

Lincoln Academy Board of Directors **2016-17 Forecast** **Finance Committee Summary**

The Mission of Lincoln Academy is to help students attain their highest social and academic potential through an academically rigorous, content-rich educational program in a safe, orderly, and caring environment.



Introduction to Finance Committee

- Jeff Baucum; Board of Directors – Treasurer (parent)
● jeffbaucum@lincolnacademy.net
- Janelle Johnson; Principal
- Cindie Poulter; Business Manager
- Nathan Alley – Member at large (parent)
- Rohe Eshbam - Member at Large (parent)
- Jeanne Coyle – DSS Director (consultant)

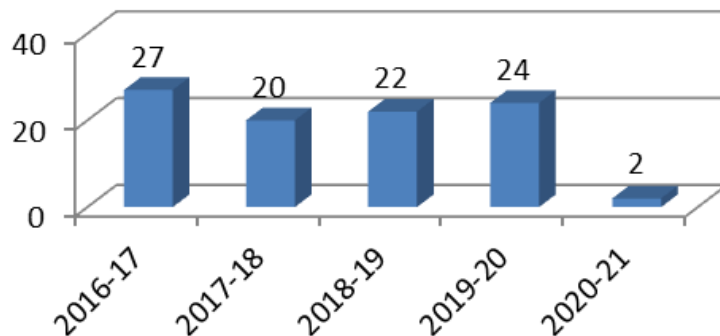
Purpose

- To provide to the Board of Directors a final projected budget for 2016-17 and a 5 year forecast for consideration.
- Vote on proposed budget

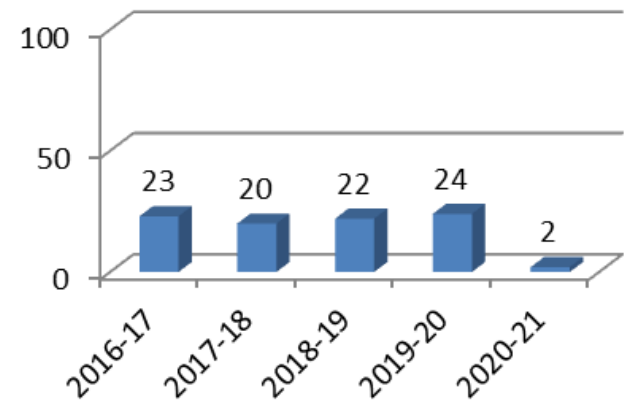
Primary Model Assumption

- Student Growth: Growth will occur naturally through Kindergarten as the expanded class sizes move into the higher grade with final FTE count of 720.
- Student attrition is built into the budget at grade levels 7th (2) and 8th (6). Several classes are estimated at a lower student count than current enrollment.

