C.5 Three Year Budget Assumptions

Desert Star Academy's three year operational budget has been developed on conservative assumptions based on research of the current market and the School Director's four years of experience with a similar charter school budgeting in the surrounding area. The projections are conservative due to Desert Star Academy being new and not established in the community. The projected budget was developed with recommendations from FMY Accounting Services in order to obtain true and realistic budget amounts. Overall, payroll absorbed the majority of the expense budget (60%) and facilities around 10%. There was a budget balance in all three years, $34,926 in year one, $30,542 in year two and $62,647 in year three. In year two, the budget balance was not significant due to the addition of a technology director. The technology director will keep consistent with the school philosophy. A technology director was added as opposed to a curriculum specialist due to the experience and expertise of the School Director with curriculum and lack of expertise in the way of technology products and services. Maintaining equipment and software maintenance is vital to the operation of Desert Star Academy. The Academy is committed to providing scholars a program of instruction rich in technology. In year three the budget balance was $62,647 in preparation of moving to a permanent location that will accommodate a capped enrollment of 500 students.

Desert Star Academy State Equalization Revenue

State Equalization Funds were calculated based on the projected number of scholars that will actually enroll in the Academy (Student Count), less 5% for maximum scholar enrollment, less 50% of the kindergarten enrolled scholars (State only fund ½ day kindergarten) equals the actual ADM scholar count used to calculate the State Equalization Revenue. 10% of the total scholar enrollment was calculated for the special needs scholar count. Desert Star Academy, upon approval of the charter application, will begin the school year on August 1, 2013 with the following estimated scholar counts by grade. In consideration of the local area, scholar estimations are conservative to avoid budget shortfalls. Overall enrollment projection by year three total 10% of the students currently enrolled in the district school within the target area.

Revenue Projections

The State Equalization fund calculations were based on projected scholar count for the first three years.

Student Count	Year 1	Year 2	Year 3
Total scholar count	85	140	215
• **Kindergarten**	20	40	40
• **First grade**	20	40	40
• **Second grade**	15	20	40
• **Third grade**	10	20	25
• **Fourth grade**	10	10	25
• **Fifth grade**	5	5	25
• **Sixth grade**	5	5	20
Adjustment for max. enrollment (95%)	<4>	<6>	<7>
Adjustment for ½ kindergarten	<10>	<20>	<20>

Adjusted scholar count	71	114	188
Total ADM Revenue	**$453,151**	**$723,866**	**1,153,547**

EXPENITURES – Administrative / Instructional

Salaries

Salaries will constitute the majority of the expenditures. Proposed budgets were based on salaries absorbing roughly 60% of the revenue. The School Leader, during the first two years is projected well below the market price in order to be competitive with teacher salaries and offer a small benefits package of health insurance, of which Desert Star will pay 25% for each full-time employee and offer a 3% matching for a 401K. The HMO health insurance package will be offered through the Arizona Charter Board Association and the 401K retirement fund will be offered through Edward Jones Financial Investments.

Salary Expense Summary

	Full-time Employees	Annual Salary	Employer Contribution	Benefits Package	Total Expenditure	% of Revenue
Year 1	**8**	**$265,900**	**$23,300**	**$9,600**	**$265,900**	**59%**
Year 2	**12**	**$452,750**	**$39,850**	**$14,400**	**$452,750**	**62%**
Year 3	**17**	**$667,300**	**$52,900**	**$20,400**	**$667,300**	**57%**

The three year average of expense to revenue is 59% which is standard among most charter schools based on research from the Charter Board Association. A 3% annual increase was budgeted to give teachers an incentive to stay with Desert Star Academy.

Special Notes:

Year 1 included $1, 000 stipends to all four teachers for reporting to work during the month of July for the extensive staff development trainings. The stipend will be paid on the first payroll date in August 2013.
Year 2 the percentage was slightly higher than the average due to the technology director being added to the payroll.
Year 3 is slightly below the average which would allow the addition of a curriculum / instruction specialist in year three if the enrollment holds to the projections.

Office Supplies (paper, file folders, etc…)

Office supplies increased from $1,000 in year one to $1,700 in year two and $5,000 in year three. Office supplies such as copy paper, file folders, pens, markers, envelopes or other consumable supplies, small desk equipment and other misc. items to create a productive office environment. Budget amounts were based on quotes from a local office supply store and usage amounts from a local school with similar enrollment. A majority of office supplies were purchased at the time the preschool office opened, as the School Director took advantage of quantity and new customer purchasing.

