C.5 THREE YEAR BUDGET ASSUMPTIONS: EXHIBIT 5

A budget for Southwest Leadership Academy has been developed using the same criteria used in budgeting for other sites operated and managed by the CMO, Rite of Passage, and based on similar charter schools in the area. A conservative approach has been taken in estimating revenue and expenses. SLA will begin its first year with an enrollment of 150 students growing to a total of 500 in its third year of operation. Funding for year one will be based on 90% of enrollment, year two at 87.5% and year three will be 95%.

Provided below are descriptions for budget items:

Start-Up Budget Assumptions

Description of Line Item	Amount
STUDENT COUNT	
SLA will begin its first year with an enrollment of 150 students growing to a total of 500 in its third year of operation. Funding for year one will be based on 90% of enrollment, year two at 87.5% and year three will be 95%.	Yr 1 - 135 students Yr 2 - 350 students Yr 3 - 475 students
CARRY OVER	
The balance from start-up budget, in year 1. In year 2 & 3, this is the previous year's ending balance.	Yr 1 - $3,016 Yr 2 - $15,710 Yr 2 - $9,040
REVENUE	
State Funding State Equalization funding was calculated using the revenue worksheets provided at 135 Yr 1 (90%), 350 Yr 2 (87.5%), and 475 Yr 3 (95%).	Yr 1 - $936,325 Yr 2 - $2,329,151 Yr 3 - $3,083,382
Title I Once a charter is approved, SLA will begin completing its ESEA plan in an attempt to have the plan approved prior to the first day of school. Once school has begun and all student data has been properly entered into PowerSchool and successfully uploaded to SAIS, SLA will request that ADE come out and perform a current year count of the school's Title I. SLA anticipates having at least 70% of the student body qualifying for funding. After the current year count is complete, SLA will receive an initial allocation of Title I funds.	Yr 1 - $120,304 Yr 2 - $245,000 Yr 3 - $311,500
Title II Beginning in year two, SLA will begin receiving Title II funds which will be used for staff development and training.	Yr 1 - $0 Yr 2 - $12,000 Yr 3 - $24,000
IDEA Funds During the First year of operations, SLA will work with its Special Education Provider and onsite specialist to properly identify SLA's student population. Based on populations of current schools in the area, SLA assumed 15% of students will qualify for IDEA funding.	Yr 1 - $0.00 Yr 2 - $21,000 Yr 3 - $30,000
E-Rate During the first year of operation, SLA will apply for an E-Rate grant, which we anticipate will cover up to 90% of the cost of SLA's monthly telephone and Internet usage.	Yr 1 - $0 Yr 2 - $54,000 Yr 3 - $54,000
NOTE: National School Lunch and Breakfast Program SLA plans to contract with a Food Service provider who will bill directly for NSLBP. Therefore, we have not included it in the budget.	

Description of Line Item	Amount
EXPENDITURES (AIS)	
Salaries SLA will have three administrative staff: Principal, Vice-Principal, and Registrar. The Principal and Registrar will both start in May. The Vice-Principal will begin in Year 2 as enrollment grows. Administrative salaries are based on those salaries paid at surrounding schools and other CMO facilities in Arizona. A 4% salary increase is assumed each year. As SLA's annual contract runs from July 1 to June 30 of each year, the first year's salaries have been reduced for those salaries that were in the start-up budget and overlap year 1.	Principal: - Yr 1 - $68,750 - Yr 2 - $78,000 - Yr 3 - $88,120 Vice-Principal - Yr 1 - $0.00 - Yr 2 - $53,000 - Yr 3 - $55,120 Registrar - Yr 1 - $28,600 - Yr 2 - $32,448 - Yr 3 - $34,398
Salaries (continued) SLA will have both regular and Special Education Teachers and an Instructional Leader. The current split assumes 15% of students will be identified as needing special education services. Salaries are based on those paid to Teachers at surrounding schools and other ROP facilities in Arizona. A 4% salary increase is assumed each year. As our annual contract runs from July 1 to June 30 of each year, the first year's salaries have been reduced for those salaries that were in the start-up budget and overlap year 1.	Instructional Leader: - Yr 1 - $46,842 - Yr 2 - $52,000 - Yr 3 - $54,080 Regular Education: - Yr 1 - $185,021 (4.5 FTE) - Yr 2 - $507,360 (12 FTE) - Yr 3 - $599,830 (14 FTE) Special Education: - Yr 1 - $41,116 (1 FTE) - Yr 2 - $181,040 (4 FTE) - Yr 3 - $279,636 (6 FTE)

