

**ROCKETSHIP EDUCATION
BUSINESS COMMITTEE MEETING
2:00pm April 13, 2010**

Rocketship Sí Se Puede Academy / 2249 Dobern Ave / San Jose, CA 95116
Dial-in Conference Number: (866) 704-7500
Participant Number: 713596

Link to BusCom Materials: <https://rsed.box.net/shared/a29i9v6svs>

- 1. Call to Order:**
- 2. Public Comment:**
- 3. Discussion Items:**
 - a. Draft Version of 2010-2011 Rocketship Education Budget**
- 4. Adjourn**

During Public Comment Open Forum, you may speak to the Committee on any item that is on the agenda, and you may also speak on items that are not on the agenda. Please write your name and contact information on the Open Forum speaker list provided to the public, if you wish to address the Committee. Each speaker has three (3) minutes to speak. Please be advised that, by law, the Committee is unable to discuss or take action on issues presented during Open Forum. According to State Law (the Brown Act) items must first be noticed on the agenda before any discussion or action. **THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE:** Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice. **REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY:** Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this committee meeting may request assistance by contacting Cat Alexander: 510-316-0025.

2010-11 Budget Summary and Process



2010 - 2011 Budget Summary

- Consolidated net income target of \$275K results in ending fund balance of \$1.2MM (10% of expenses)
- All schools have positive net income targets and ending fund balances
- RSED is budgeted to lose \$180K but end the year with approximately \$180K (8%) fund balance

Revenues

- Enrollment will increase to over 1350 students next year (55% gain) due primarily to RS3 opening in August with 392 students
- General Purpose Block grant is budgeted conservatively relative to current estimates and FY10 projections
- Due to conservative assumptions and the loss of one-time funds (ARRA), revenue from public sources increased slightly less than 50%
- No RSED fundraising (outside of current commitments) has been budgeted

Expenses

- Staffing expenditures increase dramatically due to new positions (15 teachers, 5 RSED staff, additional RTI tutors and lunch workers at schools)
- Elimination of year 0 facility equity payments for RS4&5; schools will provide \$200K security deposit in year 0
- RSED expenses are aligned with 2010 □ 2011 strategic initiatives identified in the Achievement, Operations and Empowerment 5 year plans

Process and Next Steps

- This meeting is intended to provide extensive background into the key working assumptions for Rocketship's 2010-2011 budget
- Significant revisions will occur within the next two weeks, including updating revenue and expense assumptions and FY10 projections, presenting an 18 month cash flow, and finalizing a cash based budget for Launch Pad that incorporates the structure of the LLC3 financing

2010-11 Budget - Consolidated



On a consolidated basis, Rocketship has a net income target of \$275K which will result in an ending fund/equity balance of \$1.2MM

Rocketship Draft FY11 Budget

	Schools Total	RSED	Total
Revenues			
Public Sources	\$9,819,216	\$0	\$9,819,216
Fundraising and Other	\$1,144,468	\$437,746	\$1,582,214
Facilities/Mgmt Fees	\$0	\$1,569,587	\$1,569,587
Total Revenues	\$10,963,684	\$2,007,333	\$12,971,017
Expenses			
Salaries and Benefits	\$4,794,169	\$1,580,388	\$6,374,557
Books and Supplies	\$1,218,477	\$94,250	\$1,312,727
Services / Operating Expenses	\$854,728	\$450,500	\$1,305,228
Facilities Fees	\$1,929,449	\$0	\$1,929,449
RSED Management Fees	\$1,569,587	\$0	\$1,569,587
Depreciation and Interest	\$37,055	\$63,174	\$100,228
Contingency Reserve	\$102,726	\$0	\$102,726
Total Expenses	\$10,506,191	\$2,188,312	\$12,694,503
Net Income	\$457,493	(\$180,979)	\$276,515
Beginning Fund Balance (projected)	\$608,959	\$363,033	\$971,992
Net Income	\$457,493	(\$180,979)	\$276,515
Ending Fund Balance	\$1,066,452	\$182,054	\$1,248,506
Fund Balance (% of expenses)	10%	8%	10%

