

CITY OF CAPE CORAL
CHARTER SCHOOL AUTHORITY

TO: Charter School Governing Board

FROM: David Fiorillo, Business Manager

THROUGH: Dr. Lee Bush, Administrator

DATE: June 8, 2012

SUBJECT: FY 2012-2013 Tentative Budget

Attached for your review is the FY 2012-2013 Tentative Operating Budget for the City of Cape Coral Charter School Authority. The authority's Business Manager developed the budget with assistance from the school administration. The total operating budget of \$23.3 million supports the four individual schools, the voluntary pre-kindergarten program, and the authority administrative function. The current operating revenue is estimated at \$20.00 million and current budgeted reserves are estimated at \$3.36 million, just over the two months operating budget as recommended by the outside auditor. As discussed previously with the Board, the budgetary goal is to have current revenues exceed current expenditures. Prudent fiscal management policy discourages the use of existing cash reserves (balances) to support on-going operations. The tentative budget presented follows this policy and has the operating revenues exceeding the operating expenditures, albeit only slightly.

Looking back over the past five years education funding has been reduced significantly in the State of Florida and specifically to our system. As a Municipal Charter School our organization has very little control over the funding that is received. A Municipal Charter has no ability to tax and by design our school has no ability to issue debt. The majority of the revenue we receive comes from two sources, the Florida Education Funding Program and the State Capital Outlay Grant specific to charter schools. In its simplest form, both of these programs provide funding based on the number of students enrolled in a school system. With that in mind, our school system has maximized the number of students enrolled while not exceeding the mandated class size limitations imposed by the State of Florida.

The philosophy over the past five years has been to grow our system through the budgetary shortfalls imposed. The decision was to increase revenue more quickly than the increase in expenditures over time thus plugging some of the budget cuts over the past five years. Now to understand this philosophy, it is important to understand what makes up the majority of the schools total expenditures. The expenditures are roughly 70% related to staff, 15% operations, and 15% debt obligations, whereas, the school revenue is 92% related to enrollment received through federal, state, and local dollars. The ability to operate in a cash flow positive way was accomplished by deferring capital payments on the building debt, maximizing the ratio of students to teachers, limited hiring of operational and non-instructional support staff, and streamlining our operations through policy and effective contract management. This strategy has proven effective thus far.

However beginning of FY 2013/14 school year the Authority will reach a pivotal point in the growth of the organization. The schools' facilities will be at full capacity with no plans for significant growth. The Authority is also scheduled to also begin to make debt service payments

on the High School and the Oasis Expansion Bond to the City of Cape Coral. This payment is estimated to be \$1.27 Million annually or about 6% of the operating budget. When this payment happens the Authority will for the first time since inception be a fully self supporting organization, paying the full costs of operating which includes making payments on all debt. The ability to pay the debt service while at the same time continuing to operate with revenues exceeding expenditures annually is critical to long term success of the system.

Listed below is a detailed analysis of the various account string objects that account for a significant portion of the schools overall budget. Attached with the proposed budget document you will be receiving in August will be detail with regards to every operating account string within the budget, similar to what has been provided in the past.

Florida Education Funding Program (FEFP):

FEFP makes up 86.5% of all school revenue which is forecasted at \$17.3 million dollars. It is estimated that the FEFP funding will increase 2.15% this year. This marks the first increase in per student funding in more than five years. This increase represents an increase of about \$352,000 all things being equal year over year. The year over year increase is estimated at \$1.05 million when you include the increased student enrollment. The hope is this trend will continue into future years. The schools annual budget estimates the enrollment at 97% of the projected revenue amount in accordance with board policies. Last year the funding from FEFP came in at 100.6%. If the FEFP were to come in at 100% again this year the amount of funding the schools would receive would be close to \$18 million.

Florida Education Funding Program							
BU	School	FY 10/11 Budget	FY 10/11 Actuals	FY 11/12 Budget	FY 11/12 Est. Actuals	FY 12/13 Proposed Budget	% Change
41430	Oasis Elementary	4,806,654	5,181,656	4,818,738	4,849,078	4,804,701	0%
41510	Christa McAuliffe	4,144,694	4,424,927	4,113,220	4,133,817	4,096,013	0%
41710	Oasis Middle	4,340,977	4,505,878	4,354,405	4,394,902	4,643,875	7%
41810	Oasis High School	2,326,313	2,437,522	3,026,708	3,041,339	3,815,010	26%
Grand Total		15,618,638	16,549,983	16,313,071	16,419,136	17,359,599	6.4%

Enrollment:

The schools are quickly approaching full capacity. This year it is estimated that the enrollment levels will increase by 216 students. That can mostly be attributed to the growth at the High School. The middle and two elementary schools are at capacity as defined by the number of classrooms with the state imposed class size limits. The class size limits are 18 students in grades K-3, 22 students in grades 4-8, and 25 students in grades 9-12. Because our schools are classified at a high performing system it is possible to exceed the state mandate.

