

The Academy of Alameda Middle School Budget and Cash Flow Forecast

Please find enclosed the operating cash flow and budget projections for The Academy of Alameda Middle School ("The Academy") charter plan. Revenue and expense projections for the first year of operation (2010-2011) were based on a combination of 2009 California SSC School District and County Office Financial Projection Dashboard (updated August 10, 2009) and actual operating costs of current Chipman Middle School. All actual expense data and 2009-2010 projected site budget for Chipman Middle School was confirmed with Alameda Unified School District (AUSD) staff and is the basis for our projection going forward.

The first year operating budget assumes receipt of a PCSGP Implementation Grant pending Charter approval of \$450,000 paid over the first three years (first year payment will be \$200,000). It is the firm belief of the California Charter School Association that the new proposed Charter, if approved, will receive this grant. The new charter, if approved, will also apply for a maximum loan of \$250,000 CDE Revolving Loan to be paid back over 5 years at a projected interest cost of 3.5%. This will give the proposed charter operational flexibility and help with early build of reserve balance to assure financial stability in the early years of charter operation.

Major Assumptions:

Revenues:

- 1) The proposed charter school has assumed that we will be able to maintain the current level of ADA at the current site consistent with current District budget projections. It is the goal of the school to try to exceed these levels over time but we conservatively assume no growth in our forecast. The initial assumption is supported by the fact that few students within the Chipman boundaries have elected to take advantage of alternative site allowed under program improvement during the past two fiscal years. By offering a competitive educational program, the charter expects to retain most, if not all, of the current student population of the Chipman Middle School boundary area.
- 2) The initial proposed Charter school budget does not include any unverifiable fundraising, although the proposed charter organization fully expects that fundraising and grant-writing will be a fundamental component of all future budgets after the first year.
- 3) The forecast assumes no lottery funds received in cash for first year of operation. However, accrued lottery monies from first year will be paid out in two lump sums in year 2, in addition to normal lottery monies for second year.

Expenses:

- 1) Operating expenses assume the current 2009-2010 operating expense site budget increased by inflation rate (assumed to be 1% in first year). In addition, we have included \$50,000 per year for professional development in excess of current year site budget. The largest component of

site expenses will be salary and overhead. The proposed charter will have to live within their means. Therefore, the proposed charter will have salaries, benefits and incentives that are consistent with operational staffing guidelines in the charter proposal. It will not exceed the current 2009-2010 budgeted site staffing costs, including all benefits. However, to be conservative, the proposed charter budget has assumed the current cost increased by inflation for the first year of operation. In addition, staffing costs will not increase above the rate of revenue increase and may even proportionately decrease if overall revenues decline.

- 2) It is the intent of the proposed charter to develop an MOU with AUSD for backoffice services as well as for Special Education (SPED) services. All current encroachment costs on AUSD general funds per ADA were fully budgeted in the proposed charter budget forecast. It is possible that the site may be able to obtain lower costs by evaluating other SPED options. The proposed charter will purchase its own liability insurance, most likely through CCSA Charter School Insurance JPA. The rate included in the budget is consistent with quotes from the JPA for similar sized schools.
- 3) The school intends to apply for Prop 39 to meet its facility needs with the desire to maintain operation at current site. It is assumed that the proposed charter will pay 1% District oversight fee and a 2% District lease fee for facility under this circumstance. Both of these charges are consistent with AUSD presentations of Charter financial impact projections with Chipman becoming a Charter School. Please note that in our budget, we have used actual facilities expenses including maintenance and utilities.
- 4) The proposed charter is projecting to maintain a 3% budget reserve by end of fiscal year 2. It is the goal of the charter to increase this to 6% by the end of our first full 5 years of operation. This should be adequate to cover most short-term financial contingencies.