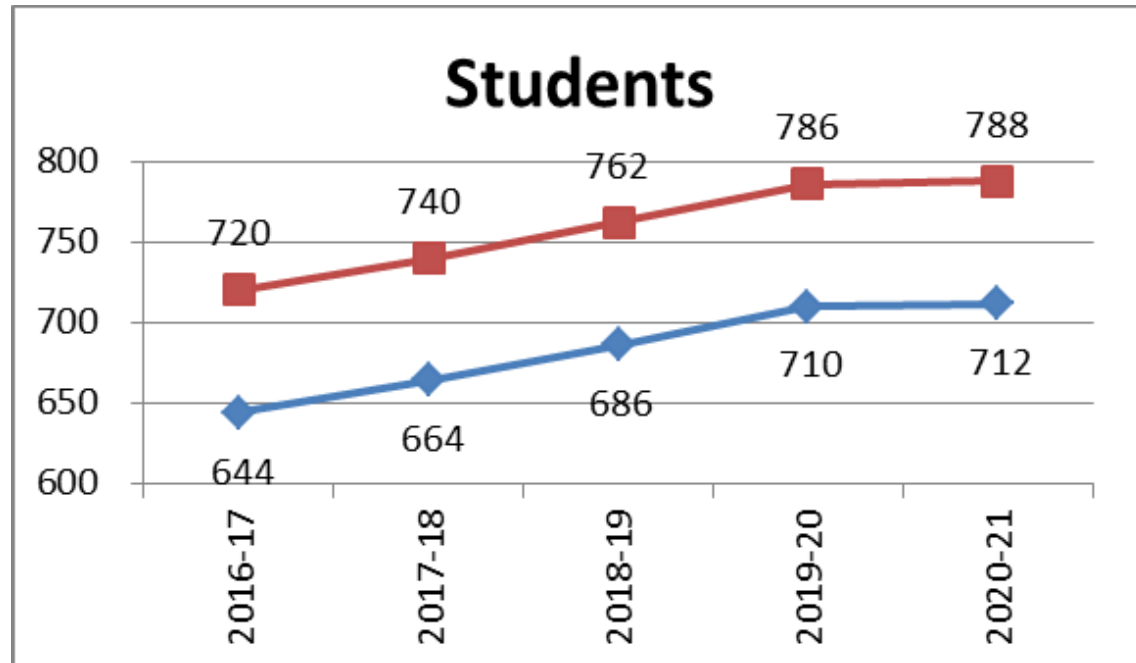
Student Growth per Year



FTE Growth per Year



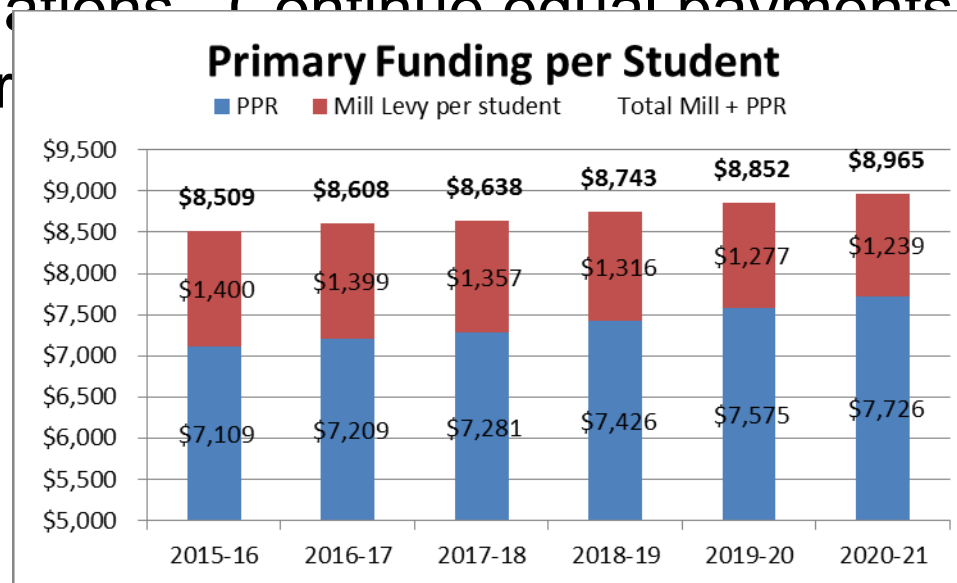
Total Students



Lincoln will see the end of the plan student growth during the 2019-20 school year. After that year, revenues will be dependent on PPR and Mill Levy adjustments by the state and district.

Primary Model Assumption

- Per Pupil Revenue (PPR) Growth: Year 1: 1.5%; Year 2: 1.0%; Year 3-5: 2.0%.
 - Note the 1.5% is based on expected full PPR payment for 16-17
- Mill levy is projected at \$1,399 per student for 2016-17; Rate decreases each year by 3% to account for growing student and charter student populations. Continue equal payments from Jeffco are pr



Staffing Model Assumptions

- Staffing growth of one teacher and one EA per new class over each of the next 4 years.
- Staff salaries raises modeled to be grow by 2% in years 1-5.
- Salaries & Benefits increasing by \$247k including raises for 2016-17 (8.3%).
- Benefits: As percent of salary - growing 0.8% in 2016-17 to 23.97%; Forecasted to grow additional 0.9% in years 2-5.

