06-30 Board Meeting: FY2027 Budget Discussion and Approval, and Real Estate Planning

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> Date: 2026-06-30
> Location: Zoom
> Participants: Luke Copley, Joe Spar, Ibrahim Yusuf, Martha Zornow, Nick Pozek, Kristan Norgrove, Doug Wurth.

Meeting Notes

Meeting Kick-off and Budget Discussion Priority

- The meeting was called to order at 9:03 AM.
- The main priority for the meeting is the FY2027 budget presentation.

FY2027 Budget Overview and Covenants

- The budget reflects a decrease in enrollment, leading to lower revenue and expenses.
- **Enrollment:** The budget is conservatively set for 387 students, despite ending the last year with 401 and projecting 405 for the upcoming year. The budget will be re-evaluated in the fall based on actual enrollment.
- **Revenue:** Revenue is projected to decrease by approximately $600,000 from the previous year.
- The proposed budget meets both required financial covenants:
  - **Debt Service Coverage Ratio (DSCR):** Projected at 1.14, exceeding the 1.1 requirement.
  - **Days Cash:** Forecasted at 69 days, surpassing the 60-day requirement. This is a conservative estimate and could rise to 93 days with expected funds (e.g., security grant, Pre-K funding).
- A motion to approve the budget as presented was made, seconded, and unanimously approved.

Financial Details and Strategic Changes

- **Employee Retention Credit (ERC) Funds:** Two ERC payments were received, totaling about $800,000. These funds help mitigate historical

cash flow issues in June. An issue remains regarding the interest paid by the government
- **Rental Assistance and Special Education:** The school expects $1.5 million in rental assistance, capped at the rent for 2350 Fifth Avenue. For special education, funding is budgeted for 65 students in the "greater than 60%" category, though 75 are expected.
- **Summer Enrollment Push:** A marketing campaign will launch in July, aiming to boost enrollment.
- **Pre-K Strategy:** The school is reducing from two Pre-K classes to one (18-student capacity) after filling only 28 of 36 spots last year. For the future, the school will consider starting its own Head Start program
- **Professional Services:** The professional and contractual services budget increased to $170,000 due to the investment in Fourth Sector for CFO functions. It was suggested that Fourth Sector take a more active role in driving future budget processes.
- **Contingency Plans:** The BoT discussed contingency planning if there is lower-than-expected enrollment

Personnel and Compensation

- **Salary Model:** A new salary model based on years of experience and degrees was implemented to ensure equity. This resulted in an average teacher salary increase of 9%. The board noted concerns about financial sustainability.
- **Benefits:** Employee benefits were restructured
- **Staffing Changes:**
    - The BoT discussed organizational changes
- **Organizational Structure:**
    - To streamline operations in the single building, the Director of HR/Finance and an Operations Associate are now "Operations Coordinators" with specific domains.
    - The two existing principals are retained for stability. The Principal in Residence role will now cover Pre-K-8.
    - All school counselors will report to the elementary principal for consistency.
- **Policy Change:** A new policy was approved to provide prorated vacation time to part-time employees working at least half-time.

<u>Approval: The board passed a motion to approve the Budget, which was approved by a majority of the board.</u>

Prorated Vacation for Part-Time Employees

Approval: "The board passed a motion to approve the Prorated Vacation for Part-Time Employees policy as presented" Approved by a majority

Real Estate Strategy

- **Building Consolidation:** The school is moving into a single building. Not operating the separate middle school building saves approximately $285,000 in operational costs and avoids significant repair expenses.
- **Middle School Building:** The strategy for the empty middle school building is a critical issue to be addressed at the July strategy session, as the school is paying interest on an unused asset.
- **Elementary School Lease:** The board is in the final stages of negotiating a 20-year lease for the elementary school building, with an exit option at the 7-year mark.

Upcoming Strategy Day and Board Business

- The July meeting will function as a strategy day. Key topics will include the middle school building's future and the long-term real estate plan.
- A draft agenda will be circulated for board input.

Next Arrangements

- ☐ Share a detailed cash flow projection with the finance committee.
- ☐ Circulate a draft agenda for the upcoming strategy day and solicit board input.
- ☐ Share the final elementary school lease proposal, a summary from JLL, and a financial impact analysis with the board for review and decision.
- ☐ Have the school's insurance agent review the proposed lease
- ☐ Launch the summer enrollment campaign in July.
- ☐ Prepare to rebudget in the fall if enrollment targets are not met
- ☐ For the next meeting, share data on how the final enrollment number of 401 fluctuated throughout the last school year.
- ☐ Add the 3K/feeder program strategy to the agenda for the upcoming strategy day.
- ☐ Include talent management and retention strategy on the strategy day agenda.
- ☐ Confirm Eric's and Brenda's participation in the retreat.
- ☐ Address administrative load concerns from co-locating teams in one building in executive session.
- ☐ Share current behavior and data supporting the cultural associate reduction with the board
- ☐ Provide a clear breakdown of budget line shifts to professional contractual services
- ☐ Kristen to email to confirm if a board member's dues have been paid