Description of Line Item	Amount
Salaries (continued) SLA's support staff will consist of a Counselor, Behavioral Mentors, and Janitor/Maintenance. Salaries are based on those paid at other CMO facilities in Arizona. A 4% salary increase has been assumed each year. As our annual contract run from July 1 to June 30 of each year, the first year's salaries have been reduced for those salaries that were in the start-up budget and overlap year 1.	Counselor: - Yr 1 - $44,053 - Yr 2 - $46,800 - Yr 3 - $48,672 Behavioral Mentor: - Yr 1 - $116,168 (4 FTE) - Yr 2 - $314,960 (10 FTE) - Yr 3 - $417,462 (13 FTE) Janitor/Maintenance - Yr 1 - $29,900 (1 FTE) - Yr 2 - $63,648 (2 FTE) - Yr 3 - $96,145 (3 FTE)
Teacher Stipends Teacher stipends will be paid for Coaching, Title I Tutoring (Before and/or After school), and Title I Active Parenting classes. Athletic coaching stipends will not be paid during the first year.	Title I Stipends: Yr 1 - $6,000 Yr 2 - $8.000 Yr 3 - $12,000 Athletic Stipends: Yr 1 - $0.00 Yr 2 - $17,200 Yr 3 - $36,000
Employee Benefits Benefits include employer FICA taxes, workers compensation and unemployment tax. The employer FICA taxes were calculated using the current rate of 7.65% (Social Security & Medicare). Workers Compensation was calculated using the current rate being paid in Arizona by ROP, 3.7%. Unemployment was based on the current wage base of $7,000 calculated at the current rate being paid by CMO in Arizona, 3.5%, and assumes an employee turn-over of 7%. All staff will be eligible for comprehensive benefits upon hire. Comprehensive benefits includes Medical, Dental, Vision, 1x salary in life insurance and 401(k) after 1 year of employment. The current 401(k) match is 6%. All rates used are based on the current rates being paid by ROP in Arizona. As our annual contract runs from July 1 to June 30 of each year, the first year's benefits have been reduced for those that were in the start-up budget and overlap year 1. Mileage reimbursements are included for employees each year at the Federal reimbursement rate of $.555 per mile. Mileage is based on required travel, and is based on historical figure from similar operation.	FICA: - Yr 1 - $41,660 - Yr 2 - $98,213 - Yr 3 - $123,436 Work Comp: - Yr 1 - 20,149 - Yr 2 - $47,501 - Yr 3 - $59,701 Unemployment: - Yr 1 - $3,935 - Yr 2 - $8,653 - Yr 4 - $11,050 Med, Den, 401(k) - Yr 1 - $63,544 - Yr 2 - $190,864 - Yr 3 - $234,787 Mileage - Yr 1 - $1,200 - Yr 2 - $1,500 - Yr 3 - $3,000

Description of Line Item	Amount
Office Supplies Office Supplies purchases will be for the administrative offices. Most supplies will be purchased through a corporate account at Staples which will be set-up through the CMO and billed to the school. Office supplies also include paper and binders for the copying identified in the Performance Management Plan.	- Yr 1 - $6,000 - Yr 2 - $9,000 - Yr 3 - $12,000
Instructional Consumables Instructional Supplies purchased will be classroom teaching supplies. This also includes the instructional supply costs (*What Works*, etc.) identified in the Performance Management Plan.	Instructional Supplies: - Yr 1 - $12,504 - Yr 2 - $44,400 - Yr 3 - $48,000
Contracted Services (Special Education) Contracted Services are for outside special education services outlined in Section B.3.2.	- Yr 1 - $3,700 - Yr 2 - $8,700 - Yr 3 - $10,875
Curriculum & Resource Materials Curriculum Resources will be used to purchase text books and classroom supplies, and to replace any lost or damaged resources from the previous year. This is calculated at approximately $170/student in year one and $120/student in year 2 and 3. Also included is Blueprint Education, used for Credit Recovery. SLA has assumed that 5% of its students will use Blueprint which is billed monthly based on usage at $119/student.	Curriculum & Materials: - Yr 1 - $25,500 - Yr 2 - $48,000 - Yr 3 - $63,600 Blueprint: - Yr 1 - $8,033 - Yr 2 - $21,420 - Yr 3 - $26,775
SAIS Software SLA will be using PowerSchool as its student data management system. The system will have the ability to upload all required information to the State's SAIS system. Annual fees are based on $16/student in years one and two. Year three is calculated at $18/student.	- Yr 1 - $2,500 - Yr 2 - $6,400 - Yr 3 - $9,000
Auditor Fees Auditor fees are based on current fees being paid by similar schools in Arizona. The increase in year 2 is attributed to the addition of Federal revenue sources (Title I, IDEA, & E-Rate). The increase in year 3 is that SLA anticipates having a single audit due to the budget of Federal revenue over $500,000.	- Yr 1 - $10,000 - Yr 2 - $15,000 - Yr 3 - $20,000
Athletics SLA will introduce athletics in year 1. During this first year, only one sport will be played. This will be determined by the interest of those enrolled during the summer prior to school starting. Most likely, Soccer or Basketball. In years two and three, additional sports will be added (Football, Wrestling, Cross-Country) again, based on the interest of students enrolled.	- Yr 1 - $6,000 - Yr 2 - 36,000 - Yr 3 - 42,000
Staff Training/Recruitment This money will be used to hire additional teachers as the school grows, 18.5 FTE's added in year two and 8 FTE's in year three. Additional money has been added in year two and three for training of additional staff. Training for the first year staff will take place during the start-up period; this includes Workshop fees outlined in PMP.	- Yr 1 - $6,000 - Yr 2 - $12,000 - Yr 3 - $21,600