Excluding VPK the total enrollment of our system is slated to be 3000 students with a max capacity of 3100, which we expect to be at next year when the High School is full. The increase enrollment also contributes to the increase in both FEFP funding and Capital Outlay dollars.

City of Cape Coral Charter School Enrollment							
	FY 2009/10	FY 2010/11	FY 2011/12	Est. FY 2012/13	% Change 2011 to 2012	Est. FY 2013/14	% Change 2012-2013
Christa McAuliffe	610	615	666	670	0.6%	670	0%
Oasis Elementary	709	738	789	790	0.1%	789	0%
Oasis Middle	710	700	783	840	7.3%	850	1%
Oasis High School	202	360	546	700	28.2%	800	14%
VPK (FTE)	48	54	40	40	0.0%	40	0%
Total	2279	2467	2824	3040	7.6%	3149	4%

Capital Outlay

Capital Outlay comprises about 5.8% of the total revenue of the schools revenue and is based on a per student amount. This funding is earmarked to cover the cost of the school facilities. Currently our facilities capital cost are equal to \$2.3 million annually and next year when we include the cost of the High School and Oasis Expansion it will become \$3.5 million. As you can see from the chart below, the state is only funding \$1.18 million which is about 33% of the total cost of capital. The remaining capital payments come out of the operating budget. This is why charter schools cannot pay competitive wages compared to rival public school systems nor have comparable school facilities although we believe we have done a good job bridging the gap at our system.

Over the past five years capital outlay funding has been significantly reduced on a per student basis. It is currently less than half what it was just a few years ago. By comparison our school system has doubled our enrollment since 2008 and this funding source has remained essentially unchanged. The administration has spent a lot of effort over the past few years at the state level lobbying for addition funding to no avail. The administration believes this is one of the biggest hurdles facing Municipal Charter Schools and if not addressed by either the state, county, or local governments, will be reflected in the quality of education our system will be able to provide in the future.

Charter School Capital Outlay Grant							
BU	School	FY 10/11 Budget	FY 10/11 Actuals	FY 11/12 Budget	FY 11/12 Est. Actuals	FY 12/13 Proposed Budget	% Change
41430	Oasis Elementary	312,174	292,389	280,921	270,007	266,059	-5%
41510	Christa McAuliffe	266,471	248,136	237,418	227,789	225,645	-5%
41710	Oasis Middle	342,135	318,524	305,200	304,169	326,601	7%
41810	Oasis High School	236,212	219,926	223,835	264,350	361,058	61%
Grand Total		1,156,992	1,078,975	1,047,374	1,066,315	1,179,363	13%

Staffing Levels

Do to the increased enrollment levels the schools are proposing adding 19 new positions that were not previously funded. However the schools will be eliminating 8 positions giving a net

increase from the prior year of 11 new positions. The majority of the eliminated positions will be moving into newly created positions or vacated existing positions.

School	Classification	Job Title	Additional info	Number
Oasis Elem	General Support	Paraprofessional	Technology	1
Oasis Elem	General Support	Paraprofessional II	Remediation	1
Christa McAuliffe	General Support	Paraprofessional II	Advanced Reading	1
Christa McAuliffe	General Support	Paraprofessional	Science	1
Oasis Middle	Instructional	Teacher	Middle School	4
Oasis Middle	General Support	Clinic Assistant		1
Oasis Middle	Administration	Asst. Principal		1
Oasis Middle	General Support	Paraprofessional II	ESE	1
Oasis High	Instructional	Teacher	JROTC	1
Oasis High	Instructional	Teacher	High School	5
Oasis High	General Support	Food Service Worker	Food Service Worker	1
Admin	General Support	Secretary	Transportation/Maintenance	1
Total				19

School	Classification	Job Title	Additional info	Number
Oasis Elem	General Support	Paraprofessional	Remediation	-1
Christa McAuliffe	General Support	Paraprofessional	Float- Reading	-1
Christa McAuliffe	General Support	Paraprofessional II	ESOL/Spanish	-1
Oasis Middle	General Support	Paraprofessional	PE	-1
Oasis Middle	Instructional	Dean of Students		-1
Oasis Middle	General Support	Paraprofessional		-1
Oasis High	General Support	Paraprofessional	ITS Tech	-1
Admin	General Support	Office Assistant	Transportation	-1
Total				-8

Below is a list of positions by classification and job title. It is proposed that there will be 302 employees of the Charter School Authority next year which does not include substitute positions. Attachment #1 shows a breakdown of position by school for comparison.

