C.5 Three Year Operational Budget Assumptions

Explanation of Revenues

Operating Year 1 revenues come from the equalization revenue calculator. In Year 1 the $1,380,237.00 equalization revenue is based on 185 FTE students and an 85% ELL rate (157 students) and 10 special education students with IEP's. In operating Year 2, based on 225 FTE students and an 85% ELL percentage (191 students) and 10 special education, $1,666,524.00 is expected for equalization revenues. In operating Year 3 the equalization revenues are $1,843,162.00 based on 250 FTE students and an ELL rate of 85% (212 students) and 10 special education students. We did not increase the Special Education population count as our experience has been to have between 10 -15 students with IEP's.

Explanation of Expenditures[1]

Salaries[2]:

Principal: Assumes a full time FTE at a beginning salary of $95,000.00. Year 1 salary is indexed by 3% for Year 2 ($97,850.00) and Year 2 is indexed by 3% for Year 3 ($100,785.50). This salary is comparable to Phoenix Union's principal salary schedule with a building level principal at Step 3.

Assistant Principal: In Year 3 assuming enrollment levels are achieved a .5 assistant principal will be hired at $85,000.00/$42,500.00. The balance of the FTE will be charged as a teacher. The .5 assistant principal salaries are in line with Phoenix Union's certified administrative salary schedule for an experienced assistant principal at Step 3/4.

Teachers – Regular Education: Beginning in operating Year 1 an average teacher salary of $40,000.00 has been budgeted with 3% increments in each of operating years 2 and 3. Although Phoenix Union's salary schedule is higher we feel the unique teaching opportunity offered by NAS-Phoenix and students that we serve will attract even seasoned experienced teachers who want to be part of this teaching environment. In Year 2 the teaching staff grows by 1.5; and in Year 3 by 1.0 as the student count grows. Total teachers in Year 1 – 6; Year 2 – 7.5; and Year 3 – 8.5. (Total costs: Yr. 1-$240,000.00; Yr. 2-$309,000.00; Yr. 3-$360,706.00)

Teacher – Special Education: With a beginning salary of $45,000.00, which is mid-range of the Phoenix Union's salary schedule and for the reasons stated above, we feel that we will attract a very qualified Special Education teacher. Again, the Year 1 salary will be indexed at 3% for Year 2, and so forth for Year 3. An additional .5 Special Education teacher is added in Year 3. (Total Costs: Yr. 1-$45,000.00; Yr. 2-$46,350.00; Yr. 3-$71,610.75)

Clerical: The office administrative assistant/clerical and administrative assistant/student records staff positions are each budgeted for $30,000.00 which are $14.42 per hour which is comparable to the Phoenix Union. These are 12 month positions. Indexing will be 3% per year for Year 2 and 3. (Total costs: Yr. 1-$60,000.00; Yr. 2-$61,800.00; Yr. 3-$63,654.00)

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[1] It will be the policy of NAS-Phoenix to remit payment within one week of receiving an invoice for services/products

[2] At this point in time, NAS-Phoenix plans to pay employees on a monthly basis.

Bookkeeper/Finance: This position is budgeted for $34,000.00 for Year 1 ($16.34 per hour) indexed by 3% for Year 2 and 3. Since the school will contract for a Business Manager, this position will function more technical than analytical. (Total costs: Yr. 1-$34,000.00; Yr. 2-$35,020.00; Yr. 3-$36,070.00)

Custodial: NAS-Phoenix will have 1.5 custodians in Year 1 increasing to 2.0 in Years 2 & 3 due to increased student counts. Hourly rate is competitive with Phoenix Union High School District at $13.50 – $14.00 per hour, or $28,000 for 1 FTE. (Total costs: Yr. 1-$42,000.00; Yr. 2-$57,680.00; Yr. 3-$59,410.40)

Campus Security Monitors: NAS-Phoenix will have 1.5 campus security monitors in Year 1 and 2.0 in Years 2 & 3. Hourly salary averages around $15.00 per hour, or $30,000 for 1 FTE. (Total costs: Yr. 1-$45,000.00; Yr. 2-$61,800.00; Yr. 3-$63,654.00)

Counselor: This position is budgeted for $50,000.00 which is mid-range on the Phoenix Union certified salary schedule. This position will be indexed by 3% in each of Year 2 and 3. (Total costs: Yr. 1-$50,000.00; Yr. 2-$51,500.00; Yr. 3-$53,045.00)

Stipends for Curriculum Development: $2,000.00 per year has been budgeted to support committees to develop and refine existing curriculum.