*Note: Financials are presented on full accrual method of accounting

2010-11 Budget - Year over Year Comparison



Due to conservative assumptions, the loss of one-time funding sources and significant increases in staff compensation, Rocketship's net income is budgeted to decrease from 2009-2010 to 2010-2011

FY11 Budget Relative to FY10 Projection

	FY10 Projection	FY11 Budget	% Change	Explanation
ADA	839	1,298	55%	RS3 opens and both RMS and RSSP add students
Revenues				
Public Sources	\$6,332,342	\$9,419,216	49%	Loss of one-time funding (ARRA), conservative assumptions, assume no additional RSED fundraising
Fundraising and Other	\$1,885,212	\$1,982,214	5%	4 schools in development; RSSP's PCSGP all recognized in FY10
Facilities/Mgmt Fees	\$1,173,877	\$1,569,587	34%	Tied to school revenues, not including reimbursements
Total Revenues	\$9,391,431	\$12,971,017	38%	
Expenses				
Compensation	\$3,803,100	\$6,374,557	68%	Added 15 teachers, 5 national office staff as well as expanded RTI and lunch staff at schools
Materials and Supplies	\$1,002,687	\$1,312,727	31%	Online learning at schools (\$130K) and additional materials needed to support increased staff
Services / Operating Expenses	\$1,136,423	\$1,305,228	15%	Reduced RSED consultants by hiring staff; maintenance (\$45K), assessment team (\$60K), RS3 expenses
Facilities Fees	\$1,567,784	\$1,929,449	23%	Tied to school revenues, no equity payment for RS4&5
RSED Management Fees	\$1,173,877	\$1,569,587	34%	Tied to school revenues
Depreciation and Interest	\$151,334	\$100,228	-34%	CSGF loan forgiveness
Contingency Reserve	\$66,000	\$102,726	56%	Based on expenses; will increase in next iteration
Total Expenses	\$8,901,205	\$12,694,503	43%	
Net Income	\$490,226	\$276,515	-44%	

*Note: Financials are presented on full accrual method of accounting

2010-11 Budget - Schools



Each Rocketship school is budgeted to have positive net income and ending fund balances.

Rocketship Draft FY11 Budget

	RMS	RSSP	RS3	RS4	RS5	RS6&7	Schools Total
Revenues							
Public Sources	\$3,461,949	\$3,303,205	\$2,654,062	\$200,000	\$200,000	\$0	\$9,819,216
Fundraising and Other	\$74,288	\$76,400	\$743,780	\$0	\$0	\$250,000	\$1,144,468
Facilities/Mgmt Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$3,536,237	\$3,379,605	\$3,397,842	\$200,000	\$200,000	\$250,000	\$10,963,684
Expenses							
Salaries and Benefits	\$1,641,964	\$1,569,624	\$1,311,840	\$135,371	\$135,371	\$0	\$4,794,169
Books and Supplies	\$338,602	\$361,302	\$510,673	\$3,950	\$3,950	\$0	\$1,218,477
Services / Operating Expenses	\$299,900	\$297,526	\$241,741	\$7,780	\$7,780	\$0	\$854,728
Facilities Fees	\$659,513	\$628,961	\$640,975	\$0	\$0	\$0	\$1,929,449
RSED Management Fees	\$494,635	\$471,721	\$480,731	\$30,000	\$30,000	\$62,500	\$1,569,587
Depreciation and Interest	\$10,500	\$7,000	\$19,555	\$0	\$0	\$0	\$37,055
Contingency Reserve	\$34,451	\$33,361	\$31,371	\$1,771	\$1,771	\$0	\$102,726
Total Expenses	\$3,479,566	\$3,369,495	\$3,236,887	\$178,872	\$178,872	\$62,500	\$10,506,191
Net Income	\$56,672	\$10,109	\$160,956	\$21,128	\$21,128	\$187,500	\$457,493
Beginning Fund Balance (projected)	\$218,157	\$338,313	(\$135,010)	\$93,750	\$93,750	\$0	\$608,959
Net Income	\$56,672	\$10,109	\$160,956	\$21,128	\$21,128	\$187,500	\$457,493
Ending Fund Balance	\$274,828	\$348,422	\$25,945	\$114,878	\$114,878	\$187,500	\$1,066,452
Fund Balance (% of expenses)	8%	10%	1%	64%	64%	300%	10%