Salaries as % of total expenses ratio:

(used to determine amount of costs that are going to overhead)

- 52.8% in 2016-17 (Best practice:
60%-70%)

Staff Growth Details

- 5th Grade Teacher + 5th grade educational assistant (1.5 FTE)
- Full-time DSS teacher (1.0 FTE)
- Full time front office support (1.0 FTE)
- 2 *EA positions at .5 FTE each*
- New Technology maintenance role
- Spanish Teacher increasing from 0.3 FTE to 0.81 FTE with scope increasing from 2nd to 8th grade.
- Library position increasing from 0.8 FTE to 1.0 FTE.
- New staff cost: \$233k annually



LA Teacher Salaries

- Projected Staff raises to average 2% across the school – approximately \$61k.
 - Note: The goal of the finance & operational teams is to support our teachers at 90% or higher of market based rates.
 - Projected to be at 80% of district with budgeted salary levels
 - JA Elementary and Woodrow Wilson are giving 3% raises in 2016-17.
 - LA teachers are slightly behind on acknowledging years of service due to freeze in prior years.
- Discussion on Salary Structure

A strong salary structure provides for:

- ***Pros: Better slotting; Fairness between staff; EA support***
- ***Cons: Falling back in market vs district and other charter schools. Top level may be under funded.***

Primary Model Assumption

- Individual expense accounts have growth of 2.0% for inflation or based on student growth as appropriate.
- Costs have been trended on last year run rates plus inflation
- Operating income needs to cover operating expense plus provide for future capital requirements.
- \$1.5M in loan is offset by the expenditures of \$1.5 in modular purchase and installation.
 - Note: \$1.5M was not included on the 5 year forecast to keep key fiscal metrics clean. Since the cash inflow (loan) is equal to the cash outflow (costs), the margin & Operating Fund are not impacted.

Primary Model Assumption

- Building Fund Contingency: None moving forward.
- Loan: \$1.5 million over 6 years at 6% interest. \$298k in yearly payments and \$290k in total interest cost to LA.
- No building contingency funds for Years 1 & 2; \$50k budgeted in years 3-5.
- NO BEST Grant funding

Modular Costs

- The \$1.5M in loan is expected to cover the:
 1. Purchase of modular units
 2. Infrastructure costs
 3. Grounds and additional facility costs (IT, equipment, etc)
 4. Currently unexpected infrastructure costs

Current Cost per New Student: \$16,000

Operational Impacts:

- *\$10,500 for utilities*

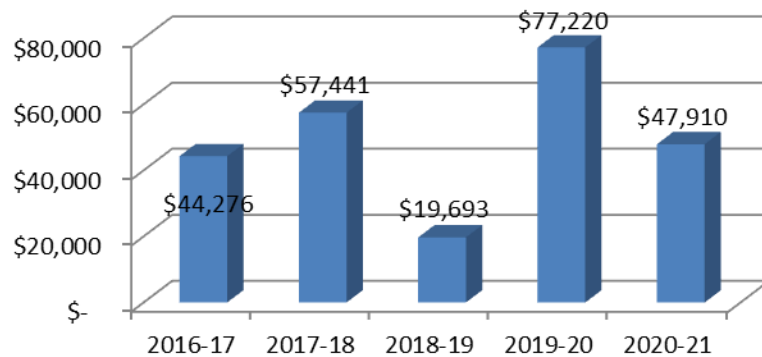
Financial Ratios

- Several significant Ratios will be monitored for operating and bond purposes:

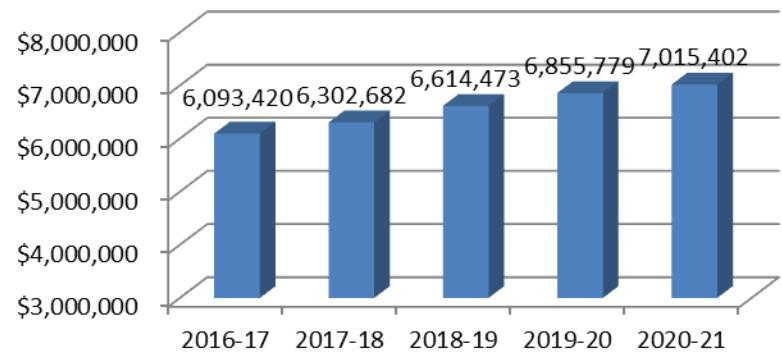
	2016-17	2017-18	2018-19	2019-20	2020-21
	1	2	3	4	5
	EXECUTIVE SUMMARY				
STUDENT ONE DAY COUNT	644.0	664.0	686.0	710.0	712.0
PPR	\$ 7,209	\$ 7,281	\$ 7,426	\$ 7,575	\$ 7,726
Operating Debt Ratio (<18% of Exp)	12.4%	12.0%	11.5%	11.0%	10.8%
Working Cap Balance (>8% of PY Exp)	29.7%	27.8%	27.2%	27.1%	26.9%
Occupancy as % of Expense (<15%)	17.5%	17.0%	16.4%	15.8%	15.5%
TABOR RESERVE (>3% of Rev)	26.7%	26.7%	25.9%	25.9%	26.1%
Margin to Debt Expenses (>10%)	5.8%	7.5%	2.6%	10.1%	6.3%
Debt Service Coverage (>1.0; 1.1 better)	1.06	1.08	1.03	1.10	1.06
Days Unrestricted Cash on Hand (>40)	87	87	84	85	85
REVENUE	\$ 6,137,696	\$ 6,360,123	\$ 6,634,166	\$ 6,932,999	\$ 7,063,312
Salaries	\$ 3,219,106	\$ 3,375,988	\$ 3,523,508	\$ 3,658,978	\$ 3,732,158
Benefits	\$ 757,810	\$ 825,126	\$ 892,893	\$ 960,153	\$ 1,012,945
PURCHASE SERVICES	\$ 1,860,019	\$ 1,838,511	\$ 1,877,901	\$ 1,908,819	\$ 1,940,445
MATERIAL AND SUPPLIES	\$ 256,485	\$ 263,056	\$ 270,171	\$ 277,829	\$ 279,854
CAPITAL OUTLAY	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
Total Expenditures	\$ 6,093,420	\$ 6,302,682	\$ 6,614,473	\$ 6,855,779	\$ 7,015,402
Building Fund Contingency	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUE OVER EXPENSES	\$ 44,276	\$ 57,441	\$ 19,693	\$ 77,220	\$ 47,910
Operating Margin	0.7%	0.9%	0.3%	1.1%	0.7%
CARRYFORWARD	\$ 1,639,390	\$ 1,696,831	\$ 1,716,524	\$ 1,793,744	\$ 1,841,654