Stipends for tutoring and remediation classes: $3,000.00 per year has been budgeted to support "Friday School."

Employee Benefits: NAS-Phoenix is not planning on becoming part of the Arizona Retirement System but will provide employer's share of SSN and a 403b/401k Program. Social Security and Medicare 7.65% has been budgeted (Required Contribution) and 6% of FTE salary for a 403b and/or 401k program. Required Contributions have been budgeted at $47,124.00 and benefits at $21,120.00.

Employee Insurance: NAS-Phoenix has budgeted to provide each full time employee $400.00 per month contribution to purchase health, dental, vision, LTD, and life insurance. Part time employees working .5 or better will be provided a "prorate" share. Details of the employee insurance plans have not been finalized at this time. Employee Insurance has been budgeted at $72,000.00, based on 100% participation.

Office Supplies (Paper, Postage, etc.): Office supplies are budgeted each year. Year 1 – $4,625.00; Year 2 – $5,625.00; and Year 3 – $6,250.00. Based on the cost of office supplies at other NAS schools of similar size.

Instructional Consumables and Testing: Testing and instructional consumable materials (MAP/SAT/ACT) are budgeted for: Year 1 – $18,500; Year 2 – $20,000.00; Year 3 – $20,000.00 based on the cost of instructional consumables and testing at other NAS schools of similar size.

Membership, Dues, Registrations, Travel: $15,000.00 are budgeted for membership dues in each of the first 3 years: NAS-Network membership dues are $10,000/year and $5,000/year in additional funds are budgeted for dues for Arizona Charter Schools Association and others.

Contracted Services (SMS[3]; Bus Svcs; NAS-Network): $5,000.00 are provided for SMS support, as quoted by Schoolmaster; $30,000.00 for Business Services support based on a quote from the service provider, Michele Diamond; and $30,000.00 for NAS-Network consulting and services. This amount ($65,000.00) increases to $75,000.00 for Years 2 and 3 to account for increased support requirements billed back by the contracted business manager and/or NAS-Network as the school's equalization revenue increases. In Year 1 a significant number of support services are provided by the NAS-Network staff gratis. (Total costs: Yr. 1-$65,000.00; Yr. 2-$75,000.00; Yr. 3-$75,000.00)

Special Education Contract Services: $15,000.00, $20,000.00 and $25,000.000, per year, respectively, in funding is provided to provide for outside special education services as IEP's are developed by the school. The amount increases each year as the student population increases. Bbased on the cost of special education contract services at other NAS schools of similar size.

Curriculum and Resource Materials: $20,000.00 per year of which $2,000 has been allocated to resources for subgroups working on curriculum assessment and adjustment, based on the cost of resource materials at other NAS schools of similar size.

Library Resource/Software E2020: This is budgeted to purchase E2020 concurrent seat licenses or other credit recovery software. The budgeted amount increases each year ($10,000.00, $15,000.00, $20,000.00) as the student population grows. Quoted by Cooperative Education Services.

SMS Software: $10,000.00 per year is allocated for SMS licenses. Based on a quote from Schoolmaster and includes additional training for staff in the area of student management systems and the state's student accountability systems.

Auditor fees/Legal fees: $5,000.00 are budgeted to complete the annual audit in Year 1 based on quote from John Cutler, CPA; increasing to $7,500.00 in Years 2 and 3; $5,000.00 is budgeted for legal fees in Years 1 – 3 based on conversations with Mackenzie Woods. (Yr. 1 total auditor plus legal fees is $10,000; Yrs. 2 and 3: $12,500.)

Other – Professional Development: $3,000.00 is provided for professional development for Governing Council and Staff (including support consultants for MAP, SIOP and differentiation training) based on estimate from Tracey McCormick, NAS Professional Development Coordinator.

Operations and Maintenance (O & M) Expenditures

Supplies: Funding is budgeted for custodial supplies (tissue paper, towels, etc.) at $5,000.00, $7,500.00 and $10,000.00 per year, respectively. Increase of 2,500 for each of Year 2 and 3 is for increased student count. Based on the cost of janitorial supplies at other NAS schools of similar size.

