Building Better Budgets

DR. LATRICIA CHATTIN
LESLIE GABBIANELLI
FEBRUARY, 2019
SAVANNAH, GEORGIA

Introductions

Dr. Latricia Chattin
School Director, Susie King Taylor Charter School

Leslie Gabbianelli
Client Manager, EdTec
A sound, realistic budget is critical to school success

- Support the goals and objective of school program
- Reflect short and long-term spending plans
- Key element of petitions, grants, loan applications
- Regularly reviewed and used to guide decision making

Session Objectives

During our session today we will...

1. Identify key elements of budgets and how to utilize them strategically
2. Discuss some of the key considerations of budgeting for Georgia schools
3. Learn from real-world examples how to implement these budgeting strategies
Budget summaries contain a number of key elements

- **Revenue**: Identified sources of federal, state, and local funds; broken-down into line-item detail for each
- **Expenses**: Broad categories such as personnel/benefits, professional services, supplies, etc. also broken into line-item detail
- **Operating Income**: Revenues minus expenses, monthly and yearly
- **Fund Balance / Reserve**: Sum of all operating incomes for all years of operation
- **Key Assumptions**: For each revenue and expense line item, the key assumptions that inform the budget line

The budget development process spans months

**A sample budget development timeline...**

- **Jan / Feb**: Assumption development
- **March**: Revisions & First Draft Complete
- **April**: Finance Committee & Board update
- **May**: Public Hearings & Final Revisions
- **June**: Board approval
Budget approvals in Georgia have several requirements

OCGA 20-2-167.1 dictates budget approval requirements

- Advertise when budget hearings will occur so members of the community can provide input
- Advertise in a local newspaper of general circulation in which other BOE legal announcement made

**Budget Positioning**
- Proposed budget summary and adopted annual operating budget posted on publicly available area of website
- Line item detail upon request

**Public Advertisement**

- Two public hearings to be held prior to budget approval
- Hearings not to occur in the same week
- Special requirements for one of these hearings to be virtual

**Public Hearings**

Prior year and current year budgets are also required as part of DE46 submissions each Fall

Actual spending should be regularly assessed against the budget

Actual spending is currently $158K behind budget

Ongoing budget vs. actuals analysis of revenues and expenses may reveal potential issues and allow for course correction
Projected net income is down slightly based on forecast changes.

A dashboard can assess performance against key metrics and flag areas of concern.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Legend</th>
<th>9/12</th>
<th>10/10</th>
<th>12/12</th>
<th>2/6</th>
<th>4/10</th>
<th>6/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrolment</td>
<td>157</td>
<td>&gt;157</td>
<td>158</td>
<td>159</td>
<td>158</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising received to date</td>
<td>$1.2M</td>
<td>&gt;$300K</td>
<td>$151.1K</td>
<td>$151.5K</td>
<td>$1525K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense variance to budget</td>
<td>No less than -5%</td>
<td>&gt;-4%</td>
<td>-1%</td>
<td>-2.6%</td>
<td>-4.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncategorised revenue &amp; expense</td>
<td>&lt;$5,000</td>
<td>&gt;$5000</td>
<td>$0</td>
<td>$0</td>
<td>$26,389</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days Cash</td>
<td>4 Months</td>
<td>120-120</td>
<td>55</td>
<td>50</td>
<td>40</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-end fund balance (forecast)</td>
<td>15.0%</td>
<td>&gt;+14%</td>
<td>18.6%</td>
<td>18.5%</td>
<td>15.5%</td>
<td>14.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Restricted and multi-year budgets

<table>
<thead>
<tr>
<th>Restricted budgeting can also be useful to assess fiscal health and track progress</th>
<th>Multi-year budgets can help support long-term strategic plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Track progress of spending and determine where interventions or draw downs are needed</td>
<td>• Especially helpful when planning for major investments such as facility acquisitions</td>
</tr>
<tr>
<td>• Grant period considerations to ensure funds are spent in proper time period</td>
<td>• Proactive consideration of increases over time such as health insurance, salary increases, etc.</td>
</tr>
<tr>
<td>• Cash flow considerations for reimbursement-based grants</td>
<td>• Update as new information becomes available and assumptions shift (e.g. HB787)</td>
</tr>
</tbody>
</table>

### A solid budget is essential to controlling cash flow

#### Be Realistic
- Do not overstate revenue projections
- Do not underestimate expenses, especially critical items

#### Estimate Conservatively
- Use conservative estimates for enrollment projections, particularly if new or growing
- Projections that do not come to fruition will ultimately hurt your cash flow
- Do not underestimate expenses, especially critical items

#### Manage Cash Flow
- Create annual cash flow during budgeting process to ensure revenues and expenses “work”
- Use past trends in revenue and spending
- Be realistic about when expenses will hit and use the cash flow as a dynamic tool
Cash flow statement shows actual and projected cash activity