*Note: Financials are presented on full accrual method of accounting

School Budgets: Year over Year Comparison



Due to conservative revenue and expense assumptions and the loss of one-time funding sources, the net income of Rocketship schools is budgeted to decrease from FY10 to FY11

FY11 Schools Budgets Relative to FY10 Projection

	FY10 Projection	FY11 Budget	% Change	Explanation
ADA	839	1298	55%	
Revenues				
Public Sources	\$6,332,342	\$9,419,216	49%	Loss of one-time funding (ARRA), conservative assumptions
Fundraising and Other	\$1,254,302	\$1,544,468	23%	4 schools in development; RSSP's PCSGP all recognized in FY10
Facilities/Mgmt Fees	\$0	\$0	0%	
Total Revenues	\$7,586,645	\$10,963,684	45%	
Expenses				
Compensation	\$2,883,972	\$4,794,169	66%	Added 15 teachers, as well as RTI tutors and lunch workers; significant principal and dean pay increases for RMS and RSSP
Materials and Supplies	\$931,687	\$1,218,477	31%	Increase in RS3 partially offset by decrease in RS1 and RS2, online learning (\$130K)
Services / Operating Expenses	\$541,942	\$854,728	58%	Increase in RS3, Assessment Team (\$20K/school), Maintenance (\$45K),
Facilities Fees	\$1,463,018	\$1,929,449	32%	Tied to revenues; no equity payments for RS4&5
RSED Management Fees	\$1,173,877	\$1,569,587	34%	Tied to income not including reimbursements (NSLP, internal offsets)
Depreciation and Interest	\$32,287	\$37,055	15%	
Contingency Reserve	\$66,000	\$102,726	56%	Tied to growth in expenses; will increase in next iteration of model
Total Expenses	\$7,092,783	\$10,506,191	48%	
Net Income	\$493,862	\$457,493	-7%	

*Note: Financials are presented in full accrual method of accounting

Key Revenue Assumptions - ADA



Enrollment targets have been set for each school and principals have been working diligently to recruit students and actively manage their waitlists; Changes in enrollment by grade are listed in the appendix.

Enrollment and ADA Targets

	RMS	RSSP	RS3	Total
Kinder	105	110	120	335
1	80	110	112	302
2	80	100	80	260
3	80	88	80	248
4	75	72	0	147
5	60	0	0	60
FY11 Total	480	480	392	1352
FY10	452	422	0	874
Change	28	58	392	478
FY11 Enrollment	480	480	392	1352
Attendance Rate*	96%	96%	96%	96%
ADA	461	461	376	1298

*FY10 attendance rate was 96% at RSSP and 97% at RMS

Key Revenue Assumptions □ Funding Rates



All rates are subject to change due to the uncertainty regarding the state budget. As a result of this uncertainty, the general purpose block grant has been budgeted extremely conservatively relative to FY10's projected rates. The budget also assumes zero national office fundraising other than what has already been secured.

