

Budget Narrative

The attached budget and cash flow projections are based on estimates of the actual revenue and costs to implement Ipso Charter School (referred to below as Ipso or the Charter Charter School) as described in this Petition. Ipso 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.

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 and results in an ending balance that is 34% of expenses in year five.

Demographics

Ipso will start with 132 9th grade students in the 2017-18 school year. One class of 132 will be added each year until the charter is fully enrolled with 528 students in 2020-21.

The attendance rate is assumed to be 95%.

Ipso is projecting the following demographics based on San Rafael City High School District averages:

- 17% English Language Learner
- 42% Free & Reduced Lunch qualifying
- 46% Unduplicated Percentage

Revenues

Local Control Funding has been calculated using the FCMAT calculator released after the Governor's May 2016 Budget, as well as information from the 2015-16 P2 certification. The calculator file is available on request. Major assumptions include:

- Enrollment and ADA assumptions as outlined above.
- 46% unduplicated in all years assumed for Supplemental Grant.
- Due to the above unduplicated assumption, Ipso would not qualify for Concentration Grant funding.
- In order to calculate the floor rate, data was used from San Rafael City High School District.
- COLA percentages for 2017-18 through 2019-20 are based on the 2016-17 Governor's Budget and the most recently released FCMAT calculator. The 2020-21 calculation assumes a COLA equal to 2019-20 and that LCFF would be fully completed as planned. The 2021-22 funding rate assumes a 1% COLA.

Because Ipso's unduplicated percentage is projected to be the same as the district and students will come from the same LCFF grade span, the LCFF rates are projected to be the same as SRCHSD. However, Ipso would receive less funding because the school would be capped at the LCFF rate rather than receiving the full property tax rate.

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	1.10%	2.42%	2.67%	2.67%	1.00%
Funding Rate	9,561	9,720	10,090	10,485	10,590
Implementation	73.96%	41.22%	75.16%	100%	NA

The above revenues are funded by In-Lieu of Property Tax. The allocation of Property Tax is based on the San Rafael City High School District 2015-16 P-1 rate. Because that rate is above the calculated LCFF rate, Ipso would receive the full funding rate through In-Lieu of Property Taxes. Ipso would also receive \$200 of funding through the Education Protection Account, which is the minimum level of funding.

IPSO has budgeted for Child Nutrition using 2015-16 reimbursement rates. To be conservative, IPSO is not budgeting that all food costs will be reimbursed and the program will run at a small loss.

Ipso expects to receive Title I funding at a rate of \$425 per FRL student.

Ipso will receive SB-740 funding, as the school plans to locate in the attendance area of an elementary school district that has an FRL percentage greater than 55%. This would

provide Ipso with the lesser of 75% of facilities costs or \$750 per ADA. In Ipso's case this is projected to be \$750 per ADA.

Ipso is planning on being a part of the district or county SELPA for special education services and would not receive any state or federal special education funding. In future years Ipso will evaluate becoming part of a charter school SELPA, which would allow the school to receive both state and federal revenues, but that is not included in the budget.

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.

Grants/Fundraising

Ipso has already received \$250,000 in grants for the startup period, which is reflected in the budget. In addition, as Ipso meets its grant milestones including charter approval, there will be a commitment of another \$300,000 for the first and second year of operation, which is also included in the budget.

Ipso is under strong consideration for several other grant opportunities, none of which are currently included in the budget. Should additional grants materialize Ipso would add additional expenses associated with the grants.

Additionally, Ipso would qualify for the newly approved Charter School Startup Grant program. The 2016-17 California budget includes \$20 million in funding for startup charter schools like Ipso, but is not included in the petition budget since the details are still unknown.

Expenses

Staffing and Benefits

Staffing – All salaries grow at 3% per year.

Certificated

Ipso will have four core teachers in year one and add four additional core teachers each year. In addition, there will be a half time elective teacher in year two, which increases to a full time position in year three. A second elective teacher will be added in year four. The average teacher salary starting in 2017-18 is budgeted at \$76,000.

Ipso will have two certificated administrators in the first, second and third year of operation, with one serving as executive director and one serving as principal. The average salary of the two administrators is \$106,000. For the first two years both of these administrators will also function as part time teachers. In the fourth year these positions will continue and an assistant principal will be added at \$98,345 (based on a 17-18 salary of \$90,000 and adjusted for inflation).

The budget assumes that substitutes are needed for ten days for each teacher at a rate of \$150 per day. This amount is included in services and other operating expenses.

Classified

Ipso will use learning coaches (paraprofessionals) starting with a 1.5 FTE in year one and increasing by 1.5 FTE each year that the school grows until there are 6 FTE in year four. These positions would be part time employees and would be paid at a rate of \$18 per hour.

Starting in year one Ipso will have an office manager at a salary of \$50,000. In year three the school will add an operations manager at a salary of \$68,959.

The school will hire a half time community liaison in year three with a salary of \$26,523. In year four this position will be full time with the salary increasing accordingly

Ipso will use part time food service workers to help with the lunch program and these positions are projected at \$16 per hour. This starts at two hours per day in year one and gradually increases to eight hours, split between several staff, when the school reaches capacity in year four.

