C.4 Start-Up Budget Narrative with Assumptions

This is the narrative with assumptions for the startup budget, which runs through July 31, 2013. This document describes the assumptions for each line item, includes disaggregated costs, and provides a basis for determining those costs.

Start-Up Revenue

The Rising School's verified startup revenue totals $155,000. Revenue comes from two main sources of secured funds. First, George Rising has donated $5,000 in personal funds to Rising Schools, Inc., (RSI) through May 29, 2012.

Second, Wells Fargo Bank has extended to RSI a Revolving Line of Credit of $150,000. RSI has worked through Sean P. Murray, Senior Business Relationship Manager and Vice President of Wells Fargo. Mr. Murray supplied the following information in writing. The loan rate is Floating, Prime +1.0%, with a floor of 5.00%. Currently, prime is 4.25%, so the school is using 5.25% for budgeting. The line can be repaid interest-only for 24 months ($347.52 per month on $150,000), and then can be renewed. However, the school is budgeting to pay off the $150,000 loan over 36 months beginning in year 3, which will be $4,514.18 per month in years 3, 4 and 5. The Underwriting Fee is $500, and there are no other fees (the non-use fee has been waived). There is no prepayment penalty: the line can be paid or closed at any time. There are no covenants. Collateral is blanket filing with UCC on assets of Rising School, Inc. and saving or CD with Wells Fargo. The loan guarantees are George and Stephanie Rising, who are establishing and pledging savings account for $150,000.

Start-Up Administration, Instruction, & Support (AIS) Expenditures

Salaries

The total for all salaries will be $14,582 during the startup period. The CEO/Principal, George Rising, will begin receiving a salary on July 1, 2013. Prior to that date, Dr. Rising will donate his time to the school. During the startup period, the CEO/Principal will receive $6,250 in salary, which is one month of an annual salary of $75,000. The school secretary will begin working on July 1, 2013. He/she will receive $2,500 in salary, which is one month of an annual salary of $30,000. From July through August 2 (a two-week period), four teachers will be paid a $1,458 stipend, which equals a half month of annual average salary of $35,000, for training, professional development, and curriculum development in July 2013. The total salaries for the four teachers will be $5,832.

Employee Benefits: Required Contributions

The Rising School will pay required employee benefits (Social Security, Medicare, State Unemployment, and Workman's Compensation). The school will budget required employee

benefits to equal 10% of salaries. This figure is an assumption based on advice by Michele Diamond, CEO of Diamond Financial Solutions. Using the 10% figure, required employee benefits will total $1,458.20 during the startup period.

Employee Insurance

One employee, the CEO/Principal, will receive one month of employee insurance (medical and dental). This will cost the school $395, which includes $350 for medical and $45 for dental. These costs are an assumption based on a written quote by Mike Gietl of Gietl & Strutz Insurance, Inc. (The school secretary and fulltime teachers will begin receiving employee insurance after the startup period, in year 1.)

Office Supplies

The school will spend $1,000 for miscellaneous classroom supplies for administrative staff during the startup period. This figure is an assumption based on costs for other startup charter schools of similar size.

Instructional Consumables

The school will spend $1,000 for miscellaneous classroom supplies for teachers and their classrooms during the startup period. This figure is an assumption based on costs for other startup charter schools of similar size.

Membership Dues, Registrations, & Travel

The school will pay $1,456 in membership dues and registrations during the startup period. This includes $1,000 for the Arizona Charter Schools Association (ACSA) Charter Starter program, $195 for a yearly ACSA membership, $90 for a yearly membership to Phi Delta Kappa International, $89 for a yearly membership for Association for Supervision and Curriculum Development, and $82 for a yearly membership to the National Association of Secondary School Principals. These costs are based on dues paid and on an assumption based on information gleaned from the respective organizations' websites.

Contracted Services: Administration, Instruction, & Support (AIM)

The school will budget $2,513.32 for contracted services during the startup period. For accounting and payroll, the school will contract with Pinnacle Accounting Inc./Financial Guidance Services or another service provider. During the startup period, the school will spend $195, which includes a set-up fee of $125 and two hours of services at $35 per hour ($70). These costs are an assumption based on a written quote by Michael Morris, owner of Pinnacle Accounting Inc./ Financial Guidance Services.