Instructional Supplies

$4,000 is budgeted in the first year to purchase initial classroom supplies. Each teacher will have an allotment of $250.00 to spend on supplemental classroom supplies not provided by Desert Star Academy, Inc. Items may include workbooks, special items for projects or resources. The $2,000 will be used to purchase additional resources needed to implement action steps in Math and Reading PMP. The remaining $1,000.00used to purchase student writing paper, pencils, markers, student white boards or miscellaneous supplies to make each classroom functional and productive. In year two the supplies budget increased to $10,000 and in year three, $25,000 to accommodate a larger population. The first year is considerably low because $2,000 of supplies was already purchased to furnish grades K-2 when the preschool opened.

Membership Dues and Registration

$1,000 was budgeted in year one to include Association dues, memberships in the local Kiwanis club, and other travel expenses that may occur. The budget increased to $1,500 in year two and $3,000 in year three for staff and board member trainings.

Contracted Services, Accounting, Legal, etc… fees

Desert Star Academy will contract all accounting / payroll services and fees to FMY Consultants. A fee of $9,600 will be billed during the first year and increased each year as the enrollment, payroll (# of staff), and services increase. Monies were also budged for legal fees and retainers should a situation arise. The projected budget increased in year two to $20,000 and $28,000 in year three. Quotes were based on actual quotes from FMY Consultants and a projected amount for legal fees based on quotes from a local attorney in regards to a retainer and consultant services.

Purchased Services – Special Education

$6,000 was initially budgeted for special needs services and increased by $2,000 per year. The quotes are based on Mrs. Montgomery's extensive experience as a Special Education Director in planning budgets and contracting with service providers in the area. There are local school psychologists that are willing to contract with charter schools for a very reasonable fee of $400 per standard Specific Learning Disability Qualification. There is also a licensed Speech / Language Pathologist who will contract with charter schools for $250.00 per basic evaluation. The budget amounts were based on a projected special education population of 8 to 10 percent of the regular student population.

Curriculum and Resource Materials

$9,100 was budgeted in year one to purchase Saxon Math for grades three through six, McGraw Hill Treasure Series scholar consumables and textbooks for grades three – six. Wilson Foundations will be used as phonics supplemental for early grades as well as Character Counts resources to remain consistent with the school philosophy. The budgeted amount is considerably low because Math and Language Arts curriculum was purchased at the time the preschool curriculum was purchased for early grades based on quantity discounts and new customer specials. The increased budget of $25,000 in year two and $40,000 in year three is due to consumables needing to be replenished and additional textbooks for the increased scholar population. A larger budget was also planned in years two and three

in the event that the initial curriculum is not effective with the target population and changes needed to be implemented. Core Knowledge curriculum materials are included in budgeted amounts.

Supplemental Resource / Software

The Acuity software program will be purchased at $9,000 for the purpose of assessing scholar achievement. $6,500 was designated to purchase a digital library program for all grades. The digital library can be accessed from home to encourage the parent school partnership. The remaining monies were allocated to purchase the Woodcock Johnson III Academic Achievement testing and scoring materials. The remaining $1,000 will be budgeted from incidental resource needed throughout the year. The budget increased to $20,000 in year two and $30,000 in year three. The added software budget will support the purchase of digital software for scholars to enhance or remediate the program of instruction. Headsprouts Early Reading Program is a possibility to add to the phonics program that will allow scholars another method of learning phonics and getting engaged in reading.

SAIS software

School Master will be purchased to meet reporting compliance for ADE. The cost will be $7,000 which is a budged amount in years one and two. Additional monies were budgeted in year three to accommodate implementation, changes or upgrades.

Auditor fees

Auditor fees were not budgeted in year one as the audit will occur in year two. $9,000 was budgeted in year two and $12,000 in year three based on recommendations from FMY Consultants experience with auditor fees and services. The audit will be conducted by a certified independent auditing firm who meets all standards and requirements. The annual event will take place in the early fall following a completed fiscal year.

Postage

$1,000 was allotted in year one to purchase necessary postage for the mailing of progress reports, day to day corresponds of business or other miscellaneous items to ensure the Academy runs efficiently. A thousand dollars will be added to the budget each year to allow for the growth in expenses due to increased enrollment and operations.

EXPENDITURES – Operations and Maintenance

The Operation and Maintenance budget assumptions were calculated conservatively to align with the revenue. Budgets are based on actual researched quotes obtained from vendors, realtors, utility companies and recommendations from FMY Consultants.

Supplies

Operational supplies include cleaning and sanitary supplies, trash cans and liners, and other miscellaneous supplies needed to operate an efficient school. Budget projections were based on

estimates from a local charter school with similar student populations. $6,000 was allotted for years one and two with an increase to $10,000 in year three. Year three may require a move to a bigger facility and additional space, therefore, the budget was estimated for additional expenses.

