C.5 Three Year Operational Budget with Assumptions

This is the narrative with assumptions for three-year operational budget, which runs from August 1, 2013, through July 31, 2015. This document describes the assumptions for each line item, includes disaggregated costs, and provides a basis for determining those costs. The expenditures contained herein cover the Education Plan, Organization Plan, and Business Plan described in the application package.

Students

The student count will be 112, 196, and 313. The numbers of students that the budget is based on are 100, 175, and 280. Thus, the budget is based on 89% of full enrollment each year. Based on populations of similar charter schools, The Rising School is anticipating 10 special-education students for year one, 18 for year two, and 28 for year three, with all of these special-education students being in the categories DD, ED, MIID, SLD, SLI, or OHI, each of which receives 0.003 support-level weight.

Carryover Revenue

The carryover revenue (the balance from the previous year) will be $75,189.17 for year 1 (from startup), $119,043.31 for year 2, and $309,546.86 for year 3.

The carryover after year 3 (into year 4) will be $612,639.46.

Revenue (State Funding Equalization Assistance)

Using the Revenue Worksheets provided by the Arizona State Board for Charter Schools, the school figures to have the following state funding (equalization assistance): $639,230 for year 1, $1,143,058 for year 2, and $1,803,357 for year 3.

Additionally, the school will solicit donations and grants, but it has not secured them yet. Therefore, these funds are not included in the school's three-year budgets.

Total Revenue

Adding carryover revenue to state funding (equalization assistance) revenue, the school will have total revenue of $714,419.17 for year 1, $1,262,101.31 for year 2, and $2,112,903.86 for year 3.

Administration, Instruction, & Support (AIS) Expenditures

Salaries

In year 1, the school will pay a total of $326,250 in salaries. The CEO/Principal will earn $75,000 in salary. The school's 4.0 FTE fulltime regular-education teachers will earn an average

of $35,000 per 1.0 FTE in salary, for a total of $140,000 in salaries. The school's 1.0 FTE part-time, regular-education teachers will earn $30,000 per 1.0 FTE in salary. The school's 1.0 FTE part-time tutors (1.0 FTE) will earn $12.50 per hour and will work a total of 1600 hours in 10 months, for a total of $20,000 in salaries. The school secretary will earn $30,000 in salary. Other part-time support staff will work in the office and before school, during lunchtime, and afterschool as monitors and performing tasks. The school's 1.5 FTE part-time staff will earn $12.50 per hour and work a total of 2,500 hours in 10 months, for a total of $31,250 in salaries.

In year 2, the school will pay a total of $524,921 in salaries. The CEO/Principal will earn $80,000 in salary. The school's 6.0 FTE fulltime regular-education teachers will earn an average of $36,000 in salary, a 2.9% raise over year 1, for a total of $216,000 in salaries. Part-time regular-education teachers (3.0 FTE) will earn an average of $30,000 per 1.0 FTE in salary, for a total of $90,000 in salaries. Part-time tutors (1.75 FTE) will earn $12.50 per hour and will work a total of 2,800 hours in 10 months for a total of $35,000 in salaries. The school secretary will earn $31,000 in salary, a 3.3% raise over year 1. The school will add a fulltime office assistant in year 2, and he/she will earn $20,833 for 10 months of work. Other part-time support staff (2.5 FTE) will work in the office and before school, during lunchtime, and afterschool as monitors and performing tasks. The school's 2.5 FTE part-time staff will earn $12.50 per hour and work a total of 4,167 hours in 10 months, for a total of $52,088 in salaries.

In year 3, the school will pay a total of $854,755 in salaries. The CEO/Principal will earn $85,000 in salary. The school's 12.0 FTE fulltime regular-education teachers will earn an average of $37,000 in salary, a 2.8% raise over year 2, for a total of $444,000 in salaries. In year 3, the school will add a fulltime special-education teacher, who will earn $35,000. Part-time regular-education teachers (3.0 FTE) will earn an average of $30,000 per 1.0 FTE in salary, for a total of $90,000 in salaries. Part-time tutors (2.75 FTE) will earn $12.50 per hour and will work a total of 4,400 hours in 10 months, for a total of $55,000 in salaries. In year 3, the school will add a Business/HR manager, who will earn a salary of $40,000. The school secretary will earn $32,000 in salary, a 3.2% raise over year 2. The office assistant will earn $21,667, a 4.0% raise over year 2, for 10 months of fulltime work. Other part-time support staff (2.5 FTE) will work in the office and before school, during lunchtime, and afterschool as monitors and performing tasks. The school's 2.5 FTE part-time staff will earn $12.50 per hour and work a total of 4,167 hours in 10 months, for a total of $52,088 in salaries.