Classification	Job Title	Total
Administration	Adminsitrator	1
	Asst. Principal	1
	Business Manager	1
	Principal	4
Administration Support	Accounts Corrd	1
	Executive Assistant	1
	ITS	4
Division Support	Custodial Supervisor	1
	Supervisor Food Services	1
	Transportation Manager	1
General Support	Asst. Speech Pathology	1
	Bus Driver	14
	Clinic Assistant	3
	Custodian	18
	Food Service Worker	10
	Long Term Sub	1
	Office Assistant	2
	Paraprofessional I	33
	Paraprofessional II	7
	Secretary	1
	Instructional	JROTC Teacher
Nurse		1
Teacher		173
Office Support	Information Specialist	4
	Lead Food Service Worker	4
	Maintenance	3
	Receptionist	4
	Secretary	4
Total		302

Staff Compensation:

Approved last month was a revised step chart for instructional staff positions. For your reference the adopted instructional step plan is shown below.

Steps	Amount
1	35,334
2	36,068
3	36,969
4	37,894
5	38,651
6	39,135
7	40,093
8	41,296
9	42,535
10	43,811
11	45,126
12	46,434
13	47,734
14	49,214
15	50,740
16	52,313
17	53,882
18	55,498
19*	55,498
20**	55,498

*Step 19 is base pay plus a 1% salary stipend

**Step 20 is base pay plus a 2% salary stipend

As indicated on the “revised step memo” the approved salary increases between last year and this year will have an impact to the general operating budget of approximately \$466,000. When you include the new positions with the step increases, the change in personnel compensation between the last year and this year is estimated at \$1.16 million. This is almost completely offset with the increases in FEFP funding and increased student enrollment numbers currently estimated at 1.046 million. It should be noted that additional funding was not set aside to cover future debt service payments that begin in 2013-14. Essentially all additional revenue that will be received in the upcoming year is being directed toward staff compensation.

Florida Retirement System (FRS):

There have been a number of changes in the Florida Retirement System over the past few years. Again this year the state has imposed changes that impact our staff. Our staff members have a choice of one of two separate plans with regards to FRS. They are the investment plan and the pension plan. Two years ago a staff member hired received a 9% contribution from the employer, the Charter School Authority. Last year that was revised to a 6% employer contribution and a 3% employee contribution. This year if you are a member of the investment side the employer contribution has been decreased again to 3%. This is effectively a 6% compensation decrease to our staff members. One would expect if the employer contributions are decreasing there would be a budgetary savings back to the Authority. Unfortunately

because FRS uses a blended rate for the two different programs (the investment and pension) the rate the employer pays actually increased from last year to this year by .27%. Again to reiterate, for the staff that participate in the investment program, the employer contributions decreased by 3% but the employer rate paid by the schools increased by .27%.

Add Pays:

The schools have been very diligent with respect to managing add pays with respect to the budget. Currently all add pays make up less than 1.5% of the total operating budget of which about half being related to advanced degrees earned. This year is no different, however there are a few changes to the add pay schedule the administration is proposing. Understanding that our school is not funded the same way as public schools, the administration has always tried to base athletic and extracurricular add pays off a lesser percentage of what Lee County Schools pays. In addition, this year with the growth in high school sports programs, the administration has been looking specifically at the athletic add pays with the emphasis on being more consistent across various sports and to better reflect the duties involved. The add pay schedule was adopted a number of years ago and during the review process it was found that there are add pays that were adopted but never used. We are proposing eliminating them completely from the add pay schedule. Some of the deleted add pays such as “CS D2 Doctorate- Teacher” are currently in the existing add pay list but under a different description. They are simply being removed because they are repetitive within our payroll system. Attached is a list of proposed changes.

Revised Add Pay Amounts		Deleted Add Pays	
CS AJ - Athletic Director	\$ 3,500	CS D1 - Doctorate - Other Cert	
- Asst. Athletic Director	\$ 1,500	CS D2 - Doctorate - Teacher	
- MS Athletic Director	\$ 2,600	CS D3 - Doctorate -Except TCH	
CS AK - HS Baseball Coach	\$ 2,000	CS D4 - Doctorate - Guidance	
CS AL - HS Soccer Coach	\$ 2,000	CS DA - Team Leader - Other Cert	
- HS Asst. Soccer Coach	\$ 1,000	CS DB - Team Leader - Teacher	
CS AM - HS Softball Coach	\$ 2,000	CS DC - Team Leader - Except TCH	
CS AN - HS Swimming Coach	\$ 2,000	CS DD - Team Leader - Guidance	
CS AO - HS Track Coach	\$ 2,000	CS EA - Intramural Asst - Other Cert	
CS VC - HS Assistant Track Coach	\$ 1,000	CS EB - Intramural Asst - Teacher	
CS AP - HS Volleyball Coach	\$ 2,000	CS EC - Intramural Asst - Except TCH	
CS TC - HS Assistant Volleyball Coach	\$ 1,000	CS ED - Intramural Asst - Guidance	
- MS Volleyball Coach	\$ 1,000	CS O3 - Strings Dir - Except TCH	
CS AQ - HS Wrestling Coach	\$ 2,000	CS O4 - Strings Dir - Guidance	
CS AR - HS Girls Basketball Coach	\$ 2,000	CS S1 - Science Fair	
- HS Assistant Girls Basketball Coach	\$ 1,000	CS X1 - Intramural Dir - Other Cert	
- HS Boys Basketball Coach	\$ 2,000	CS X2 - Intramural Dir - Teacher	
- HS Assistant Boys Basketball Coach	\$ 1,000	CS V1 - Broadcast TV - Other Cert	
- MS Basketball Coach G&B	\$ 1,000		
- MS Soccer G&B	\$ 1,000		
CS AS - HS Cheerleading Coach	\$ 1,500		
CS AT - HS Cross Country Coach	\$ 1,500		
CS AU - HS Golf Coach	\$ 1,500		
CS AV - HS Tennis Coach	\$ 1,500		
- HS Football Coach	\$ 2,500		
- HS Assistant Football Coach	\$ 1,000		
CS PC- Procurement Corrd	\$ 2,000		

