Business Plan
C.5 Three Year Operational Budget

Required Exhibits

- **Three Year Operational Budget Form:**
  - ★ MS Excel file is enclosed.
- **Revenue Worksheets:**
  - ★ MS Excel files for Years 1-3 are enclosed;
  - ★ Revenue Work Sheets is based on 2013-2014 Cycle New Charter Application template.

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Three Year Operational Budget Assumptions:

REVENUE:

★ The funding of P.V. Montessori School from the Arizona Department of Education (Arizona State Equalization Assistance) is based on enrollment projections and student count/ADM used for revenue projections, as follows:

K-3 student enrollment estimates used for revenue projections:

	# of students	KG	Lower Elementary (ages 6-9)
Year 1	75	30	45
Year 2	100	30	70
Year 3	125	30	95

K-3 student enrollment estimates included in revenue projections as Ad-Ons:

	# of students	KG	Lower Elementary (ages 6-9)
Year 1	75	30	45
Year 2	100	30	70
Year 3	125	30	95

★ Work Sheet template for the calculation of equalization funds for Years 1-3, as provided in the New Charter Application package by ASBCS for the cycle 2013-2014.

- ★ Equalization funds are calculated based on 200 days of instruction, with $163.39 increase of the base level for 200 Days of Instruction, as provided in Worksheet C, Line II.

- ★ Equalization funds are calculated based on 100% estimate of the school enrollment. This estimate is viable as at the time of submittal of the charter application the future charter school has more intents for enrollment than actual spaces, as projected in Year 1.

- ★ The projected revenues for P.V. Montessori School are viable, adequate, conservative projections because: (1) The budget is conservative in its revenue base – it assumes no increase in base and/or additional level support, besides the K-3 student count add-on, and the 200 days of instruction increase; (2) Enrollment is realistically projected based on the submitted intents and the solid relationship and ongoing communication between the school, its community, and the well-operating parent organization; (3) Federal funding sources will be sought to supplement the school programs. Based on the demographic projections, the school is eligible to receive federal support under Title I, IDEA, and other title funds, which are not included in the revenue projections.

Administration, Instruction, & Support (AIS) EXPENDITURES

Salaries:

- ★ The P.V. Montessori employees' salaries are projected as follows:
  - School Director (1.0 FTE at $45,000 for Year 1 and thereafter);
  - Administrator (0.5 FTE at $30,000 for Year 1; and 1.0 FTE in Year 2 and thereafter);
  - Classroom Teachers (2.0 FTE at $32,000 in Year 1; 3.0 FTE in Year 2, and 4.0 FTE in Year 3);
  - Instructional Assistants (2.0 FTE at $22,000 in Year 1; 3.0 FTE in Year 2, and 4.0 FTE in Year 3);

- ★ All salaries reflect a 3% annual adjustment increase to account for inflation.

- ★ The P.V. Montessori employee salaries are viable and adequate as they gravitate to the charter school averages for compensations of both instructional and management personnel. Those compensation levels should attract an adequate number of qualified applicants for the respective positions, but also it will ensure that costs are within the manageable limits for charter school operations

Employee Benefits:

- ★ The required employer contributions are estimated at 12%. The employee benefits (approx 8%) that are over and above those required contributions are optional and include partial contributions toward: health insurance, dental plan, vision plan, and retirement plan.

- ★ The P.V. Montessori employees' compensation and benefits package are viable and adequate as it reflects reasonably attractive coverage for perspective employees, gravitating toward the averages in the charter school sector in Arizona. It also ensure that costs are within the manageable limits for charter school.

Office Supplies:

- ★ Expenses for office supplies include paper, postage, pencils, and Montessori materials:
  - $1,800 - Year 1;
  - $3,000 - Year 2;
  - $3,600 for Year 3;

- ★ The school is projecting $150/mo for Year 1; $250/mo for Year 2; and $300/mo for Year 3. Those budgeted amounts are viable and adequate to cover the office needs.

Instructional Consumables:

- ★ The school is projecting $150 per student for Year 1 and thereafter for instructional consumables. The estimate is based on the observation of a similar size Montessori school in the East Valley. It reflects anticipated student enrolment and re-use of some materials. The first three-year period expenditures are as follows: $11,250 is budgeted for Year 1, $15,000 for Year 2, and $18,750 for Year 3.