Marketing /Advertising: $15,000.00/$18,000.00/$20,000.00 has been budgeted for years 1 – 3, respectively. Pricing provided by Indra's Net; Marc Jones Consulting; Hampden Press; and Blue Onion Media Team.

Contracted Services –Technology Support: $5,000.00 per year is budgeted for technology support. Estimate provided by CKS LAN, LLC.

[3] SMS=Student Management Software

Building Rent/Lease/Loan: It has been the experience of NAS that total cost of facilities for both "white box" leases plus TI costs is approximately 20% of available revenue. Depending on the lease arrangements made, the lessor may choose to do the TI and include this cost in one annual lease rate. If not, there will be two payments, one for the "white box" space lease and the other to a lender for TI improvements. Annual building rent/lease/loan payments are budgeted at $276,047.40; $333,304.80; and $368,632.40, respectively. For the purposes of planning, the budget assumes the terms described above. Preliminary discussions with potential lenders indicate a willingness to offer a phased amortization period of 30 years with a 7% interest rate. For the first three years, the cap on facility payments would be 20% of revenue with the remainder rolled into the remaining 27 years of the amortization period.

Property/Casualty Insurance: The budgeted amounts, $15,000.00/$15,750.00/$16,537.50, are estimates based on quotes provided by the Arizona Group for Years 1, 2, 3 and are indexed by 5% in year 2 and 3.

Liability Insurance: The budgeted amounts for Years 1, 2, 3 ($10,000.00/$10,500.00/$11,025.00) are based on quotes provided by the Arizona Group and are indexed by 5% in years 2 and 3.

Utilities (electric, gas, water, waste): It is NAS's experience that facility leases are NNN and that NAS-Phoenix will be responsible for all utilities. The budgeted amounts, $40,000.00/$44,000.00/$48,400.00, are based on similar size NAS school facilities experienced utilities costs and are indexed by 10% per year.

Phone/Communications/Internet Connectivity: See response above for utilities. The budgeted amounts, $15,000.00/$15,750.00/$16,537.00, are indexed by 5% in years 2 and 3.

Transportation: $5,000.00 have been budgeted in Year 1 for student bus passes. Once the school opens the principal will determine appropriate guidelines for a student to receive a monthly bus pass. These guidelines are usually based on attendance and grades. Not all students will receive a bus pass and they must be earned monthly. Additional resources have been added in years 2 and 3 to accommodate for increased student counts. (Transportation expenses have been capped at budgeted amounts.)

Student Furniture & Other Equipment: Funding has been budgeted in the planning period and subsequent years to provided classroom sets for up to 10 classrooms, LRC, computer labs, lunch room, etc. These will include student desks, teacher desks, shelves, storage, smart boards, teacher technology, PE equipment, etc. The total cost to provide FFE (excluding computers) to a school over a 3 year period is close to $90,000.00 which has been budgeted in the startup budget and Year 1 – 3. The Year 1 – 3 budget allocations are $25,000.00, $27,000.00, and $12,000.00, respectively. Quote provided by Government & Educational Furnishings Enterprises (GEFE), LLC.

Office Furniture & Other Equipment: As above, as faculty is added and the school expands additional equipment items (i.e. phones, server, and routers) will need to be purchased. Year 1 will be the heaviest as school opening needs are determined. Years 2 and 3 should not require the same level of purchases. The budget allocations are $7,500.00, $5,000.00 and $5,000.00, respectively. Quote provided by Government & Educational Furnishings Enterprises (GEFE), LLC.

Student Technology Equipment: Year 1 purchases will be a static desktop lab (25) and a mobile computers lab (COW – computers on wheels.) Year 2 will see an additional computer lab and possibly

and an additional COW. The budget allocations are $20,000.00, $15,000.00 and $15,000.00, respectively. Estimate provided by CKS LAN, LLC.

Office Technology Equipment/Licenses: Funding is provided for additional laptops, PADS, etc. for increased staff. The budget allocations are $7,500.00 per year. Estimate provided by CKS LAN, LLC.

Other Leases (Copiers.): $10,000.00 is budgeted in Years 1 and 2 for copier lease and maintenance and $12,500.00 in Year 3. As faculty grows the addition/lease of another copier (teacher work area) will be necessary. It is NAS's experience that depending on the features and use these copiers can cost $5,000.00 a year without paper, only lease and maintenance payments. Based on current contracts with Leuan Copiers.