Technology:

Attached is a tentative equipment and software schedule with regards to information technology. Currently it is proposed at \$206,519. This represents a decrease of more than 40% from the prior year technology spending however the administration believes this still adheres to the board's vision of being a technology leader in education. See Attachment #2.

Debt Service

The Charter School Authority currently has three outstanding debt obligations for a total of \$54,412,755. All the debt obligations were issued by the City of Cape Coral on behalf of the Authority with contractual agreements in place that govern repayment terms and schedules. The three items are as follows with the repayment schedules attached.

- Special Obligation Revenue Bonds, Series 2007 \$35,380,000
- Special Obligation Revenue Bonds, Series 2011 \$17,690,000
- Capital Lease (School Buses), Series 2012 \$1,342,755

Repayment began in 2009 on the Series 2007 Bond at a budgeted cost of \$2,173,369. This covers the construction costs of Oasis Elementary, Oasis Middle, and Christa McAuliffe Elementary. Repayment is scheduled to begin in July of 2013 on the Series 2011 at a budgeted cost of \$1,277,416. This payment covers the construction costs of Oasis High School and the Oasis Expansion project.

Again to reiterate, funding received to pay the cost of the two special obligation bonds is currently estimated at \$1.78 Million through the State Capital Outlay Grant. There is a short fall projected next year of \$2.27 Million. Currently the operating budget is offsetting the difference by just under \$1 million dollars. That will leave a projected shortfall in the FY 13/14 operating budget of \$1.27 million all things being equal. The FY 12/13 operating budget is projected to be essentially cash flow neutral meaning that changes to operations will most likely need to happen to offset this future shortfall.

Over the next year the school administration will be closely monitoring the cash flow and gauge how large of a deficiency will be created. In the short term, while not recommended, the school Authority has budgeted reserves that can be used to partially offset the difference while enacting changes. It is possible that the state will increase per student funding and future increases to enrollment within our system will offset the majority of the future shortfall, however the schools should be prepared to take actions with regards to cutting expenditures if that doesn't come to be. Prudent financial planning over the past five years has given the Authority a lot of time and flexibility to make future changes to offset budgetary shortfalls. It is important to remember that while it is likely that over the next two to three years there will be some adjustments needed, school funding levels are beginning to recover in Florida. If and when changes are needed they are going to be neither excessive nor sudden. In addition, the schools system is on financially solid footing with regards to cash balances, student enrollment, competitive compensation, academic performance, staff morale, facility maintenance, and shortly will begin to make payments on all outstanding debt obligations.

It is probably important to address the schools bus lease debt. The debt repayment begins as of July of 2012 with a monthly payment of \$15,466 for eight years. By comparison last year the cost of leasing a fleet of two decade old buses with a number of ongoing maintenance issues and no A/C was costing almost \$14,000 a month. So essentially the school system has

upgraded the bus fleet and will outright own the buses in eight years for nearly the same cost as leasing buses from Lee County Schools.

Conclusion:

In conclusion, the school administration will be revising and updating the tentative budget over the next two months. Upon completion we will be returning to the board in August to seek approval for the FY2012-13 operating budget. The operating budget will be submitted for inclusion the City's annual operating budget at the first public hearing that is scheduled in September. If you have any questions concerning the tentative budget presented, please feel free to contact me.

DF

C: Steve Hook, Principal Oasis Elementary School
Kim Lunger, Principal Oasis High School
Kevin Beckman, Principal Oasis Middle School
Jacquelin Collins, Principal Christa McAuliffe Elementary School
Victoria Bateman, City of Cape Coral Finance Director
Sheena Milliken, City of Cape Coral Management and Budget Administrator