Additional Fiscal Trended Metrics

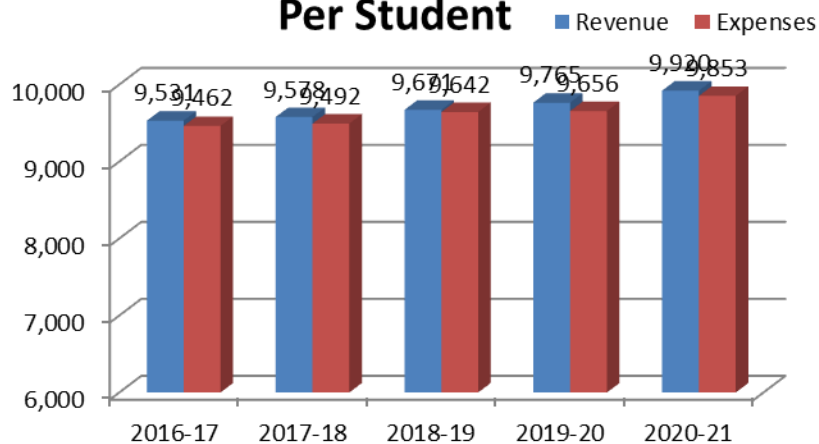
Operating Margin per Year



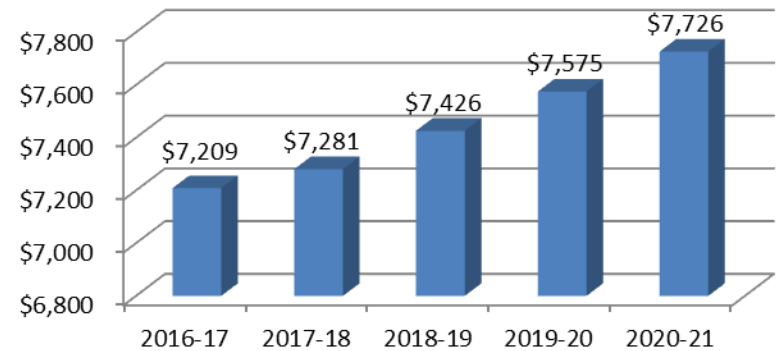
Expenses per Year



Per Student



PPR per Year



Risk Points

- \$1.5M Modular purchase & installation costs creates a debt burden that will impact fiscal planning for future years and generations of students. The additional \$300k in annual debt costs will limit LA flexibility toward other initiatives and goals.
- Student count: If actual LA FTE is 5 fewer students than projected, the margins would be impacted by \$43,000
- Teacher salary: The forecast provides for limited salary raises in each year of the budget. New Jeffco salary levels may rise higher than LA can afford in future years.
- Teacher staff increases: Significant number of new positions proposed for 2016-17 creating a large increase in salary costs.
- Money Pit: Our facilities and property require continual ongoing maintenance and upkeep. The next two year do not allow for property improvement budget within the operational expenses.
- Low margins prevent any significant innovation in operations or financial support of leadership vision.
- PPR funding and equalization may change negatively in future years.

Budget Opportunities

- Increase student class sizes – Higher FTE = higher state funding
 - [Not first choice – space issue – learning impacts]
- Capital spending: Live with what we got – reduce overall building funding & facility expenditures.
- Modular unit provides for key space and student growth
- Fund Raising or Grant support
- PPR growth! Mill levy Growth!



Initiatives for Consideration

- Lower Class sizes
- Facility upgrades outside of space planning
- IT Development
- Second Language or Additional Specials
- Science Expansion
- High School preparation strategy
- Others.....

Overall Impression

Overall, the committee has submitted a 5 year plan that is focused on staff growth and moves the Mill Levy additional funding from building contingency to Loan payments. The overall risk is higher than in prior years due to increased debt load, narrow margins and salary commitments.

The forecasted 5 year fiscal model represents a budget where expenses grow slightly faster than revenues . Where the PPR and Mill levy funding present areas of opportunity (and some uncertainty), the FTE levels and maintaining desired levels of teachers compensation, present areas of risk for the fiscal strength of our school. Year 5 represents the end of the student expansion period and future funding of initiatives from that point will be required to come more from operational saving than revenue enhancements. This budget does not provide significantly for contingency plans for capital purposes and less so for operational contingency.

Our administrative team has demonstrated their diligence in consistently monitoring operating expenses and demonstrated creativity in meeting operating. However, looking at the five year projection, we should consider if Lincoln will have sufficient operating margin to allow for flexibility toward initiative and strong fiscal stewardship.

Charter School Closures

- There are five primary reasons for charter closures – financial (41.7 percent), mismanagement (24 percent), academic (18.6 percent), district obstacles (6.3 percent) and facilities (4.6 percent).
- Most charter schools that close for financial or operational deficiencies do so within the first five years, or within their first charter contract.