Required Contributions

The Rising School will pay required employee contributions (Social Security, Medicare, State Unemployment, and Workman's Compensation). The school will budget required employee contributions 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 contributions will total $32,625 (year 1), $52,492 (year 2), and $85,476 (year 3).

Employee Benefits

The Rising School will provide an optional 403(B) retirement plan for employees. The school will not contribute to the plan during the first three years. The school will pay $1,800 in plan-management fees annually in years 1, 2, and 3. These costs are an assumption based on a quote by Matthew Sullivan, Branch Manager of Oro Valley Merrill Lynch Wealth Management.

Employee Insurance

Fulltime employees (those working more than 30 hours each week) will receive fringe benefits of employee medical insurance. The cost to the school for each employee receiving benefits will be $395 per month, which includes $350 for medical and $45 for dental. This is a total of $4,740 per year per eligible employee. These costs are an assumption based on a written quote by Mike Gietl of Gietl & Strutz Insurance, Inc. Mr. Gietl stated that this quote of $395 per month is conservative and could run $50 to $100 less per month. The school assumes that it will keep employee insurance at about $4,740 per year per employee through year 3 because it will work with Gietl & Strutz or another insurance broker each year to keep costs to that level or lower.

The school will not require any employee contributions for insurance coverage of an eligible employee. Non-eligible personnel can pay the school's monthly costs for coverage: $395 for medical and/or $45 for dental. In addition, any employee wishing to have coverage of a spouse will pay the school's costs for this coverage: $400 for medical and/or $35 for dental per month. Employees wishing to have coverage of their children will pay the school's costs of $400 for medical and/or $35 for dental. Employees wishing to have coverage for their family will pay the school's costs of $800 for medical and/or $80 for dental. These prices are assumptions based on a written quote by Mike Gietl of Gietl & Strutz Insurance.

In year 1, the personnel eligible for employee medical insurance benefits will be the CEO/Principal, four fulltime regular-education teachers, and the school secretary. These six employees will cost the school $28,440 in insurance benefits. In year 2, the personnel eligible for employee insurance will be the CEO/Principal, six fulltime regular-education teachers, and the school secretary. The office assistant will be a fulltime, 10-month employee who will receive benefits for 12 months. These nine employees will cost the school $42,660 in insurance benefits. In year 3, the personnel eligible for medical benefits will be the CEO/Principal, 12 fulltime regular-education teachers, the special-education teacher, the Business/HR manager, the school secretary, and the office assistant (again receiving 12 months of benefits). These 17 employees will cost the school $80,580 in insurance benefits.

Office Supplies

The school will budget $8,000 (year 1), $12,000 (year 2), and $16,000 (year 3) for office supplies. This expense will be used to purchase office supplies, postage, and miscellaneous items necessary to create a sufficiently stocked office. These costs are assumptions based on expenses of a similar sized charter school.

Instructional Consumables

For instructional consumables (instructional supplies and pedagogical aides), the school will budget $4,000 for year 1 (plus $1,000 in startup), $8,750 for year 2, and $14,000 for year 3. These costs are assumptions based on the recommendation in Odden & Picus (2008, p. 127) of $50 per student per year for instructional consumables and pedagogical aides.

Membership Dues, Registrations, & Travel

The school will budget $2,500 (year 1), $4,500 (year 2), and $6,000 (year 3) for memberships, registrations, and travel. These figures include annual memberships in educational and community organizations, including the Arizona Charter Schools Association, Phi Delta Kappa International, the Association for Supervision and Curriculum Development, the National Association of Secondary School Principals, and the Tucson Metro Chamber of Commerce.

These figures also include payments for off-site staff training and professional development, such as AP, ASCD, or Solution Tree trainings/professional development. The school's general policy will be to pay for an employee's registration for an approved training while leaving travel and lodging expenses to the employee. These costs are assumptions based on information gleaned from the respective organizations' websites.

Contracted Services (AIS)

For AIS contracted services of accounting, payroll, and human resources, the school will budget $2,794.80 in year 1 and $4,294.60 in year 2. In year 3, the school will have no contracted services for accounting, payroll, and human resources because it will hire and employ a Business/HR manager who will handle these matters.

For accounting and payroll for years 1 and 2, the school will contract with Pinnacle Accounting Inc./Financial Guidance Services or another service provider. In year 1, the school will budget $2,575 for accounting and payroll services, which includes five hours of service per month at $35 per hour ($2,100 yearly) plus $475 for annual tax returns. In year, 2, the school will budget $3,935 for accounting and payroll, which includes eight hours of service per month at $35 per hour ($3,360 yearly) plus $575 for annual tax returns. In year 3, accounting and payroll will be handled in-house by the Business/HR manager. These costs are an assumption based on a written quote by Michael Morris, owner of Pinnacle Accounting Inc./Financial Guidance Services.

