C.5 Three Year Operational Budget Assumptions

Alhambra Preparatory Academy (APA) hereby referred to as Madison Highland Preparatory (MHP) is projecting student enrollment of 300 in Year 1, 350 in Year 2 and 400 in Year 3. The extensive planning period beginning in February 2013 and the awarding of a three year grant from the Arizona Charter School Program will allow MHP significant time and resources to market and attract students to the school. The corresponding three year operational budget state funding figures are based on 85% (255 students) of the projected full enrollment of 300 students in Year 1; 90% (315 students) of the projected full enrollment of 350 in Year 2; and 90% (360 students) of the projected full enrollment of 400 in Year 3. MHP believes that the increase from 85% of full enrollment is a conservative percentage for Year 1 and the increase to a factor of 90% in Years 2 and 3 is warranted due to the anticipated stability of the student population after Year 1.

As noted in the start-up budget assumptions, the Arizona Charter School Program Grant awarded through the Arizona Department of Education is a three year grant beginning in February 2014. The third and final year of the grant is included in the first year of the three year operational budget.

MHP's compensation plan seeks to be competitive with high quality schools of similar size and population. Compensation will also be commensurate with experience and performance. Compensation includes salaries, health benefits, 401K as well as stipends. Stipends are paid to staff who coach after school athletics, participate in summer STEM training, Math and English teachers who attend summer Spring Board training, and grade level advisors. Salaries are adjusted 3% each year.

Administrative salaries for Year 1 will consist of a full time Principal, Director of Curriculum, Assistant Principal, Business Manager and Registrar. An additional office assistant will be added in Year 3 to oversee day-to-day office procedures and policies in addition to maintaining records. In addition, one twelve month bus driver and one nine month bus driver will be hired in Year 1 to transport students to and from school and extra-curricular activities. An additional twelve month bus driver will be added in Year 2.

Instructional staff in Year 1 will consist of 3 Math teachers, 3 English Language Arts teachers, 2 Science teachers, 2 Social Studies teachers, 1 Physical Education/Elective teacher and 1 Foreign Language teacher. An additional Math teacher will be added in Year 2, an additional English Language Arts teacher in Year 3 and an additional Science teacher in Year 2. In addition, a full time regular education instructional assistant will be added in Year 2 to accommodate the increased number of students.

A special education coordinator/teacher will begin one full month prior to the start of the school year to oversee the IEP process and prepare for the school year to ensure that students with special needs receive accommodations and modifications within the classroom. The coordinator/teacher will assume all duties related to special needs students in Year 1 and a special education instructional assistant will be added in Year 2 commensurate with the addition of the 11th grade and an increase in enrollment.

Employee benefits consist of required statutory contributions of social security and state unemployment as well as worker's compensation insurance. The statutory contributions total 10% of gross compensation. (FICA 7.65%, SUTA 1.5%, Worker's Comp estimated at .85%) Employee benefits also consist of medical/dental/vision/life/AD&D insurance for full time employees and a 401K plan. Medical/Dental/Vision/AD&D insurance premiums are calculated based on a total premium of $17,876.04 per employee annual cost of which MHP will contribute 75% or $13,407.03. The premium cost was obtained through a health insurance broker and represents premium coverage. 401K contributions are calculated at 5% of gross salaries and details as to employer match and vesting policies are currently being developed.

Expenditures for office supplies will be utilized to create a provisioned office environment and estimates are based on a similar sized school and staff. Office supplies expenditures increase from $11,000 in Year 1 to $14,500 in Year 2 and $16,000 in Year 3, the expenditures per student is consistent and ranges from $37/student in Year 1 to $40/student in Year 3.

Instructional consumables consist of materials for Project Lead the Way (PLTW) and Sea Perch based on student enrollment. These expenditures increase from $17,329 in Year 1 to $28,373 in Year 2 and $30,401 in Year 3. Consumables consist of tool bags, VEX robotics kits and required robotics kits for both programs based on the number of students.