For human resources, the school will contract with Effortless HR or another service provider. During the startup period, the school will spend $18.32 for one month of prorated service. This cost is an assumption based on a written quote by Lola Kakes, owner of Effortless HR.

For curriculum, the school paid $2,300 for 23 curriculum samples for the charter application to the following teachers: Katy Heck, Monika Mendoza, Whitney Munroe, and Elena Tutwiler. Further curriculum development will be performed in-house by the CEO/Principal and teachers; costs are included in their salaries or stipends.

Contracted Services: Special Education

The school will contract for special-education services with Cenpatico Behavioral Health or another service provider. During the startup period, the services will include special-education training for staff and consulting about the school's special-education program. The school will spend $600 for 8 hours of services. This cost is an assumption based on a quote by Eric Ryan, Division Vice President of Cenpatico Behavioral Health.

Curriculum & Resource Materials

The school will spend $4,000 in curriculum and resource materials during the startup period. This figure is an assumption based on costs for other startup charter schools of similar size.

Library Resources/Software

The school will not buy library resources or software. (After the school has opened, students and teachers will use the nearby public library, Woods Memorial.)

SAIS Software

The Rising School will contract with Tyler Technology for Schoolmaster SAIS student management system or another service provider. During the startup period, there will be no fees for SAIS software; the fees will be rolled into year 1. This cost is an assumption based on a written quote for Schoolmaster from Steven Mildenberger of Tyler Technology.

Total Expenses: Administration, Instruction, & Support (AIM)

During the startup period, expenses for Administration, Instruction, & Support will total $27,004.52.

Operations & Maintenance (O&M) Expenditures

Supplies

During the startup period, the school is budgeting $1,000 for miscellaneous physical plant supplies (most expanses will be covered in the lease of the facility). This figure is an assumption based on costs for other startup charter schools of similar size.

Marketing/Advertising

The school will pay $8,312 for marketing/advertising. This includes $3,406 for all marketing, promotion, and advertising—excluding the school's website—during startup. This cost is an assumption based on a written quote by Stephanie Rising, owner of Canyon Concepts, LLC. (Additionally, Ms. Rising is donating to the school her firm's marketing services, which normally cost $125 per hour.)

For webhosting and website design, the school will contract with Found Co. or another service provider. During the startup period, the school will pay $1,320, which includes four months of webhosting at $35 per month ($140) and $1,200 for website development. These costs are assumptions based on a written quote from Chris Hogan, CEO of Found Co.

Contracted Services: Operations & Maintenance (O&M)

During the startup period, the school will pay $3,232.47 in contracted O&M services. For legal representation, the school has contracted with Marian C. Abram, Esq., of Karp & Weiss, P.C. During the startup period, the school will pay $1,000 for 5 hours of services at $200 per hour. This cost is based on fees already paid ($700) to Ms. Abram and for 1.5 additional hours of legal services ($300), an assumption based on a written quote by Ms. Abram.

For banking, the school has joined Tucson Federal Credit Union. During the startup period, the school will pay $127.47, which includes $15.47 for a box of 150 checks and 16 months of fees at $7.00 per month ($112.00). These costs are an assumption based on fees paid to Tucson Federal Credit Union.

For Informational Technology (IT) services, the school will contract with Williams Technical Services or another IT service provider. During the startup period, the school will budget $2,000 for 40 hours of IT service at $50 per hour. These costs are an assumption based on a quote by Tony Williams of Williams Technical Services.

For custodial services, the school will contract with PROactive Janitorial or another service provider. The school will pay $105, which includes two cleanings of 6,400 feet of space at $18 per worker hour (1 worker hour cleans 2200 square feet). These costs are an assumption based on a written quote by Terry Barr, owner of PROactive Janitorial.