For human resources for years 1 and 2, the school will contract with Effortless HR or another service provider. In year 1, the school will budget $219.80 for "Basic level" HR services. In year 2, the school will budget $359.60 for "Plus level" HR services. In year 3, HR will be handled in-house by the Business/HR manager. These costs are assumptions based on a written quote by Lola Kakes, owner of Effortless HR.

Contracted Services (Special Education)

For special-education services, the school will contract with Cenpatico Behavioral Health or another service provider. In year 1, the school will budget $15,000 for 200 hours of special-education (SPED) services at $75 per hour. In year 2, the school will budget $26,250 for 350 hours of SPED services at $75 per hour. In year 3, the school will budget $42,000 for 560 hours of SPED services at $75 per hour. (In year 3, the school also will employee a fulltime SPED teacher.) These costs are assumptions based on a price quote from Eric Ryan, Division Vice President of Cenpatico Behavioral Health.

Curriculum & Resource Materials

For curriculum and instructional materials (including textbooks), the school will budget $5,000 for year 1 (plus $4,000 in startup), $16,000 in year 2, and $25,000 in year 3. These figures include these amounts for textbooks: $4,000 for year 1 (plus $3,000 in startup), $12,250 for year 2, and $19,600 for year 3. These textbook costs are assumptions based on the recommendation in Odden & Picus (2008, p. 127) of $70 per student per year for textbooks.

Library Resources/Software

The school will not buy library resources or software. For library services, students and teachers will use the nearby public library, Woods Memorial Public Library.

SAIS Software

To interface with the Arizona Department of Education's SAIS system, the school will contract with Tyler Technology for the Schoolmaster student management system (SMS) or will contract with another vendor for a comparable SMS. In year 1, the school will budget $6,500 for SAIS software, which includes startup, training, and leasing fees. In year 2 and year 3, the school will budget $1,500. These costs are assumptions based on a written quote for Schoolmaster by Steven Mildenberger of Tyler Technology.

Auditor Fees

The school will not be audited in year 1, according to information supplied by Michele Diamond, CEO of Diamond Financial Solutions. For auditor fees, the school will budget $10,000 for year 2 and $14,000 for year 3. These costs are assumptions based on a similar sized charter school.

Total Administration, Instruction, & Support (AIS)

Total AIS is budgeted as $432,909.79 for year 1, $705,162.92 for year 2, and $1,141,104.99 for year 3.

Operations & Maintenance (O&M) Expenditures

Supplies

For operational and maintenance supplies, the school will budget $3,000 (year 1), $4,000 (year 2), and $5,000 (year 3). These funds will be used for purchasing miscellaneous supplies for building operations (e.g. light bulbs, bathroom supplies, minor repairs, etc.). These costs are assumptions based on a similar sized charter school. Large expenditures for building improvements are included in the line item "Building & Improvements" (below).

Marketing/Advertising

For marketing/advertising (including website), the school will budget $4,726 for startup, $4,244 for year 1, $6,485 for year 2, and $6,735 for year 3. These costs are assumptions based on a written quote from Stephanie Rising, owner of Canyon Concepts. In addition, Stephanie Rising has pledged to donate her firm's services to the school, a savings of several thousand dollars to the school. (Canyon Concepts normally charges $125 for marketing.)

Contracted Services (O&M)

For contracted O&M services, the school will pay $11,439.82 (year 1), $18,863.23 (year 2), and $30,134.64 (year 3).

For legal representation, the school has contracted with Marian C. Abram of Karp & Weiss. In years 1-3, the school each year will budget $1,000 for five hours of legal services at $200 per hour. These costs are assumptions based on a written quote by Ms. Abram.

For banking, the school has joined Tucson Federal Credit Union. In year 1, the school will pay $176.82 for banking. These costs include 12 months of monthly fees at $7.00 per month ($84) and 6 boxes of 150 checks at $15.47 per box ($92.82). In year 2, the school will pay $223.23. These costs include 12 months of monthly fees at $7.00 per month ($84) and 9 boxes of 150 checks at $15.47 per box ($139.23). In year 3, the school will pay $269.64. These costs include 12 months of monthly fees at $7.00 per month ($84) and 12 boxes of 150 checks at

$15.47 per box ($185.64). 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. In year 1, the school will budget $5,000 for 100 hours of IT service at $50 per hour. In year 2, the school will budget $7,500 for 150 hours of IT service at $50 per hour. In year 3, the school will budget $10,000 for 200 hours IT services 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. In year 1, the school will budget $10,263 for custodial services. This price includes 196 cleanings, which includes service every school night (180 cleanings) plus one service per week during vacations (16 cleanings). The price covers cleaning 6,400 feet of space at $18 per worker hour (1 worker hour cleans 2200 square feet). In year 2, the school will budget $17,640 for 196 services of 11,000 square feet of space. In year 3, the school will budget $28,865 for 196 services of 18,000 square feet of space. These costs are an assumption based on a written quote by Terry Barr, owner of PROactive Janitorial.