Marketing

Budgeting sufficient monies for marketing and advertising expenses ensure the Desert Star Academy mission and values will be projected within the community. The overall budget for all three years is low because Desert Star Preschool has a marketing budget in which the charter school will be advertised in conjunction with the preschool as a complete Pre-K – sixth grade organization. In year one, $4,000 was budgeted for printing brochures, mailers, banners, and marketing items such as refrigerator calendar and mini notepads. The budget was increased to $ 6,000 in year two and $ 8,000 in year three.

Contracted Services

$5,000 was budgeted in year one to include an outside cleaning service to detail the classrooms, eating area and offices bi-weekly for a total of $2,400 per year. The additional amount of $1,600 is budgeted for maintenance and installation of technology equipment. $1,000 is for unforeseen services and repairs that are needed to keep the facility safe and operating efficiently. The budget was increased to $6,500 in year two and $15,000 in year three to accommodate a larger facility and increased scholar population.

Building Rent

$24,000 was budgeted for year one based on four offices in a strip mall. Each office has a small cubicle that can be used as an office and teacher work area. The landlord has verbally agreed to a price of $2,000 for the first two years in order for Desert Star Academy to become established. In year two, the rent increases to $56,000 to include two additional spaces for classrooms and $72,000 in year three. The mall is currently being renovated and the landlord is eager to rent to the school, thus, he will reserve the additional spaces for growth in years two and three.

Utilities

Electricity will be paid by Desert Star Academy, trash and water will be paid by the property owner. $6,000 was budgeted in year one based on the highest electricity bill from the previous year for each space needed. $10,800 was allotted in year two and $15,600 for year three.

Phone and Internet Connections

$3,000 was budgeted for year one based on research with the local phone company and a communications vendor who will install broadband for internet usage for the scholars and staff. Fees included basic internet service. A network will not be budgeted at this time, rather technology equipment such as the I Pad, Kindle and basic internet search engines will be used. The budget increased to $5,000 in year two and $8,000 in year three.

Insurance (Property / liability / Casualty / Board Members)

The following budgets include liability insurance of $4.60 per Pre-K through 6th grade scholar, renters insurance for property on the campus and $4,500 per million dollars of coverage for the Corporate and Governing Boards. Physical property and structure insurance is paid the property owner. Total costs for insurance in year one is $8,000, year two $16,000 and year three $34,000.

Fees and permits

After researching needed permits and fees, the only fee that may be needed is the certificate of occupancy, an answer was not granted from Mohave County Building and Zoning. Based on recommendations from our accountant and a local charter school, $3,000 was allotted in year one and two. An additional $2,000 was budgeted in year three with an anticipated move to a larger facility and unforeseen expenses.

Classroom furniture

The following budget quotes were actual quotes from School Discount Supply for the remaining classroom furniture. The actual first year projections are low because a majority of needed furniture has already been purchased and placed into storage and four classrooms of tables and chairs were donated by a school closing last year.

Quantity	Description	Price ($)	Total ($)
26	Student computer tables	80	2080
30	Student chairs	30	900
2	Teacher desks	250	500
6	Teacher chairs	100	600
6	File cabinets	150	900
	Sales Tax		407.25
	Free shipping		5,837.25

$6,000 was budgeted for year one based on the above items and costs. The balance will be used for incidental items that may be needed as the school is in the set-up phase. The budget will increase to $20,000 in year two and $35,000 in year three due to increase in scholar population, staff and facility size.

Office Furniture

Minimal furniture will need to be purchased, as the office will be shared by Desert Star Preschool and is currently furnished. $2,500 was projected the first year to purchase larger file cabinets for student records, shelves and miscellaneous items to organize records and supplies. The budget increased to $5,000 in year two and $8,000 in year three.

Student Technology Equipment

Vital to the program of instruction and school mission, technology is a large budget item. In year one, $15,700 was budgeted, which was on the conservative side, the increase comes in year two and three when the budget increased to $25,000 and $30,000. A detailed description of items with quotes is outlined below for the first year.

Quantity	Item	Price ($)	Total ($)
20	computer	350.00	7,000
5	Projectors	500	2,500
4	Mimios	400	1,600
40	Kindles	79	3,160
	Sales tax		1069.50
			$15,329.50

The budget for the first year is $15,700. An excess budget of $ 370.50 will be used for installation of equipment. The budget increased to $25,000 in year two and $30,000 in year three to accommodate an increase in scholar population.

Office Technology Equipment

The office equipment will be shared with the Desert Star Preschool. $1,000 was budgeted for a computer and printer for the office clerical. In year two the budget increased to $4,000 and $10,000 in year three as the school grows and additional personnel are added.

Leased Items

Two copy machines will be leased for at least the first two years of operation. The first year budget is $8,000 and the amount is increased to $12,000 in year two and $15,000 in year three. The budget amounts were projected based on information obtained from a local school district for a school similar in size.