Building Rent/Lease/Loan

During the startup period, the school will pay $7,020 in rent. From January 2012 through the end of June 2013, the school will operate out of Canyon Concepts' office, which includes a large conference room. There is no cost to the school for using this space. In July 2013, the school will move into its facility. For renting this facility, the school is budgeting $7,020 per month, an assumption based on the median figure of the school's three possible facilities (see C.1 Facilities Acquisition). This cost includes rent and triple-net charges. The school will spend one month of rent during the startup period. The school, working with its real-estate agent, Tari Auletta of Grubb & Ellis, will negotiate to have the deposit (estimated at $7,020) paid during year 1.

Building & Improvements

The Rising School, working with its real-estate agent, Tari Auletta of Grubb & Ellis, will negotiate to have the landlord pay all or most of the required building improvements. However, if the school must pay for its own building improvements, the school and Ms. Auletta will negotiate amortizing the expense over the first 13 months of the lease (1 month in the startup period and 12 months in year 1). Based on advice from Ms. Auletta and Rob Caylor of Caylor Construction, the school is assuming budgeting $26,000 for building improvements over 13 months. Thus, the school is budgeting $2,000 for building improvements during the startup period.

Land & Improvements

The school will have no separate land-and-improvement costs, which will be paid by the landlord or rolled into the rental price.

Fees/Permits

For the startup period, the school will budget $1,794 for fees and permits. This figure includes the following costs: $75 paid to the Arizona Corporation Commission for incorporating Rising

Schools, Inc., as a nonprofit corporation in Arizona; $10 paid to the Arizona Secretary of State's office for securing two trade names ("Rising Schools, Inc." and "The Rising School"); $265 paid for publication of Rising Schools, Inc.'s Articles of Incorporation; $8 paid for fingerprinting Governing Board member George Rising; $67 paid to Arizona Department of Public Safety for processing the fingerprinting of Board member George Rising; and $69 paid to Arizona Department of Public Safety for processing fingerprinting of Governing Board member Greg Berger. It also includes $300 for Certificate of Occupancy; this cost is an assumption based on advice from the school's real-estate agent, Tari Auletta of Grubb & Ellis. Finally, it also includes $1000 for other fees and permits; this cost is an assumption based on advice from the school's real-estate agent, Tari Auletta of Grubb & Ellis.

Property/Casualty Insurance

The school will pay $425 for property/casualty insurance during the startup period. This cost is an assumption based on a written quote by Alan G. Martin, CIC, CRM, of Martin Insurance Consultants.

Liability Insurance

During the startup period, the school will pay $800 for liability insurance. This includes $425 for general liability and $375 for worker's comp. This cost is based on fees paid to Marana Insurance and from assumptions based on a written quote by Alan G. Martin of Martin Insurance Consultants.

Utilities (Electric, Gas, Water, Waste)

During the startup period, the school will budget $4,431.75 for utilities, including deposits. The school will budget $3,516 for utilities deposits. For electricity, Tucson Electric Power requires a deposit of $0.44 per square foot or $2,816 for 6,400 square feet. For gas, Southwest Gas requires a $500 security deposit. For water, Tucson Water requires a $250 deposit. These costs are assumptions based on price quotes from Tucson Electric Power, Southwest Gas, and Tucson Water, respectively. According to Waste Management, here are no upfront costs for waste removal (waste pickup is $140 per month, and recycling pickup is $76 per month).

The school will budget $915.75 for one month's utilities during startup. The monthly utilities' costs are based on an annual budget of $10,989 for utilities for a 6,400 square-foot building. This figure is an assumption based on the utility expenses of 1.72 per square foot per year for a building located at 1615 E. Ft. Lowell, which is near each of the school's three possible facilities. In 2011, the building's owner paid $14,176 in utilities for an 8,256 square foot building, according to Mark Irvin Commercial Real Estate Services.

Phone/Communications/Internet Connectivity

During the startup period, the cost for phones, phone service, and internet service will be $3,070. This includes the following: the purchase of 3 TS-600 Business Class Phones ($190 each; $570 total); cell phone and internet service for 16 months at $137.50 per month ($2,200 total); and phone/wifi service for one month at $300 per month. These costs are based on fees paid to Verizon and from online prices on Cox Business, Verizon, and Quest websites, and from a written quote by Jeff Weinman of Computer Dimensions.

