

Finance Committee 05/08/2024

To: Finance Committee
From: Tyler Martin
Date: 05/08/2024
Re: Budget Draft
Call Date: **Wednesday**, May 8th @ 8:00am
Call in: <https://bostonprep-org.zoom.us/j/6226417759?from=addon>
Executive Summary

1. **Minute Approval:** Please see appendix.
 2. **Tuition Update:** As expected the above foundation rate in Boston decreased from Q1.
 3. **Budget Draft:** Committee to review and provide input on the FY25 draft budget.
 4. **Budget Timeline:** Budget timeline dates previewed below.
 5. **Q3 FY24:** Revenue remains ahead of due to tuition rates, and we are ahead of plan for the year.
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Discussion Items:

- 1) **Minute Approval:** Please see appendix. Committee to vote to approve minutes from the last two meetings.
- 2) **Tuition Update:** The Q3 tuition projection came in lower, as expected, due to the above foundation rate (set by the city).
 - i) The above foundation rate dropped from 41% to 37.5%. We had anticipated this drop as ESSER COVID dollars do not count against the tuition formula. This allows them to offset expenses that would normally fall under the calculation.
 - ii) Our budget was set on an above foundation rate of ~35% so we should still finish ahead of plan. I do anticipate that the above foundation rate will drop further with the Q4 tuition update.
 - (a) ESSER funds end this year so there is a chance that we could see some bounce back in FY25.
- 3) **Budget Draft:** See attached FY24 budget draft for review:
 - i) Revenues
 - (a) Tuition: We are expecting a tuition rate growth of ~3% vs. the FY24 rate. This is based on a higher foundation rate (set by the state) and a slightly lower above foundation rate (set by the city).
 - (b) Enrollment: We are continuing to forecast enrollment slightly below our cap of 700 with 690 students.
 - (i) 6th grade remains the most challenging grade from an enrollment standpoint.
 - (ii) Lower number of students in 6th grade is offset by higher numbers in grades 7-10.
 - (iii) Opening an additional lottery for 6th grade to try and drive up numbers
 - ii) Expenses
 - (a) Salary Scale: After reviewing salary data from other charters and local districts we decided to raise our scales by 1%. This is inline with the inflation kicker in the tuition rate calculation. The 1% will be added on top of normal raises.
 - (b) Staffing: Given the end of ESSER we had to make some strategic reductions in overall staffing. This was always the plan, and we knew this would come. Currently we have 141.5 FTE which is down from 144.5 FTE in FY24.
 - (i) These cuts largely come from section reduction and re-organization, offset by increases in special education.
 - (c) Major additions: Bussing, international trip, increased professional development, and increased capital tech.
 - (d) Facility: While not a FY25 issue, we will be working through the refinancing of the building during FY25.
 - iii) FY24 Overview
 - (a) Overall, we still have a remaining gap of about \$300K for FY25, Options below:
 - (i) Parking lot purchase: Up to \$150K
 - (ii) Further staffing reductions in “back of house” and academic leadership roles: Up to \$300K
 - (iii) Expense reduction: Up to \$100K

- 4) **Budget Timeline:** See below meetings that outline the budget process.
 - i) Committee Draft Review – 5/8
 - ii) Board Draft Review – 5/17
 - iii) Committee Final Draft Review – 6/19
 - iv) Board Final Approval – 6/21
- 5) **Q3 FY24:** Revenues and expenses are ahead of plan and overall, we are in a good position heading into the final quarter.
 - i) Revenues: Tuition is higher than planned due to a higher tuition rate and slightly higher enrollment.
 - ii) Expenses: Salaries and benefits are ahead of plan as we were never able to fully hire this year and had to replace some roles with less experienced roles.

Please don't hesitate to contact me with any questions or comments. I can be reached by email at tmartin@bostonprep.org, or by phone at 617-910-5353.

Appendix:

Minutes: 1/24/24

Attending: TM, BC, AP, KB, DR, MeS, DR, JG

Notes:

- Minute Approval - approved
- Tuition Rate - presented by TM
 - Tyler overviewed the steps of tuition and went through the MCSPA budget timeline slides
 - Boston did not report actual spending for Q2 which leaves us with uncertainty around the tuition rate
 - This impacts our compensation scale as this needs to be set by mid-February
 - Super important hiring and retention year
 - Impact is 4-5% on salaries
 - This impact on salaries impacts new staff but also returning staff
 - Looking to hire between 30 new staff next year with likely attrition
 - Approach will be to be as aggressive as is prudent, but will have to be more cautious without this data.
 - We will get an update in March and then final tuition is set in June.
 - The positive variance in tuition to budget will likely come down, but we budgeted for this to come down so there is not a tuition risk to SY24.
- Enrollment - Presented by TM
 - Current school year is holding steady at 698 students
 - Applications for next year are down
 - Is this a sector wide thing? Are Charters starting to cool off with families?
 - Think that this is a response to the pandemic and we are seeing this sector wide
 - Think BPS restructuring may drive more students back to charters
 - Are there other districts we should potentially try and pull from?
 - Community is less trusting on transportation so staying closer to neighborhood is important
 - Will try selling our private bussing
 - Out canvassing and phone banking to drive up numbers of applications.
 - Migrant population is an area we could see growth from.
- Investment Update - Presented by TM
 - DR and I were able to negotiate with the bank to get a rate of 4.5% on our money market accounts
 - T-bill investment will be up and running shortly
 - Large majority of our funds are now in insured deposits with FDIC protection
- ESSER Cuts - Presented by TM
 - Internal team has decided to keep private bussing
 - Enrollment concerns
 - Reliability concerns
 - Cost is ~\$500K
 - This shifts the majority of cuts to role reduction

- Looking at natural attrition and unfilled roles from this year
- Doing a systematic review of sections and trying to find more efficient solutions
- Looking at the additional roles we added during Covid
- Did we review all costs?
 - Yes, but since the majority of our cost structure is locked in between staff and the facility the majority of the cuts have to come from that area.
 - Messaging will be so important here, and how do we get out to the culture carriers
- Development can use this and reach out to major donors
- Land next door
 - If we purchase the land for \$1.3M we would save annually \$200k
 - Need an additional meeting to discuss this topic
 - Late Feb/Early march TM to circle back with dates
 - Rent seems very high compared to the cost to purchase
 - Option value baked into this
- Q2 Performance - Presented by TM
 - FY24 is looking really good with tuition up and salaries lower than expected
 - Seeing some negative indicators for next year
 - Tuition rate variables
 - Development multi year gifts

Minutes: 4/24/24

Attending: TM, JG, KB, BJ, CM, AP, EC, DR

- No public comment
- Lot Purchase
 - Bill - Could not attend but voiced his support of the purchase via email
 - Jovi - Could not attend but voiced his support of the purchase via email
 - There is a 30k cost to closing early due to loss of interest
 - What is the tradeoff of the funds we are using to buy the land, what other uses
 - Not as large since we need bank approval on using reserve funds which means harder to fund multi-year staffing
 - How would we message the purchase to staff
 - Covenants are impacted by using reserves – need bank approval
 - Maybe have a negotiation on the future lease payments
 - Future value or 50% of the lease payments
 - Or just close in Feb
 - Is there a donation idea so he can use for tax advantages
 - Add to Board of director slides
 - Appraisal to slides
 - Covenant relief
 - Vote: Recommend negotiating the purchase of the 869 River Street and Wood Ave parcel for the board of directors to approve
 - Unanimous approval