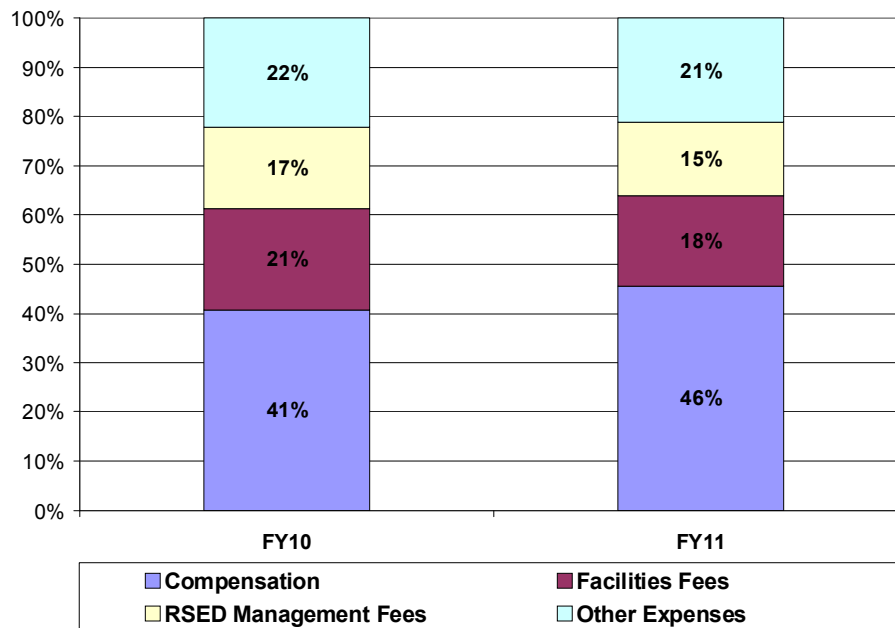
Assumed Rates for Key Sources of Funding

Source		FY10 (proj)	FY11	Notes/Comments
General Purpose Block (K-3)	per ADA	\$4,860	\$4,778	Jan SSC Dartboard was \$4,792
General Purpose Block (4-5)	per ADA	\$4,935	\$4,855	Jan SSC Dartboard was \$4,867
Categorical Block Grant	per ADA	\$401	\$401	Jan SSC Dartboard was \$399; Will revise down
Economic Impact Aid	per student	\$318	\$318	Based on Jan SSC Dartboard
Class Size Reduction	per school	\$235,620	\$198,000	Net of penalties and substitute fees
Supp Hourly Instruction (SHI)	per hour	\$0	\$0	Status still uncertain
Lottery	per ADA	\$124	\$124	Jan SSC Dartboard was \$123; Will revise down
SPED Funding	per ADA	\$574	\$572	Based on EDCOE March update
SB740 Facilities Subsidy	per ADA	\$600	\$600	80% of \$750
Title I	per FRL ADA	\$408	\$408	
Title II and IV	per school	\$9,440	\$9,086	
Title III	per ADA	\$29	\$27	only RMS qualifies this year
Arts and Music Block	per school	\$5,139	\$4,000	only RMS assumed to receive
Additional National Office Fundraising		\$155,000	\$0	No fundraising excluding previous commitments (CSGF, Walton, Hastings)

Expenses - Schools

Staff compensation increases significantly as a result of hiring 15 teachers, additional lunch and RTI staff and increasing compensation for 2nd year principals and academic deans

School Cost Structure



Key Assumptions and Changes

- Average teacher salaries (non-TFA) remain at \$58K
- 2nd year Principal and Academic Dean salaries and bonuses increase by \$20K
- Staff increases include 15 new teaching positions, and additional lunch workers and RTI tutors → allowing Rocketship to move away from some partnerships with external providers
- Other key changes include the adoption of Online Learning (\$130K), providing additional capacity during assessments (\$60K), the inclusion of facilities maintenance expenses (\$45K), and the removal year 0 equity payments for facilities

RSED Budget □ Year Over Year Comparison



The primary change from FY10 is the addition of 5 full-time staff members to provide additional capacity to the Achievement and Operations teams

