

I

## Budget Assumptions 15% and 30% reductions

1. Enrollment:
  - a. In each FY the enrollment is reduced by 15% and 30% from the original projection for that year.
  - b. The enrollment by grade is estimated.
  - c. Class size may increase slightly depending on the exact enrollment per grade
  - d. An additional section vs. an under enrolled grade would be considered as an alternative.
  - e. When enrollment is reduced it is assumed that 100% of the reduced target is met.
  
2. Funding:
  - a. No additional fund raising or donations are assumed.
  - b. Entitlement funds are reduced pro rata with the enrollment reduction
  
3. Personnel:
  - a. Base teacher salary is reduced to an average of \$39,000
  - b. No reduction is made to benefits to be offered.
  - c. The bonus pool is maintained although the payout is reduced due to the decrease in staff.
  - d. When there is an enrollment decrease and additional para is added to offset the slight increase in class size.
  - e. When there is an enrollment decrease the following positions are affected:
    - i. Director of Instruction. This position would become a lead teacher paid under the TLF line item plus a teaching salary.
    - ii. The number of specialists is affected.
    - iii. The receptionist, family coordinator and nurse positions are also affected.
  
4. Operating expenses:
  - a. There is a pro rata reduction in operating expenses based on the judgment of the budget preparer in consultation with the school leadership.
  - b. Operating expenses that are not reduced are:
    - i. Transportation
    - ii. Facility
  
5. Service Fees:
  - a. The authorizer fee of 2% has been added
  - b. The Lighthouse fee is reduced 1% with a 15% reduction in enrollment and 2% with a 30% reduction in enrollment.
  
6. Reserve:
  - a. There is a small reserve each year which can serve as a contingency

b. The reserve will accumulate over time and be used for staff add backs

**7. Other enrollment scenarios:**

- a. It is possible that reductions could be 5%/10%/20% falling somewhere in between the revised budgets.
- b. The Board and the school leadership would evaluate the best use of resources based on projected funds.

**8. Timing:**

- a. The lottery date for the school is set for \_\_\_\_\_ 2012
- b. The Board will review enrollment on that date and determine what budget scenario to activate based on the enrollment and the wait list numbers.
- c. Once a new budget has been developed it will be submitted to the authorizer.

## Budget Assumptions

- Revenue is made up of state per pupil charter payments, federal allocation grants that are passed through the WI Department of Education, Food program receipts and claims, startup grants and startup loans, and reimbursement for special education.
  - The per pupil revenue assumed is based on the latest rate of \$7,775 per pupil in the Milwaukee area. This is multiplied by the paid enrollment which is estimated to be 98% of our target enrollment or capacity of 240 students for the first year as a grade K-4. We assume enrollment will be constant so the paid enrollment will not change between the count days and we assume that demand will be good based on the location of our school.
  - The Title revenue is currently \$350 per student and assumed to be a targeted assistance school in the first year or two. We will use the funds to pay for a title I interventionist. The amount of \$350 is a product of a free and reduced lunch count of 60% to 80% and is based on available data.
  - The food program would contain many variables including whether we want to be universal feeding or have parents pay for meals should they not qualify for free and reduced. Whether the program is funded fully by the USDA passthrough grant of its National Lunch and Breakfast programs or in part by parents we aim to have a break even program. Our program has built in a 5% loss to be conservative.
- Staff
  - Our standard model for a K-8 includes the staff you see on the budget at the salaries that are complete for the area and based on experience. The school will have a compensation policy that will provide a guide to the principal or hiring manager when making offers.
  - Taxes and benefits are based on costs as it relates to total payroll and are comparable to our schools in other regions. We offer excellent medical, dental, disability and life benefits where the employer pays 85% to 90%. The retirement plan is a safe harbor 401(k) plan with a match of up to 4%. The budget assumes 75% participation.
- Professional Services and Other expenses
  - The Lighthouse Academies Fee is the standard 7.5% of applicable revenues
  - Accounting and audit are costs for bookkeeping provided by a local service and an outside independent CPA firm for the audit.

- Transportation is assumed to be one bus to start providing multiple runs with an average cost of \$280 per day per bus. Most of the students are assumed to not require bussing.
- Textbooks and Capital outlays would be paid for by the PCSP grant. The federal Public Charter Schools Grant. The capital outlays would include furniture and technology.
- Rent would include the cost to rent space that is renovated and ready for classroom use. Landlord operating expenses would include the cost for utilities, insurance and taxes.
- A cleaning company is assumed to be used rather than hired custodial staff.
- Insurance includes Directors and Officers, General Liability, Umbrella and Student Accident.
- The LHA loan of \$115,000 that was borrowed during the startup period would be paid back interest only the first year and then over the next four years.
- Startup Period Budget
  - The school has a current grant to provide hiring and training of the principal in the amount of \$100,000.
  - We are assuming we will also transfer the full amount of the PCSP planning grant of \$200,000.
  - Lighthouse offers a startup loan to new schools in the average total of \$230,000. The school is currently assumed to need half.
- Revenue Shortfall
  - When it is expected that there will be shortfall in revenue, the Treasurer will notify the Regional Vice President and School Principal. Together, they will discuss various options to take with regard to reducing expenditures
  - The Regional Vice President and School Principal will discuss the optimal combination of reductions in the various budget line items.
  - Once a plan is developed and agreed upon, the amended budget will be presented to the Board for approval.
  - Action will be taken as soon as possible to reduce the expenditures according to the revised budget plan, while providing quality education to the School's students.