Building Rent/Lease/Loan

In year 1, the school will budget $84,240 for rent and triple-net charges for a facility of 6,400 square feet ($13.16 per square foot). This cost is a conservative estimate because it's an assumption based on the median figure of the school's three possible facilities (see C.1 Facilities Acquisition). In year 2, the school will need an 11,000 square-foot facility. Using $12 per-square-foot figure, the school will budget $132,000 for rent and charges. In year 3, the school will require an 18,000-square-foot facility. Using a $12 per-square-foot figure, the school will budget $216,000 for rent and charges.

Building & Improvements

The school and its real-estate agent, Tari Auletta of Grubb & Ellis, will negotiate with its landlord to incorporate into its rent its tenant improvements. Nevertheless, the school will be conservative by budgeting $24,000 annually for building improvements in years 1, 2, and 3. This figure is an assumption based on advice from Ms. Auletta and Rob Caylor of Caylor Construction.

Land & Improvements

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

Fees/Permits

The school will budget $1,000 annually for fees/permits for years 1-3.

Property/Casualty Insurance

For property/casualty insurance, the school will budget $6,587 (year 1), $6,687 (year 2), and $6,777 (year 3). These costs are assumptions based on a written quote by Alan G. Martin of Martin Insurance Consultants.

Liability Insurance

In year 1, the school will budget $2,230 for liability insurance, which includes $1,000 for general liability and $1,230 for worker's comp. In year 2, the school will budget $5,076 for liability insurance, which includes $2,000 for general liability and $3,076 for worker's comp. In year 3, the school will budget $9,374 for liability insurance, which includes $3,500 for general liability and $5,874 for worker's comp. These are assumptions based on a written quote by Michelle Martin, Owner/General Manager of Marana Insurance Agency.

Utilities (Electric, Gas, Water, Waste)

In year 1, the school will budget $10,989 for utilities for 6,400 square feet of space. In year 2, the school will budget $18,888 for 11,000 square feet of space. In year 3, the school will budget $30,907 for 18,000 square feet of space. These costs are based on an annual utility-expense rate of $1.72 per square foot of facility. This figure is an assumption based on the utility expenses for a building located at 1615 E. Fort 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

In years 1-3, the school will budget $6,000 each year for service for 3 phones, 1 cell phone, and internet service. These costs are based on fees paid to Verizon and from online prices on Cox Business, Verizon, and Quest websites.

Transportation

The school will not provide transportation for students. The school will located on a public-bus line, and school personnel will help parents coordinate carpooling. Any extracurricular activities requiring transportation will be paid from extracurricular fees.

Food Service

The school will not provide food service for students. Students will bring their snacks and lunches to school. Students in the high school will be allowed to go off campus for lunch at nearby restaurants if they have their parents' written permission and follow all lunchtime punctuality and safety rules.

Classroom Furniture & Other Equipment

Using conservative assumptions, the school will budget for classroom furniture and equipment based on new items. The costs listed below are assumptions based on a written quote by Greg Janssen of Arizona Furnishings and by online prices by Office Depot and School Outfitters. However, the true costs to furnish and equip the classrooms should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment.

In year 1, there will be no costs because the school's four classrooms will be furnished during the startup period (for 8,895.40).

In year 2, there will be nine total classrooms, requiring furnishing five new classrooms. The school will budget $12,968.05 to furnish the five classrooms with new items. 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).

In year 3, there will be 15 total classrooms, requiring furnishing six new classrooms. The school will budget $15,561.66 to furnish the six classrooms with new items. 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).

Multi-Purpose Room Furniture

Using conservative assumptions, the school will budget for furnishing the Multi-Purpose Room (MPR), which is also the cafeteria, using prices for new furniture. The costs listed below are assumptions based on an online price by C & H Distributers. However, the true costs to furnish the MPR should be lower since the school plans to shop for, and ask for donations of, used furniture and equipment.