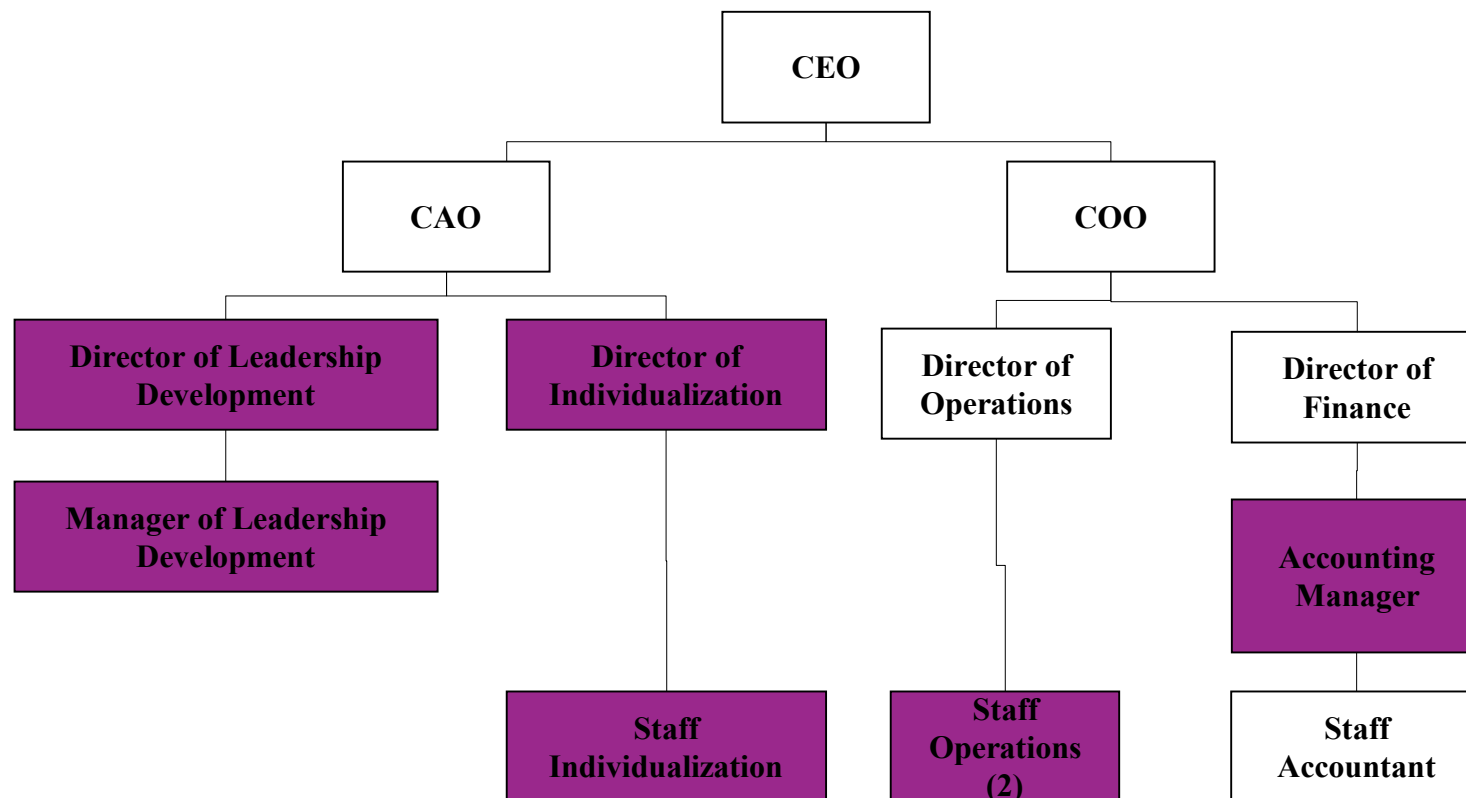
RSED FY11 Budget Relative to FY10 Projection

	FY10 Projection	FY11 Budget	% Change	Explanation
ADA	839	1298	55%	
Revenues				
Public Sources	\$0	\$0	0%	
Fundraising and Other	\$630,910	\$437,746	-31%	Assume no additional fundraising
Facilities/Mgmt Fees	\$1,173,877	\$1,569,587	34%	Tied to school revenues, excluding reimbursements
Total Revenues	\$1,804,787	\$2,007,333	11%	
Expenses				
Compensation	\$919,128	\$1,580,388	72%	Added 5 staff members for full year
Materials and Supplies	\$71,000	\$94,250	33%	Computers, furniture and other supplies needed to support additional staff
Services / Operating Expenses	\$594,481	\$450,500	-24%	Reduced consultants by hiring staff
Facilities Fees	\$104,766	\$0	-100%	One-time FY10 adjustment to cover LP costs initially budgeted to RSED
RSED Management Fees	\$0	\$0	0%	
Depreciation and Interest	\$119,047	\$63,174	-47%	Walton loans transferred to schools
Contingency Reserve	\$0	\$0		
Total Expenses	\$1,808,422	\$2,188,312	21%	
Net Income	(\$3,636)	(\$180,979)	4878%	

