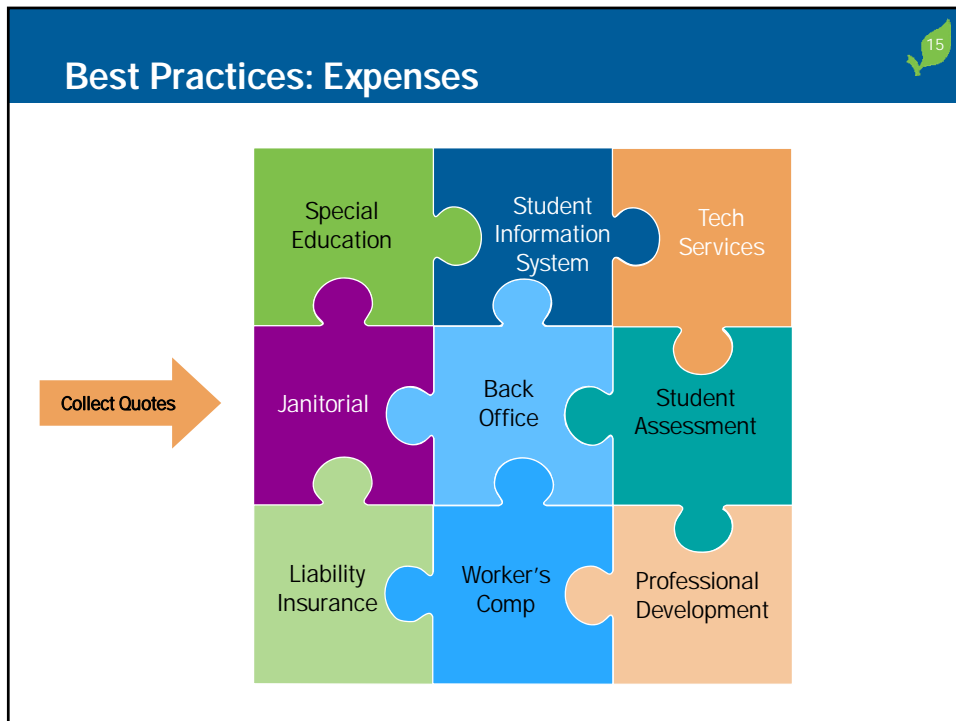
- Textbooks, books and other reference materials
- Consumables, recurring: workbooks, art, project materials

### Lunch Program

- Reimbursements and expense
- Assumptions align with student population

### Technology Requirements

- Computer support
- Specific software
- Mobile laptop cart vs. classroom with computers vs. computer lab
- Servers, infrastructure



### Best Practices: Expenses

#### Realistic estimates for housing and running the school

**Prop 39 Facility**

- November 1 submission
- At least 80 in-district signatures
- 3% oversight or pro-rata share

**Private Facility**

- Lease cost, dollar per square foot, square footage needed
- Type of lease: full service, industrial gross, triple net

Utilities, maintenance, janitorial, etc. if not in lease

Do your research! Easy target for authorizers to focus on



## Best Practices: Expenses



### Don't forget these often overlooked items

Physical Education, After School Supplies

Field Trips

Copier Lease(s)

Student and Staff Recruitment

Health Services

Debt Service and Financing Costs

## Best Practices: Budget Development



### Independent study schools thresholds

#### Petition Budget Meets Funding Determination Thresholds

- At least 40% certificated compensation
- At least 80% instructional related expenses
- Pupil-teacher ratio

Account for any eligible mitigating circumstances

## Best Practices: Budget Development



### Research special education options

#### School of the District

- Charter pays encroachment
- District/County retains SPED revenues and provides services

#### Other SELPA

- Charter SELPA most common
- Receives funding
- Controls expense decisions

New charter typically school of the district

## Best Practices: Cash Flow



### Pay attention to each and every line

Revenue and Expense Timing Must be Correct

Flow of Funds Varies by Source

Expense Timing to Reflect School Operations

## Best Practices: Cash Flow



### Financing May Be Necessary

Include financing (proceeds, principal payments) if backup exists

#### CA School Finance Authority Revolving Loan

- Up to \$250,000
- New schools given priority
- Application timing
- District preferences

## Pitfalls



## Pitfalls and Common Challenges



### Focus on these frequently targeted areas

#### Revenues

- Reference sources, provide explanations
- Indicate assumptions are current as of date of submittal

#### Expenses

- Align with petition
- Include appropriate support (e.g. vendor quotes)
- Spend extra time on salaries and benefits, facilities

## Pitfalls and Common Challenges



### Anticipate authorizer's focus areas

#### Finishing Touches

- Ensure budget figures match petition
- Include all pieces: multiyear budget and cash flow, narrative

#### Get to Know the Authorizer

- **Read and review**
  - Board minutes
  - Findings from other petitioners
  - Charter review rubric
- **Build relationships**
- **Talk to other charter leaders**

## Pitfalls and Common Challenges

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### Prepare thoroughly for the public hearing and board vote

Public Hearing is “to consider the level of support for a petition” pursuant to CA Ed Code § 47605(b)

#### Create a Thoughtful Presentation

- Showcase the program’s strengths
- Led by development team, parents, community members
- Involve consultants
- Address budget and operations

Prepare for Q&A, Anticipate Areas of Concern

Capacity Hearing

Special thanks to Kapil and Sarah!

# Thank you!


**ADDITIONAL QUESTIONS? CONTACT US:**

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## About EdTec

- Founded in 2001 to **develop, support and advance quality charter schools**
- A **social mission-driven** organization, EdTec's social impact spans:
  - 300+ Partner Schools
  - 160K+ Students Supported
  - 380+ Staff Years of Charter Expertise
- Known for **best-in-class business and operations services:**
  - Back-Office Business Services
  - Data Services
  - Charter Development
  - Governance Support