C.5 Operational Expenditures/Overhead

Office Supplies

Our estimate is based on similar sized schools for general office supplies used by administrative staff and teachers for Open Doors Community School (ODCS). These supplies are not intended to supplant or replace classroom materials or supplies. Although Arizona Youth Partnership (AzYP) staff will share the building, they will have their own separately located cabinets for office supplies. The budget for office supplies is as follows: Start-up = $1,000; Year 1 = $4,800; Year 2 = $4,940; and Year 3 = $5,090. It is expected that the cost of office supplies will be approximately the same each month of the budgeted period except in the start-up period when most office supplies will be purchased in the May/June time frame. The monthly average of expenditures is estimated at $400 in Year 1 with a 3% inflationary factor for Year 2 (~$412/month) and Year 3 (~$424/month).

Membership Dues, Registrations, & Travel

This estimate is based on association membership and professional development courses, related registration and training as detailed in C.4 Instruction Resources and B.4.2 Contracted Services. There are additional dollars budgeted for membership expense with the Charter Association and DIBELs. Any travel occurring in the start-up period beyond the scope of what's budgeted will be covered by AzYP. The total budget is as follows: Start-up = $0; Year 1 = $22,856; Year 2 = $24,775; and Year 3 = $25,925. Certain trainings will have to occur on-site recognizing that there is a limited amount of time for any related travel.

Purchased Services (Accounting Services, Legal, Consultants, etc.)

$5,000 is budgeted for start-up legal costs from the agreed upon rate for Attorney C. Benson Hufford, related to consultation and set up of the new 501 (c)(3) organization, Open Doors Community School, Inc. There is an additional $3,000 budgeted for contract services related to curriculum development and application support from Kimberly Danley. There are no other costs budgeted since general finance/accounting services, general management, and other related services will be provided for by AzYP and is detailed in B.4.2 Contracted Services.

Audit Expenses

AzYP currently contracts with an independent CPA for its annual A-133 Single Audit; and our audit firm, Loren Yunk, CPA is experienced with auditing Charter Schools. Any incremental costs for these services will be covered by AzYP until such a time that ODCS may support these costs. This is not anticipated through the first three years of operation.

Purchased Service (Custodial/Maintenance)

The budget is based on schools of a similar size and is estimated at $1,000 per month for custodial and maintenance, landscaping, and security services. This is approximately $1.54 per square foot for each year of operation. The budgeted annual amounts are as follows: Year 1 = $12,000; Year 2 = $15,380; and Year 3 = $21,230.

Building Lease

Current AzYP Board members, Don Cox, Long Realty, and Bill Williams, Architect/Partner at Engberg Anderson, Inc. along with the ODCS leadership team have secured a facility for ODCS.

There have been progressive discussions with Marana Health Center, current owner of the property, around partnering with ODCS and obtaining a five year lease with options for renewal. There are initial estimates for tenant improvements, all of which will be owner-financed. This property is ideally located and has adequate space for the enrollment projections of ODCS. The building lease rate inclusive of tenant improvement recovery is expected to be a graduated rate tied to enrollment (and occupied space): $8.25 per square foot (SF) per year for Year 1 enrollment, $9.25/SF per year for Year 2 enrollment, and $10.25/SF per for Year 3 enrollment. If enrollment were to exceed these projected numbers the added equalization dollars would cover any acceleration in the rate. If enrollment were somehow less than projected, the minimum rate would be affordable especially considering the lesser amount of space occupied. This is a very competitive rate as compared to the rate paid by charter schools in the Tucson metro area (from the information provided by the Arizona Charter School Association). Additionally Marana Health Center is agreeable to varying the size of the space leased to ODCS based on the real need. The budget amounts per year are as follows: Year 1 = $63,850; Year 2 = $92,500; and Year 3 = $141,450. Lease payments will be paid on a monthly basis.

Liability Insurance

Recognizing the financial challenges of starting up a charter school, AzYP will fund 70% of the liability insurance with its current insurance provider. Based on the nature of AzYP's work with thousands of students in schools across Arizona, a policy of similar nature should suffice and is approximately $11,140 per year (of which ODCS will pay 30%). The insurance policies are compared annually for the lowest possible price, but a 3% inflationary factor has been built into each year. The annual budgeted amount is as follows: Year 1 = $3,342; Year 2 = $3,440; and Year 3 = $3,540. Payment schedules can be selected based on preference, but a monthly payment will most likely be chosen.

Utilities

This estimate is based on other similar charter schools and is budgeted at approximately $1.67 per square foot. The mentor charter school of ODCS is located in Pima County and paying approximately 13% less per square foot. There is $5,000 budgeted at start-up for refundable utility deposits. The refund of this amount is not projected for the first three years. With utilities being billed in arrears and AzYP's administrative offices moving to the site in July, there are no other cash outflows expected by ODCS in the start-up phase. Utilities expenses for electric, gas, water, and waste management services will be paid monthly and each full year's budgeted amount is as follows: Year 1 = $13,020; Year 2 = $17,240; Year 3 = $23,790.

Phone/Communications/internet Connectivity

This estimate is based on similar operating expenses experienced by AzYP: Start-up = $750; Year 1 = $5,400; Year 2 = $5,560; and Year 3 = $5,730. This cost includes the amount for a Techtronic phone system with intercom capabilities, high speed internet service, and dedicated phone/fax lines necessary for running the school. AzYP will be responsible for paying the full amount and allocating back the ODCS portion. Payments for phone service and internet connectivity will be paid monthly.

Office Furniture and Other Equipment

AzYP will be relocating its main office to the school location and has excess office furniture and

equipment that will be allocated for use at ODCS. In Year 2, additional office furniture/equipment will be added and is budgeted at $1,500. This will be expended on an as needed basis. No additional office furniture will be purchased in year 3; AzYP will partner with ODCS to ensure the adequate level of resources is obtained.

Office Technology Equipment

With AzYP relocating its main office to the school, once again current and future excess laptops, desktops, and other office technology equipment will meet the projected needs of ODCS. For Year 2 additional office technology equipment has been budgeted at $1,500. This will be expended on an as needed basis. No additional office technology equipment will be purchased in year3; AzYP will partner with ODCS to ensure the adequate level of resource for office technology equipment is also obtained.

Other Leases (Copier)

AzYP currently has a large amount of printers and several large volume copiers. A large volume copier that can be networked and used as printer and scanner will be utilized by ODCS. 75% of the leased copier expense is budgeted for ODCS and is approximately $788 per month. This amounts to a budget of the following: Year 1 = $9,450; Year 2 = $9,450; Year 3 = $9,45 based on the contracted lease amount. We are not anticipating exceeding the volume amounts in the agreement for any of the first three years.