*Note: Financials are presented on full accrual method of accounting

RSED Staffing - 2011

5 new full-time positions have been budgeted to provide the additional capacity necessary to achieve RSED's 2010-2011 strategic objectives

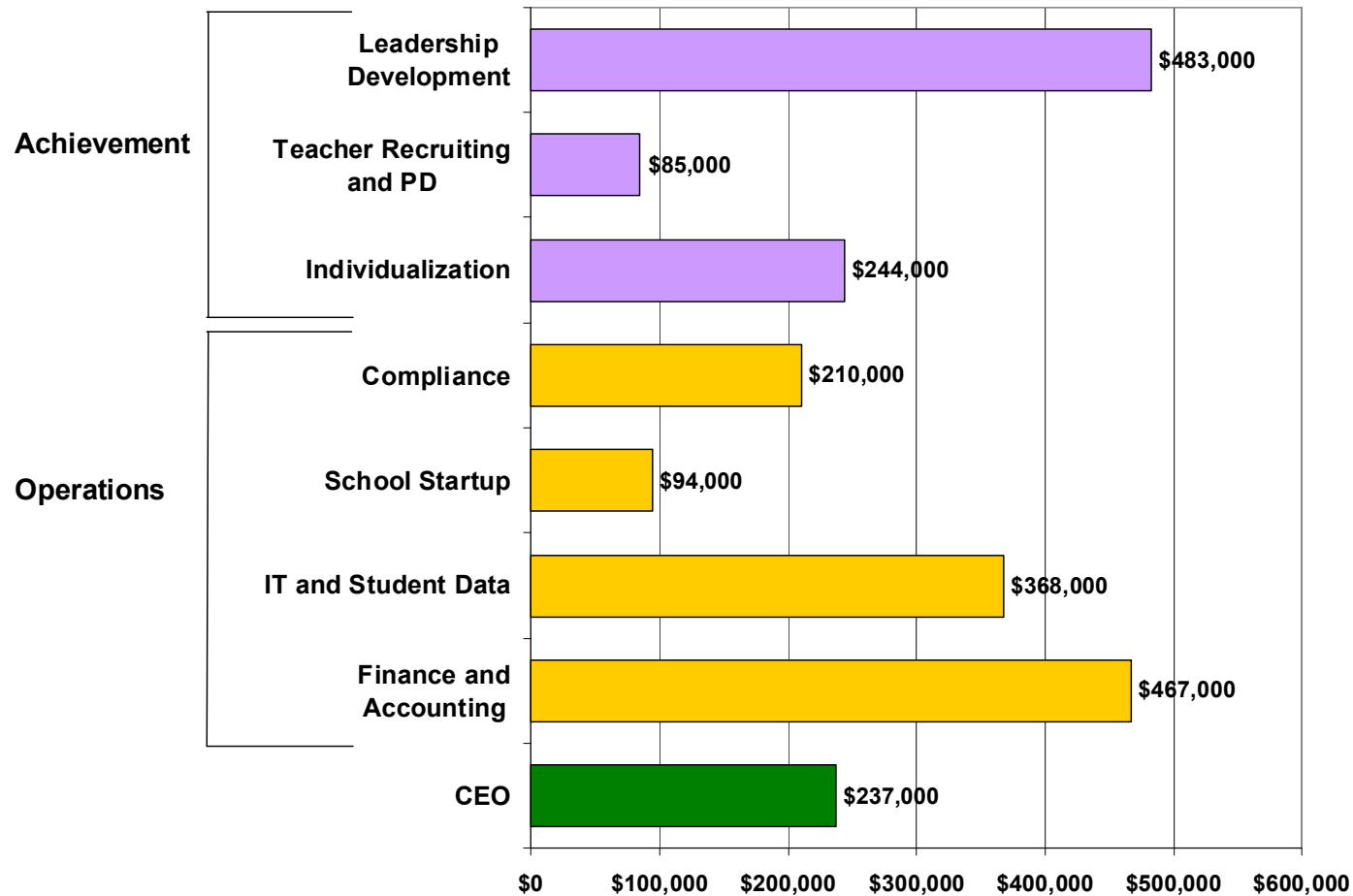


*Note: All staff shaded purple are new hires since March 31, 2010. In this diagram, only one of the two staff operations will be a new hire.