In the first three years Ipso will contract out Janitorial Services, but will hire a full time janitor in year four at a salary of \$49,173.

Benefits

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.

Ipso will offer health insurance to all full time employees. Assumed rate in the budget is \$7,500 for 2017-18 for each employee participating and increasing by 6% per year thereafter. This amount would include health, dental and vision.

Ipso has also included employer contributions for Medicare, State Unemployment Insurance and Worker's Compensation.

Books and Supplies

Ipso will invest heavily in technology providing a Chromebook for each student with a budgeted cost of \$300 for each new student each year. In addition, there is also \$50 per student (\$1,650 per classroom) budgeted for teacher computers and classroom

projectors. Technology replacement would begin in year three and is budgeted at \$100 per student.

Much of the curriculum will be accessed through the computers and Ipso is budgeting \$300 for purchase and subscription to on-line software. In addition, Ipso has budgeted \$100 per new student and \$25 per student for returning students for Textbooks and \$75 per student for instructional materials and books and other reference materials.

Classroom furniture has been budgeted at \$150 per new student and office furniture at \$1,000 per new FTE.

The Charter School will arrange for an outside vendor to provide food service. The budget includes both revenues and expenses for these services at a small net cost to Ipso, assuming a 97% reimbursement rate across all programs.

Services and Operating Expenses

Services and Operating expenses and cost rates were estimated by EdTec based on its experience doing back office services for over 350 California charter schools. As much as possible the rationale for the expenses is indicated in the notes column in the budget detail. Most expenses grow at 3% per year to account for inflation, while also increasing relative to the additional number of students and staff as the school grows.

IPSO is planning to rent facilities privately. We have budgeted for 85 sq. ft. per student at a rate of \$1.80 per square foot per month. In year one, this would be a total cost of \$242,352. In future years the square footage needed per student would go down slightly as the school achieves economies of scale and the cost per square foot would increase at 3%, with the facilities cost reaching \$872,363 in 2020-21 when the school reaches full capacity.

The Charter School is separately budgeting for utilities, janitorial, and repairs and maintenance. Utilities are projected at \$.20 per square foot per month. Total utilities costs would range from \$26,928 in year one to \$99,837 in year five. 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. Janitorial services would be provided through an outside vendor for the first three operational years and would transition to an on staff, full time janitor in the fourth year.

Special Education Encroachment has been budgeted at \$750 per ADA, which is net of all revenues that would go to the SELPA.

Ipso will contract out with back office provider, such as EdTec, for support with budget development, financial management, accounting, payroll, accounts payable and attendance and board support. Fees are estimated based on a sliding scale percentage of revenue and are projected at \$81,850 in year one and gradually increasing to

\$164,503 by year five. Ipso has separately budgeted for its annual non-profit audit and tax filings with the cost starting at \$10,900 in year one.

Professional development is an important part of the Charter School. The school has budgeted \$3,200 per teacher for professional development and an additional \$1,000 per teacher for conference fees. This is not to say that this exact amount will be spent each year on each teacher, but rather to set a budget for professional development with school administration figuring out the best allocation.

The Charter School is budgeting \$25 per student to contract for required health screenings and health training for staff, \$25 per student for student assessment and \$50 per student for printing a reproduction.

Ipso has included \$30 per student for a student information system and \$50 per student for technology services. Each of these line items has an additional \$5,000 in year one for initial set up costs and training.

Ipso recognizes that costs could fluctuate as the needs of the school change and that additional costs could arise. In addition to building reserves to account for uncertainties, Ipso also has a budget line item for a director's contingency of \$2,000 per FTE with the total amount starting at \$17,000 in year one and growing to \$68,656 in year five.

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

Capital Outlay

Budgeted Capital Outlay expenses are \$50,000 in year one for any necessary building preparation. Ipso does not plan to locate in a facility that needs any major renovations and the \$50,000 allocated would be for things like painting, carpet installation and minor renovations.

Start Up Expenses

The budget assumes \$177,088 for salaries and benefits for the school leaders in the startup year.

Additional expenses include \$20,300 for legal fees, \$18,000 for professional development, \$13,000 for marketing, \$3,500 for consultants, \$2,000 for technology, \$2,000 for business services, \$2,000 for accounting fees, \$2,000 for CCSA membership dues, \$2,000 for insurance and \$1,000 for internet and website services.

Cash Flow

The cash flow projection assumes that Property Tax payments are paid each month by the district, aside from the first two payments which would come in October 2017 and January 2018 through the special advance apportionment. Education Protection Account payments are disbursed quarterly.

Once authorized, IPSO 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 August through January. 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 1.5% interest).

In the unlikely case that the Charter School does not receive the Revolving Loan, the Charter School could sell receivables to finance operations. Ipso has received a commitment letter from Charter Asset Management for \$800,000 in funding, who has a substantial history of funding similar charter schools.

Expenses have been allocated based on the experience of similar charter schools. Spending for books and supplies is heavier in July and August as the school purchases curriculum, technology and furniture.