Description of Line Item	Amount
EXPENDITURES (O&M)	
Marketing/Advertising Advertising includes brochures, flyers and other media for the promotion of the school. See Section C.2 for budget details	- Yr 1 - $8,540 - Yr 2 - $6,340 - Yr 3 - $5,340
Purchased Services (O&M) SLA has a Management Agreement with Rite of Passage, Inc. The fee defined in the Management Agreement is 10% of SLA's state equalization.	- Yr 1 - $93,633 - Yr 2 - $232,915 - Yr 3 - $308,338
Building Rent/Lease/Loan Facilities for SLA will be leased from ROP. Lease payments will be based on space used within the school building located at 4301 W Fillmore Street, Phoenix, Arizona. July's lease payment is paid during the start-up period. The assumption for space utilization is 15,000 sq ft in year 1, 25,000 sq ft in year 2, and the entire facility (48,000 sq ft) in year three. A 4% increase in the price per square foot has been added each year. Rent payments include utilities.	- Yr 1 - $96,250 - Yr 2 - $182,008 - Yr 3 - $ 352,213
Building & Improvements This includes janitorial supplies and supplies for minor building repairs.	- Yr 1 - $6,000 - Yr 2 - $18,000 - Yr 3 - $22,000
Fees/Permits SLA will be a member of the Arizona Charter Association, at a cost of $500 annually. The remaining budget is set aside for membership in other professional organizations for Teachers.	- Yr 1 - $2,100 - Yr 2 - $2,100 - Yr 3 - $2,100
Liability Insurance SLA will maintain General Liability Insurance and a D&O policy. Premiums are based on those from other ROP facilities in Arizona.	- Yr 1 - $11,469 - Yr 2 - $13,762 - Yr 3 - $14,038
Phone/Internet Phone and Internet service rates are based on those from other similar schools in Arizona.	- Yr 1 - $13,200 - Yr 2 - $60,000 - Yr 3 - $60,000
Transportation SLA will use a combination of monthly city bus passes and vans leased from CMO to transport students. Van leases will not begin until year 2 and will be based on need and student location.	- Yr 1 - $7,200 - Yr 3 - $36,000 - Yr 3 - $50,000
Student Furniture & Other Equipment Student furniture will be purchased for additional students enrolled each year. All the desks for year 1 will be purchased during start-up. The budget growth in year 2 is 250 students for which desks will be purchased at $70/ea. Growth in year 3 is 100 students for which desks will be purchased at $100/ea.	- Yr 1 - $0.00 - Yr 2 - $17,500 - Yr 3 - $10,000
Office Furniture & Other Equipment Office furniture for staff in year 1 will be purchased during start-up. In year 2, with the addition of 1 administrator and 11 teachers, 12 desks and chairs at $500/ea. Year three will add 5 teachers for which desks and chairs will be purchased at $650/ea. Upgraded equipment will be purchased in year 2 and 3 to replace, server, switches, etc. as needed.	Office Furniture - Yr 1 - $0.00 - Yr 2 - $6,000 - Yr 3 - $3,250 Equipment: - Yr 1 - $0.00 - Yr 2 - $18,000 - Yr 3 - $14,350

Description of Line Item	Amount
Other Leases Through a relationship CMO has with Xerox, SLA will lease one copy machine beginning July 1 which will include a maintenance agreement. Due to growth, a second machine will be leased beginning year 2.	- Yr 1 - $9,000 - Yr 2 - $18,000 - Yr 3 - $18,000
Loan Repayment If SLA is not awarded the AZCSIP Grant, then a $240,000 loan will be secured to cover the start-up costs. During year 1, interest only payments will be made. Principle payments will begin in year 2, at which point SLA will repay the loan over 24 months at an interest rate of 4.02% @ $10,424/mo	- Yr 1 – $9,768 - Yr 2 - $125,089 - Yr 3 - $125,089
Depreciation Per SLA Policy and GAAP Accounting, SLA will capitalize certain assets and depreciate them according to their useful life. Depreciation is assumed by looking at the amount of capitalized start-up costs at other ROP facilities.	- Yr 1 - $9,000 - Yr 2 - $30,000 - Yr 3 - $30,000