RSED Expenses

The expenses below reflect the expenditures against the 2010-2011 strategic objectives identified in the Operations, Achievement and Empowerment 5 year plans

RSED FY11 Expenses by Department and Strategic Initiative



Process and Next Steps

This presentation provides an overview of the key working assumptions in the FY11 budget; however, significant revisions will occur in the next two weeks

Revenues

- Enrollment may be adjusted based on updates to the status of CSR funding
- Funding amounts will be updated to reflect all new information

Expenses

- Conservative assumptions will be quantified with variances allocated to contingency reserves
- Salaries will be updated to reflect all known offers

Model Formulation

- The model will be revised to ensure consistency in classifications, allowing for more accurate year over year comparisons
- Program budgets (categorical funds, SPED) will be broken out with increased granularity
- Changes from the draft budget will be explicitly identified

Launch Pad

- The results of the LLC3 financing deal will be modeled and presented
- Launch Pad's FY11 budget will be presented (on a cash basis)

Financial Health

- Loan covenants (CSGF, Locust-Raza, Dobern-Raza, LLC3) will be presented based on the FY11 budget
- 18 month cash flow will be presented

Appendices

Enrollment Changes by School



The number of students per grade may change due to K3CSR funding

RMS Enrollment

	FY10	FY11	Change
Kinder	120	105	(15)
1	80	80	0
2	80	80	0
3	80	80	0
4	66	75	9
5	26	60	34
Total	452	480	28

RSSP Enrollment

	FY10	FY11	Change
Kinder	120	110	(10)
1	112	110	(2)
2	80	100	20
3	80	72	(8)
4	30	72	42
5	0	16	16
Total	422	480	58

RMS Budget: Year over Year Comparison



RMS FY11 Budget Relative to FY10 Projection

	FY10 Projection	FY11 Budget	% Change	Explanation
ADA	434	461	6%	
Revenues				
Public Sources	\$3,282,535	\$3,461,949	5%	Loss of one-time funding (ARRA), conservative assumptions
Fundraising and Other	\$8,718	\$74,288	752%	Discrepancy in classification
Facilities/Mgmt Fees	\$0	\$0	0%	
Total Revenues	\$3,291,253	\$3,536,237	7%	
Expenses				
Compensation	\$1,446,860	\$1,641,964	13%	Added 1 teacher, significant increases in principal and dean comp in 2nd year and added RTI tutors and lunch workers
Materials and Supplies	\$402,325	\$338,602	-16%	Large, one-time purchases of computers, furniture and books in FY10, online learning (\$50K)
Services / Operating Expenses	\$230,921	\$299,900	30%	Assessment Team (\$20K), maintenance (\$15K) and conservative oversight fee (\$15K)
Facilities Fees	\$615,668	\$659,513	7%	Tied to revenues
RSED Management Fees	\$484,985	\$494,635	2%	Tied to income not including reimbursements (NSLP, internal offsets)
Depreciation and Interest	\$10,500	\$10,500	0%	
Contingency Reserve	\$32,000	\$34,451	8%	Tied to growth in expenses; will increase in next iteration of model
Total Expenses	\$3,223,259	\$3,479,566	8%	
Net Income	\$67,994	\$56,672	-17%	