- ★ An informal discussion and survey with other Montessori charter operators, including teachers, curriculum coordinators, and school directors indicate that $150 per student for instructional consumables is a viable and adequate amount.

Membership Dues, Registration, and Travel:

- ★ The estimates in this budget line item are viable and adequate, as additional funding sources (title and competitive grants) will be pursued for travel and event registrations, including professional development:
  - $500 for Year 1;
  - $750 for Year 2;
  - $750 for Year 3.

Contacted Services (AIS):

- ★ Contracted services (AIS) will include costs for: professional development for teachers; consultants; licensing arrangements; and legal services:
  - $15,000 in Year 1;
  - $17,500 in Year 2;
  - $28,000 in Year 3.

  <u>Legal Services</u>

  - P.V. Montessori School will contract for legal services on as needed basis. The school will be considering service providers with legal knowledge, experience and expertise in non-profit organizations, Tax Exempt 501c3 applications, education/charter school law, Open Meetings Law. The school will seek references from other charter schools to ensure that those professionals have sufficient capacity in the required areas and have services small business clients.
  - Costs: Estimate for the legal services is based on preliminary information from the current legal service provider of the corporation. Costs for the legal services are included in the Contracted services (AIS) line item of the budget. They are estimated at:

Year 1: $5,000
Year 2: $5,000
Year 3: $5,000

Professional development

- Includes costs for various teacher and staff training courses and events in Montessori curriculum development and alignment with standards, Montessori Instructional Methods, Common Core Standards, Montessori classes, SAIS training,
- Cost: Estimates are based on typical Montessori professional development price structure, vendor information (Association Montessori Internationale (AMI), North American Montessori Teachers' Association (NAMTA), and previous experience of school founders with the Montessori Method and training. Costs for professional development are included in the Contacted Services (AIS) line item and are estimated as follows:

  Year 1: $ 6,000
  Year 2: $ 7,500
  Year 3: $12,500

Consultants

- Includes purchased expertise from experienced Montessori operators, in areas, where the school needs to built additional capacity, such as alignment of the Montessori curriculum with standards aligned materials to align with the Common Core Standards.
- Costs: Estimates are based on average hourly fees of top Montessori consultants, which typically range $100-$200/hour. Costs for consultants are included in the Contacted Services (AIS) line item and are estimated as follows:

  Year 1: $2,500
  Year 2: $3,000
  Year 3: $8,500

Licensing Arrangements

- Includes licensing fees for Montessori and other educational materials.
- Cost: Estimate is based on current practice of the private school operation and vendor quotes (Association Montessori Internationale (AMI), North American Montessori Teachers' Association (NAMTA).
- Costs for licensing arrangements are included in the Contacted Services (AIS) line item and are estimated as follows:

  Year 1: $1,500
  Year 2: $2,000
  Year 3: $2,000

Contracted Services (Special Education):

★ The estimate for special education services is adequate and viable because it is based on the experience of a similar size Montessori school in the East Valley and the anticipated needs of the school:
  - $7,500 is budgeted for special education for outside services in Year 1;
  - $7,500 is budgeted for special education for outside services in Year 2;
  - $12,500 is budgeted for special education for outside services in Year 3;

Curriculum and resource materials:

- ★ P.V. Montessori School projects $310 per student for curriculum materials per school year with an additional $7,000 for updates in Year 2, and additional $15,000 in Year 3. Most materials are reusable and can be utilized for a number of years. Estimates are based on actual vendor quotes and estimated student enrollment. The following amounts are budgeted for each of the 3 years:
  - $23,250 in Year 1;
  - $14,750 in Year 2;
  - $22,750 in Year 3.

- ★ The P.V. Montessori School curriculum coordinator has carefully evaluated the need for curriculum materials and consulted with several similar size and student age schools to arrive to this average per student amount that is deemed adequate and viable.

Library Resources / Software:

- ★ The school will seek to expand its library base after Year 2. The following amounts are budgeted for the first three years:
  - $1,500 in Year 1;
  - $2,500 in Year 2;
  - $8,500 in Year 3.