Classroom Furniture and Equipment

During the startup period, the school will budget $10,374.44 for classroom furniture and equipment if the school buys new items. However, the cost should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment.

There will be four classrooms. Each classroom will cost $2,593.61 to furnish with new items and will include: 9 student tables, which each seat three students ($97.42 each; $876.78 total); 27 student chairs ($29.78 each; $804.06); 1 teacher's desk ($199.99); 1 teacher's chair ($86.85); 1 four-drawer filing cabinet ($152.59); 2 bookcases ($51.79 each; $103.58 total); and 2 Franklin Magnetic Markerboards (8' W x 4' H) ($184.88 each; $369.76 total). These costs are assumptions based on a written quote by Greg Janssen of Arizona Furnishings and by online prices by Office Depot and School Outfitters.

Multi-Purpose Room Furniture

The school will pay $3,876 for student furniture for the Multi-Purpose Room (which serves as the cafeteria) if the school buys new items. However, the cost should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment. This cost includes 12 table/chairs sets ($323 per set) that include 1 square table (42" x 42") and 4 black-vinyl stack chairs, for a total of 12 tables and 48 chairs. This cost is an assumption based on an online price by C & H Distributers.

Office Furniture and Equipment

During the startup period, the school will spend $1,473.66 on office furniture and equipment if the school buys new items. However, the cost should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment.

The CEO/Principal's office and front office will include: 3 desks ($199.99 each; $599.97 total); 3 chairs ($86.85 each; $260.55 total); 3 four-drawer filing cabinets ($152.59 each; $457.77 total); and 3 bookcases ($51.79 each; $155.37 total). These costs are assumptions based on a written quote by Greg Janssen of Arizona Furnishings and on Office Depot's online prices.

Workroom Furniture

During the startup period, the school will spend $646 furniture for the staff workroom/break room if the school buys new items. However, the cost should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment. This cost includes 2 sets ($323 per set) that include 1 square table (42" x 42") and 4 black-vinyl stack chairs, for a total of 2 tables and 8 chairs. This cost is an assumption based on C & H Distributers' online prices. (Supplies for the workroom will be taken from office supplies.)

Student Technology Equipment

No costs in startup period. The Rising School will be applying for grants for technology, and its program of instruction is not dependent on technology.

Office Technology Equipment

During the startup period, the school will spend $2,396 on office technology. This includes 2 laptop computers (Lenovo ThinkPad T520 Notebooks with Intel Core i5 Processor, 4GB Memory, Windows 7 Professional, and Microsoft Office Suite) for $999 each ($1,998 total). It also includes 2 Brother Black & White Office Printers with Duplexing for $199 each ($398

total). These costs are assumptions based on a written quote by Jeff Weinman of Computer Dimensions. (The CEO/Principal will use his own personal computer, as will teachers.)

Security

For a security system, the school will contract with Guard Pro Protection Systems or another service provider. The security system will cost $2,841.99 during the startup period. This cost includes $2,129.00 in parts, $680.00 in labor installation, and 1 month of service at 32.99 per month. These costs are assumptions based on a written quote by Stephen Abril, owner of Guard Pro Protection Systems.

Copier

For copying, the school will spend $2,199 to purchase one Xerox 45 PPM Multi-Function Copier/Printer/Scanner/Fax. This cost is an assumption based on a written quote by Jeff Weinman of Computer Dimensions.

Loan Repayment

Underwriter fee of $500 will be paid during the startup period. Loan will be repaid after startup period ends. This cost is an assumption based on a written quote by Sean P. Murray, Senior Business Relationship Manager and Vice President, Wells Fargo Bank.

Total Operations & Maintenance (O&M)

During the startup period, expenses for Operations & Maintenance will total $52,806.31.

Total Expenditures

During the startup period, expenditures (AIS plus O&M) will total $79,810.83.

Total Start-up Revenues

Total startup revenues will equal $155,000.

Budget Balance (= Revenues - Expenditures)

The budget balance (revenues minus expenses) at the close of the startup period will be $75,189.17.