RSSP Budget: Year over Year Comparison



RSSP FY11 Budget Relative to FY10 Projection

	FY10 Projection	FY11 Budget	% Change	Explanation
ADA	405	461	14%	
Revenues				
Public Sources	\$3,049,807	\$3,303,205	8%	Conservative revenue assumptions
Fundraising and Other	\$840,584	\$76,400	-91%	Walton and PCSGP all recognized in FY10
Facilities/Mgmt Fees	\$0	\$0	0%	
Total Revenues	\$3,890,391	\$3,379,605	-13%	
Expenses				
Compensation	\$1,294,825	\$1,569,624	21%	Added 2 teachers, significant increases in principal and dean comp in 2nd year and added RTI tutors and lunch workers, reclass of substitutes (-\$30K)
Materials and Supplies	\$526,162	\$361,302	-31%	Large first year startup expenses (books, computers, furniture, etc), online learning (\$50K)
Services / Operating Expenses	\$301,340	\$297,526	-1%	Increased copy machine charges (\$10K), maintenance (\$15K), assessment team (\$20K), eliminated City Year (-\$100K), teacher recruitment (\$12K), reclass of substitutes (\$30K)
Facilities Fees	\$697,350	\$628,961	-10%	Tied to revenues
RSED Management Fees	\$572,141	\$471,721	-18%	Tied to income not including reimbursements (NSLP, internal offsets)
Depreciation and Interest	\$11,842	\$7,000	-41%	Walton loan forgiven in FY10
Contingency Reserve	\$34,000	\$33,361	-2%	Tied to growth in expenses; will increase in next iteration of model
Total Expenses	\$3,437,662	\$3,369,495	-2%	
Net Income	\$452,730	\$10,109	-98%	

Rocketship Generic School Financial Model



Rocketship Generic School Financial Performance by Year of Operation

	Year	0	1	2	3	4	5	6	7	8
	-1									
ADA	0	0	376	445	480	480	480	480	480	480
Revenues										
Public Sources	\$0	\$0	\$2,651,957	\$3,107,709	\$3,378,523	\$3,387,427	\$3,379,795	\$3,372,799	\$3,366,121	\$3,359,443
Fundraising and Other	\$125,000	\$200,000	\$683,835	\$221,478	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800	\$82,800
Facilities/Mgmt Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$125,000	\$200,000	\$3,335,793	\$3,329,188	\$3,461,323	\$3,470,227	\$3,462,595	\$3,455,599	\$3,448,921	\$3,442,243
Expenses										
Compensation	\$0	\$135,371	\$1,311,840	\$1,549,766	\$1,628,322	\$1,628,322	\$1,628,322	\$1,628,322	\$1,628,322	\$1,628,322
Materials and Supplies	\$0	\$3,950	\$510,673	\$342,404	\$356,750	\$344,700	\$344,700	\$344,700	\$344,700	\$344,700
Services / Operating Expenses	\$0	\$7,780	\$241,741	\$290,092	\$297,560	\$297,649	\$297,572	\$297,503	\$297,436	\$297,369
Facilities Fees	\$0	\$0	\$630,554	\$622,143	\$644,025	\$645,805	\$644,279	\$642,880	\$641,544	\$640,209
RSED Management Fees	\$31,250	\$30,000	\$472,916	\$466,607	\$483,018	\$484,354	\$483,209	\$482,160	\$481,158	\$480,156
Depreciation and Interest	\$0	\$0	\$22,009	\$19,985	\$18,461	\$16,493	\$14,465	\$12,440	\$12,416	\$12,392
Contingency Reserve	\$0	\$1,771	\$31,777	\$32,790	\$34,157	\$34,048	\$34,001	\$33,956	\$33,932	\$33,908
Total Expenses	\$31,250	\$178,872	\$3,221,510	\$3,323,786	\$3,462,292	\$3,451,371	\$3,446,549	\$3,441,960	\$3,439,508	\$3,437,055
Net Income	\$93,750	\$21,128	\$114,282	\$5,402	(\$969)	\$18,856	\$16,046	\$13,639	\$9,413	\$5,188
Ending Fund Balance	\$93,750	\$114,878	\$229,161	\$234,562	\$233,593	\$252,449	\$268,495	\$282,134	\$291,548	\$296,735
Fund Balance (%)			7%	7%	7%	7%	8%	8%	8%	9%