<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Cash</strong></td>
<td>64,715</td>
<td>64,461</td>
<td>54,751</td>
<td>53,873</td>
<td>38,277</td>
<td>30,854</td>
<td>18,616</td>
<td>7,990</td>
<td>1,763</td>
<td>141,992</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Aid</td>
<td>22,841</td>
<td>20,307</td>
<td>17,746</td>
<td>13,916</td>
<td>13,416</td>
<td>13,416</td>
<td>13,416</td>
<td>13,416</td>
<td>13,416</td>
<td>13,416</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
<td>3,894</td>
</tr>
<tr>
<td>State Tax Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local Tax Revenue</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
<td>2,944</td>
</tr>
<tr>
<td>Fundraising &amp; Donors</td>
<td>53,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,000</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>83,886</td>
<td>84,193</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
<td>85,497</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Salaries</td>
<td>32,057</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
<td>28,123</td>
</tr>
<tr>
<td>Exempted Salaries</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
<td>2,894</td>
</tr>
<tr>
<td>Operating Benefits</td>
<td>1,952</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
<td>1,702</td>
</tr>
<tr>
<td>Students &amp; Teacher Salaries</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
<td>5,143</td>
</tr>
<tr>
<td>Student &amp; Teacher Salaries</td>
<td>21,054</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
<td>20,902</td>
</tr>
<tr>
<td>State &amp; Local Operating Salaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State &amp; Local Operating Salaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>86,908</td>
<td>83,919</td>
<td>84,017</td>
<td>83,917</td>
<td>84,017</td>
<td>83,917</td>
<td>84,017</td>
<td>83,917</td>
<td>84,017</td>
<td>83,917</td>
</tr>
<tr>
<td><strong>Operating Cash Inflow</strong></td>
<td>(14,022)</td>
<td>(9,726)</td>
<td>(8,520)</td>
<td>(8,494)</td>
<td>(8,494)</td>
<td>(8,494)</td>
<td>(8,494)</td>
<td>(8,494)</td>
<td>(8,494)</td>
<td>(8,494)</td>
</tr>
<tr>
<td><strong>Net Cash Inflow</strong></td>
<td>169,813</td>
<td>153,787</td>
<td>145,987</td>
<td>141,493</td>
<td>136,223</td>
<td>126,860</td>
<td>112,509</td>
<td>99,300</td>
<td>86,034</td>
<td>75,006</td>
</tr>
<tr>
<td><strong>Cash Inflow</strong></td>
<td>124,313</td>
<td>118,813</td>
<td>113,187</td>
<td>108,013</td>
<td>102,787</td>
<td>93,360</td>
<td>83,450</td>
<td>73,800</td>
<td>64,992</td>
<td>56,970</td>
</tr>
</tbody>
</table>

Allotment sheets use several elements to determine funding

This formula will vary by authorize and location; here is one example of funding calculations for a State Commission-authorized school

1. **Student FTE for Each Program**
   - K-3, 4-5, 6-8, 9-12
   - Early Intervention
   - Career & Tech
   - Special Ed, Levels I – IV
   - Gifted
   - Remedial
   - Alternative
   - ESOL

2. **Defined Annual Rates for Each Program**

3. **Additional Support Grants**
   - Administration
   - Facilities
   - Media Center
   - Additional Instructional Days
   - Professional Development
   - Nursing
   - Transportation
   - Etc.

Total QBE Funding

QBE Funding + Commission Charter Supplement = Total Annual Allotment
Passage of HB787 has brought critical changes to the funding model

- Provides forward funding to state and local charters for addition of grades and >2% growth in existing grades
- Funds provided at beginning of year

- Increase basis from five poorest districts in state to amount equal to state average of local revenues per student*
- Amounts vary by location and attendance zone

- Increase for charters operating in expensive districts
- Capital funding for virtual schools to offset technology costs

- State charters now eligible for services provided by and membership in Regional Education Service Agencies

Timeline to establish final funding rate

A sample timeline to determine initial and final annual allotments...

- Detailed rate sheet available from GDE along with FY19 allotment sheets
- Revise revenue based on rate sheet & FTE count
- Make internal forecast revisions based on Oct count
- Participate in Oct FTE count
- Make final revenue revision based on mid-term adjustment

- June
- July
- October
- November
- March - April (or earlier)
Salary and benefits are a major component of charter school expense

Compensation includes not only salary but additional items such as:
• Stipends
• Performance-based bonuses
• Overtime

Benefits may include not only health care contributions (medical, dental, vision) but also:
• PTO and leave policies
• Cell phone reimbursements
• Health & wellness subsidies
• Other fringe benefits

As a large share of expenses, staff costs are often the first place to look for savings

Employer TRS contributions have steadily risen in recent years...

...whereas employee contribution rates have remained constant

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Rate</td>
<td>11.41%</td>
<td>12.28%</td>
<td>13.15%</td>
<td>14.27%</td>
<td>14.27%</td>
<td>16.81%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Employee Rate</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

In addition to employer TRS contributions, other payroll taxes include:
• Social Security (unless opt-out)
• Medicare
• State Unemployment
• Worker’s Compensation Insurance

Source: Teachers Retirement System of Georgia: https://www.trsga.com/employer/contribution-rates/
### Cost drivers and replacement cycles should also be considered when budgeting

Identify other major expense categories such as:
- Facilities—both rent or principal/interest, but also utilities, maintenance, etc.
- Food Service
- Contracted Services – special education, after school programming, technology support, substitutes, bookkeeping, audit, etc.
- Supplies – instructional, marketing, extracurricular, janitorial, etc.
- Other items such as field trips, membership fees, insurance, recruitment (students/staff), copiers, etc.

Consider what is driving the costs above and use those to establish budget estimates
- Staff or teacher FTE, all or new students, square feet, classrooms, etc.

In multi-year budgets, factor in the replacement cycles for items such as computers.

---

### Thank you!

**ADDITIONAL QUESTIONS? CONTACT US:**

Leslie Gabbianelli: leslie.gabbianelli@edtec.com

---

[Edtec logo]

510.663.3500 • askus@edtec.com • edtec.com