Membership dues are comprised of student participation dues for Project Lead the Way and Sea Perch and Association memberships, research and development and training fees. Dues for membership and competition fees for PLTW and Sea Perch are $14,500 for Year 1, $17,000 for Year 2 and $19,500 for Year 3. Association dues, research & development and training fees are budgeted for $3,450 in Year 1, $5,050 in Year 2 and $5,650 in Year 3.

Instructional Field Trips consist of trips to universities and museums, field trips and special events to re-enforce the value of college and the real-world application of students' lessons. Contracted services for accounting, legal and consulting consists of required legal services, financial services, bank fees and information technology support.

Stipends for staff members include the designation of teachers who choose to represent and support a class cohort (for example: freshmen advisor, and sophomore advisor in year 1). Grade level advisors are paid a yearly stipend of $500, which in year 1 = $1000, in year 2 when the school ads the eleventh grade there will be an additional advisor $1500, and in year 3 there will be a senior advisor bringing the total for grade level advisors to $2000, and thereafter.

Contracted Services for parent resources and PLTW consist of costs associated with a parent resource tool consisting of web hosting, links to the student information system and gradebook access. PLTW contracted services consist of teacher training expense excluding room and board.

Contracted services for extracurricular sports expense consist of expenditures for a robust high school sports program. Expenses include stipends for an athletic director: equipment and uniforms; coaches and membership, insurance, transportation and officials. The sports offered will include football, volleyball, basketball, baseball, softball, and soccer. Cross country will be added in Year 2 and costs will increase each year as student enrollment increases and junior

varsity teams are added. Total costs are projected at $50,000 in Year 1, $54,000 in Year 2 and $60,300 in Year 3.

Expenditures for curriculum materials (Spring Board Math, Spring Board English, and other online course curriculum materials will be $22,947 in year 1 based on freshmen and sophomore cohorts, $22,947 in year 2 with the addition of a junior cohort, and $27,947 in year 3 with the addition of a senior cohort of students. The other curriculum materials (social studies, science, electives including Spanish and Mandarin) are digitally based.

SAIS Software expenditures represent ongoing subscription fees for School Master based on a comparable sized school. Auditor fees are calculated based on estimates from existing charter schools of similar size and will be expended to hire and independent certified public accounting firm to perform the school's required annual audit.

Marketing and Promotional costs are detailed in section C.2. MHP will invest significant resources during the Start-Up phase to attract students and parents. The expenditures will range from print forms of communication, school website, Facebook and Twitter, signs and banners, mass mailings and future freshman days to be held at middle schools in the area. There will be a significant reduction in costs from Year 1 of $34,925 to $8,000 in Years 2 and 3, primarily due to the mass mailing of brochures that occurs only in Year 1. All other forms of advertising and marketing will remain constant ensuring a sustainable campaign to continually attract students.

Building rent/lease expenses represent 15% of state equalization revenues received each year to be paid after the 40th and 100th day of the school year. Madison School District is in negotiations with MHP for a Lease Agreement, as detailed in section C.5. The rent/lease expense includes the general maintenance of indoor/outdoor facilities; phone access including direct lines and fax numbers; IT services, electric, water, sewer and natural gas services; intercom access; security system and pest control.

MHP will purchase a marquee sign for the property at an estimated cost of $30,000. Property and casualty insurance and liability insurance is based on two similarly sized and configured charter locations and assumes shared occupancy with a district school campus. Property and casualty insurance estimates remain consistent in Years 1 through 3 at $6,500 per year. Liability insurance increases each year as the staff and student enrollment increase.

Transportation expenses include the cost to transport students to and from school as well as to and from the school for extracurricular activities. Year 1 expense includes the purchase of two buses at $16,000 each and $10,000 annually for fuel, insurance and maintenance. A third bus will be added in Year 2 and fuel, insurance and maintenance will increase to $15,000. A fourth bus will be added in Year 3 and fuel, insurance and maintenance will increase to $17,000.

Other leases include annual costs for a high capacity copy machine and monthly fees for a security system. Cell phones costs are budgeted at $4,320 annually for use by administrative staff. Fees/permits are for construction and site operations and assume a shared expense with a shared occupancy location or that costs will be borne by the building owner/lessor.