SAIS Software:

- ★ P.V. Montessori School will purchase its SAIS software during the Start-Up Period ($7,000 from the Start-Up Budget and $500 projected in the budget for Year 1);
- ★ In Year 2 the school projects $7,500 and in Year 3 - $9,500.

Auditor's Fees:

- ★ P.V. Montessori School will contract with an Independent Auditor for its annual audit as required by law. The Corporate Board will select an auditor after consulting the approved list of independent auditors by the charter authorizer – Arizona State Board for Charter Schools.
- ★ Estimate is based on quotes from service providers and in consideration of the size of the school:
  - $6,500 in Year 1;
  - $7,500 in Year 2;
  - $8,000 in Year 3.

Operations & Maintenance (O&M) EXPENDITURES:

Supplies:

- ★ The expenses for supplies include paper, postage, pencils, and Montessori materials. They are estimated at approximately $500/mo, or $6,000/year.

Marketing/Advertising:

- ★ The Advertising and Promotion Plan (Section C.2) describes in details the marketing initiatives and the breakdown of related costs. On an annual basis P.V. Montessori School projects to expend approximately $7,500 per school year for marketing.

  - ★ Arizona Parenting Magazine - Costs are based on a quote from the Arizona Parenting Magazine - $800 .
  - ★ Advertise in weekly local church bulletins - Cost is based on an estimate to share partially in the printing costs for the bulletins - $100
  - ★ Print and mail 15,000 postcards and 30 posters - Printing and mailing costs are estimated based on a vendor quote from West Valley View newspaper - they offer printing and distribution services -$1,500.
  - ★ Business cards, informational tri-fold brochures and flyers will also be designed and printed. Volunteer help will be sought for the design. Printing costs were estimated based on online printing services (Vista Print) - $1,200.
  - ★ Upgrade the school web site and establish social media presence and communication - Cost is based on competitive quotes from independent web developers (Epic Web Solutions, Gofelipe Freelance Graphic and Web Design) - 2,500.
  - ★ Purchase services from marketing firms and event organizers - Cost is based on a vendor quote (Three Dog Marketing - they specialize in marketing, including social media and events organization) - 1,400.

Contracted Services - O&M:

- ★ P.V. Montessori School will contract outside parties for: school accounting; A/C maintenance; management support; strategic business planning, etc. The funds necessary to cover those activities are estimated, as follows:
  - Year 1 - $21,000;
  - Year 2 - $24,000;
  - Year 3 - $62,400.

  <u>Accounting Services</u>:
  - P.V. Montessori School will contract for accounting services and consultations in the areas of GAAP standards and reporting compliance. The accountant will consult the Corporate Board on establishing fiscal procedures that meet GAAPS standards, reporting compliance and waiver of USFCR and state procurement rules. The school will be considering service providers who are CPAs and are knowledgeable of accounting practices for charter school and have experience servicing small charter schools. The school will seek references from other charter schools, ACSA, and other background checks to ensure that those professionals have sufficient capacity and recent successful experience with small size charter schools
  - Costs: Estimate for the Accounting Services is based on consulting with operating charter schools of similar size. The school will obtain actual competitive quotes once in operation. Costs for the accounting services are included in the Contracted Services - O&M line item of the budget. They are estimated as follows:

Year 1: $11,400
Year 2: $12,600
Year 3: $15,000

A/C Maintenance

- Includes HVAC maintenance and lifetime warranty provided by vendors such as Linc Services, Harris Mechanical or other typical commercial HVAC vendor.
- Cost: Estimates are based on the size of the facility and in consideration of the expansion, and the respective number of A/C units to be serviced. Costs for A/C maintenance are included in the Contacted Services (O&M) line item and are estimated as follows:

  Year 1: $3,600
  Year 2: $4,200
  Year 3: $6,000

Management Support

- Includes purchase of services, related to special event management, including fund raising, community appreciation days, collaborative initiatives, etc. In Year 3, the school plans to start active, professionally run campaigns associated with expanding the school's revenue base such as fundraising, educational tax credits, competitive government and foundation grants and corporate contributions and donations.
- Cost: Estimates are based on fee structures of professional fundraising and event management organizations, proven track record grants specialists, typical cost associated with fundraising and tax credit campaigns. Costs for management support are included in the Contacted Services (O&M) line item and are estimated as follows:

  Year 1: $1,500
  Year 2: $1,700
  Year 3: $33,900

Strategic Business Planning

- Includes purchased expertise from top level experts in the Montessori program, charter school management, business process management.
- Cost: Estimates are based on hourly fees of top level experts and amount of time necessary to acquire the expertise and build capacity. Costs for strategic planning are included in the Contacted Services (O&M) line item and are estimated as follows:

  Year 1: $4,500
  Year 2: $5,500
  Year 3: $7,500

Building Rent/Lease/Loan:

★ P.V. Montessori School has already agreed to the following gross annual rent amounts (described in more detail in Section C.1) for the facility that is already secured:
  - $36,000 per month for Year 1;
  - $60,720 per month for Year 2;
  - $61,934 per month for Year 3;

Building Improvements:

★ All building improvements will be the responsibility of the landlord. The school has budgeted small amounts - $250 (Year 1 and Year 2) and $500 (Year 3) for incidentals.

Land and Improvements:

- ★ All land improvements will be the responsibility of the landlord. The school has budgeted small amounts - $250 (Year 1 and Year 2) and $500 (Year 3) for incidentals.

Fees / Permits:

- ★ Paying for all facility-related fees and permits that would allow P.V. Montessori School to open and operate as a public charter schools will be the responsibility of the landlord. The school has budgeted $1,250/year for all other applicable school fees.

Property/Casualty Insurance:

- ★ P.V. Montessori School will pay a pro-rated amount to cover the costs for the property and casualty insurance, as required by the landlord. Estimate is based on full replacement value of the building, the current premium amounts for the existing facility, and the anticipated premium increases:
  - Year 1 - $2,750;
  - Year 2 - $3,500;
  - Year 3 - $3,750;

Liability Insurance:

- ★ P.V. Montessori School will hold own liability insurance policy, pursuant to A.R.S.15-183 M, which will include also coverage for the governing board of the school:
  - Year 1 - $9,500;
  - Year 2 - $11,000;
  - Year 3 - $11,500;

Utilities (Electric, Gas, Water, Waste):

- ★ The utility cost estimates are based on the current usage at this location. The subsequent increases are estimated on the bases of increased facility space and number of students:
  - Year 1 - $900 per month;
  - Year 2 - $1,250 per month;
  - Year 3 - $1,500 per month;;

Phone/Communications/Internet:

- ★ The costs for phone/communications/Internet connectivity are projected as follows:
  - Year 1 - $250 per month;
  - Year 2 - $350 per month;
  - Year 3 - $750 per month;;

Transportation:

- ★ P.V. Montessori School does not project to offer transportation services.

Food Service:

- ★ P.V. Montessori School does not project to offer food services that would have an effect on the school's budget. The school's parent organization is developing a plan for purchasing food services and engaging parent volunteers - all activities will be coordinated and approved by the school, but funded and operated by the parent organization.

Student Furniture and Other Equipment:

- ★ Most of the student furniture is already secured and donated by the school founders. The additional amounts projected to be covered from the state equalization funding are $7,500 during Year 1, and $3,500 thereafter.

Office Furniture and Other Equipment:

- ★ Most of the office furniture is already secured and donated by the school founders. The additional amounts projected from the state equalization funding are $2,500 in Year 1, $1,500 in Year 2, and $750 in Year 3.

Student Technology Equipment:

- ★ P.V. Montessori School plans to purchase 15 student computers ($500 each) in Year 1; additional 7 computers in Year 2; and additional 32 computers and a server in Year 3.
  - Year 1 - $7,500;
  - Year 2 - $7,500;
  - Year 3 - $17,500;

Office Technology Equipment:

- ★ The estimate for office technology equipment is based on securing laptop computers for the School Director and Administrator, two office desktop computers, server, and software licenses:
  - Year 1 - $2,500;
  - Year 2 - $1,500;
  - Year 3 - $3,500;

Other Leases (Security, Copier, etc.):

- ★ The school will lease a copier/printer/scanner for the use of teachers and staff. Competitive quotes indicate that approximately $7,500 per year will be spent for such lease, including paper, toner, and maintenance.