In year 1, there will be no costs because the school will furnish the MPR during the startup period (for $3,876). In year 2, the school will budget $1,938 for adding furniture in the MPR. This cost includes 6 table/chairs sets ($323 per set) that include 1 square table (42" x 42") and 4 black-vinyl stack chairs, for a total of 6 tables and 24 chairs. In year 3, the school will budget $1,938 for adding furniture in the MPR. This cost includes 6 table/chairs sets ($323 per set) that include 1 square table (42" x 42") and 4 black-vinyl stack chairs, for a total of 6 tables and 24 chairs.

Office Furniture & Other Equipment

In year 1, there will be no costs because the offices will be furnished during the startup period (for $1,473.66). In year 2, the school does not anticipate needing any more furniture for the offices, but it will budget $250 to cover any contingencies. In Year 3, the school will budget $741.22. This includes $250 for contingencies and $491.22 to purchase furniture for the HR/Business manager. This latter cost includes $199.99 for a desk, $86.85 for a chair, $152.59 for a four-drawer filing cabinets, and $51.79 for a bookcase. Using conservative assumptions, the school is budgeting using prices for new furniture based on a written quote by Greg Janssen of Arizona Furnishings and on Office Depot's online prices. However, the true costs should be lower since the school plans to shop for, and ask for donations of, used furniture.

Student Technology Equipment

No costs. The school will be applying for grants for technology. The school will also be soliciting donations for technology. For example, AmeriSchools, a group of five charter schools in Arizona, is supplied completely by donated technology. Additionally, The Rising School's program of instruction is not dependent on technology; and students will be able to bring their own laptops to school.

Office Technology Equipment

In year 1, the school will have no costs for office technology equipment because the school provided for this line item during the startup period (for $2,396). In year 2, the school does not

anticipate needing any more furniture for the offices, but it will budget $500 to cover any contingencies.

In year 3, the school will spend $2,396 on office technology for the HR/Business manager and the Special education Teacher. This cost 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.

Security

For a security system, the school will contract with Guard Pro Protection Systems or another service provider. The school will buy the security system during the startup period (for $2,809 in parts and labor installation). In years 1-3, the school will pay $395.88 per year for security service. These costs are assumptions based on a written quote by Stephen Abril, owner of Guard Pro Protection Systems.

Copiers

In years 1 and 2, the school will have no costs for a copier, which will be bought by the school during the startup period (for $2,199). In year 3, the school will spend $2,199 to purchase a second 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

The school will receive a $150,000 line of credit from Wells Fargo by February 2012. It will begin drawing on the line in July 2013. The loan will have a 5.25% interest rate. In year 1 and 2, the school will pay interest-only of $8,340.37 per year. Beginning in year 3, the school will pay off the loan over 36 months, costing $4,514.18 per month. Therefore, in year 3, the school will pay $54,170.19 in loan repayment (principal plus interest). These costs are assumptions based on a written quote by Sean P. Murray, Senior Business Relationship Manager and Vice President, Wells Fargo Bank.

Total Operations & Maintenance

For total Operations & Maintenance, the school is budgeting $162,466.07 for year 1, $247,391.53 for year 2, and $359,159.40 for year 3.

Total Expenditures

For total expenditures (AIS plus O&M), the school is budgeting $595,375.86 for year 1, $952,554.45 for year 2, and $1,500,264.39 for year 3.

Total Revenues

The school will have total revenue of $714,419.17 for year 1, $1,262,101.31 for year 2, and $2,112,903.86 for year 3.

Budget Balance (Revenues-Expenditures)

The budget balance (revenues minus expenditures) will be $119,043.31 for year 1, $309,546.86 for year 2, and $612,639.46 for year 3.

Contingency Plan

As with all good budgets, the preceding calculations are based on research, experience, and logical analysis. As all financial analysts understand, budgets are evolving documents that must be continually updated to adapt to changes in the marketplace and to unforeseen occurrences. Adapting the budget involves analyzing variables. Obviously, the key variables are revenue and expenses. The primary source of revenue is state funding, which is based mainly on the number of students. The primary source for expenses is labor, and the primary source of labor is teachers. Conveniently, these two sources are highly and positively correlated: as the number of students rises, so does the number of teachers, with The Rising School seeking to keep a student-teacher ratio of 20-1 or less (i.e., less than 20 students per teacher). Consequently, the school's contingency plan involves matching teachers to students. For example, if the school has 60 students, rather than the anticipated 100, in year 1, the school will decrease the number of teachers from 5.0 FTE to 3.0 FTE. Moreover, if student numbers are higher than anticipated, the school will hire more teachers to match that new need.

Reference

Odden, A. R., & Picus, L. O. (2008). *School finance: A policy perspective* (4th ed.). New York: NY: McGraw-Hill.