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Review Revenue/Expense Variances

Andi has requested that I clarify for the Board what shows as a large surplus ($300K) in Revenue coupled with a large reduction in expense ($100K) in FY05. As Andi has noted, Edison will get to keep the $400,000 surplus. While this seems a large number, it is important to note this is line with previous years and in compliance with the fiscal responsibilities and goals as set for in the contract. As a point of reference, one measurement index is Revenue Less Direct Site Expense as detailed below. FY05 results are consistent with prior years. FY04 involved several unusual one time expense charges, notably an Aramark invoice ($75K) covering several years and a Principal search ($16K).

	2001	2002	2003	2004	2005
Net Revenue	4577569	5172340	5757861	6466707	7440709
Salaries	2646157	3168898	3708275	4343860	4770029
* Non Personnel	787653	879963	813350	1147173	1062021
Total Expenses	3433810	4048861	4521625	5491033	5832050
Revenue less Expense	1143759	1123479	1236236	975674	1608659
% of Net Revenue	25.0%	21.7%	21.5%	15.1%	21.6%

*Final numbers still being resolved and derived from different sources

REVENUE

As of this writing, Total Net Revenue exceeds the original Budget figure by $311,216 or a variance of about 4.4 percent. Spreadsheet FP_FY05.wks is included detailing these (and additional) figures. While a CCIU grant provided an added $41,644 in revenue and a calculation error by the Edison Management Estimate yielded around $27,000 in other unanticipated revenue, the single largest discrepancy to original budget was tuition. Basically, districts paid more than anticipated. With numbers just about final now, districts paid almost 10 percent more per student than in FY04.

In May 2004, Marlaina and Angie presented the initial FY05 budget calling for an enrollment of 873 students with a paid count of 864 students (revised to 847). The actual number for FY05 will be about 835. They predicted a total of $7,969,109 in tuition. Tuition is now projected at $8,274,479 or a variance of 3.8 percent against the original budget per the included July 05 Board Report.xls file. Given the variables involved, this tuition dollar figure now seems quite good.

There are several factors at play in predicting tuition for a budget: What is the enrolled number of students, what is the drop out rate, what are the regular education tuition rates and the special ed rates and how many students will enter or complete a Sped program.

These rates vary by district and are typically not available until September. As a consequence, I believe Angie used a collective number such as $9,409 per student for this budget eliminating per district, per student projections.

This year Norristown said they expected an increase of about 11 percent in regular education tuition. Their current reported FY06 rate is now $9,285.56 representing an increase of 2.3 percent. Last year their increase was 10.9 percent. Dr. Tim Daniels of the Pa Coalition of Charter Schools has recommended a flat increase figure of 2 percent and without documentation, New York typically does not allow increases of more than 3.5 percent to be used in budgeting. In contrast, FY05 called for a 4.2 percent increase.

Perhaps more important, these rates are subject under certain conditions to revision **at any time**. Changes usually occur before December however; Coatesville just provided revised rates for FY05 this June. In our case, we *owe* them around $500. In the case of Collegium Charter School which was looking to collect tuition money, they instead now *owe* Coatesville over $200,000. Thus, while the monthly Board Report shows earned revenue to date, any final projection needs to be balanced against such factors.

In short, by its very nature, a tuition budget figure is subject to wide variation and not necessarily a good base for comparison to final figures. A more accurate estimating and comparison source is the Edison Management Estimate. This document is examined monthly by me, Marlaina and the analysts in New York. I believe Andi now receives one from Marlaina.

The January 2005 Management Estimate revised tuition to $8,128,572. This reflected an increase of $159,463 and a variance of 2.0 percent to original budget. This was also consistent with the monthly Board Reports showing actual revenue earned.

The current actual tuition figure of $8,274,479 is $145,908 above the Management Estimate with a variance of 1.79 percent.

EXPENSE

Direct Site Expenses were budgeted at $1,207,870 and final expenses are now showing at $1,095,513. This is $112,357 under budget representing a variance of 9.3 percent. At this point, it would *seem* spending was aggressively curtailed during the last quarter resulting is a budget "surplus."

Given that almost $100,000 in special education services (PTS) was not originally included, extraordinary legal fees were incurred, a new active athletic program, two open house promotions and a first time graduation, it could be expected the non personnel budget would have been exceeded. Further, comparing spend rates; in the period July through December 2005 we spent $77,000 more than in FY04. For the period July through February 2005, we spent $97,000 more than in FY04. Yet, in FY04 we actually ended up spending *more* than in the past fiscal year. New York has included the $59,000 in accruals we submitted for FY05.

FY05 Non Personnel Expense

	Actuals	Budget	variance	var %
Instructional	$ 373,733	$ 361,429	$ (12,304)	-3.4%
Facilities	$ 518,947	$ 568,271	$ 49,324	8.7%
Technology	$ 65,517	$ 100,675	$ 35,158	34.9%
Admin	$ 137,317	$ 177,495	$ 40,178	22.6%
	$ 1,095,514	$ 1,207,870	$ 112,356	9.3%

Around $40,000 of the Facilities variance of $49,324 can be summarized as follows: Carpeting and painting were budgeted at $31,300 and not done until this summer (FY06). Gas and electric budgeted for $100,000 came in at $91,207.

Around $28,000 of the Technology variance of $35,158 can be summarized as follows: $13,000 was budgeted for Air Travel. $7,364 was not spent in Library Media materials and $7,742 was not spent on Maintenance contracts. The last two require conversation with Todd for clarification. Possibly with renewal expected in FY06, it was decided that it was not practical to invest added funds. I do not know why $13,000 was originally set aside for Air Travel in the Board's approved budget. When this has happened in the past, the money was typically used elsewhere for other required items.

Instructional and Admin sometimes overlap in the accounting allocation and require more information including the final GL from New York to finalize an answer. In example, New York has charged Admin $6500 for Professional Development Training where there was no budget amount. However, Instructional is budgeted for $37,500 using the same code. These two areas need to be looked at in total to develop a better picture.

It is important to clarify two points. We request on average that New York pay about 60 percent ($631,000) of the annual non personnel expenses. Therefore 40 percent of budgeted expenses are directly billed or charged by Edison to the Renaissance account. There is no invoice with a due date. We do not know when it will "hit the budget." This includes such items as airfare, summer training conference fees and casualty insurance. The second is how spending (and projected year end) is collectively reviewed for control of the budget.

About each month, Marlaina will meet with Jen, Suzanne, Gina, Deborah and myself and review *each* expense line entry updating the Management Estimate. This method is used to identify what expenses have been incurred and what is expected. This file is then uploaded to New York for the budget reports distributed monthly to the Board.

In reviewing several Management Estimates (my file dates), in February 2005 we projected $1,267,690, in May it was $1,244,615 ($36,745 *over budget*) while June falls to $1,036,515. Additional research is required to resolve this situation.

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