FUTURO ACADEMY CHARTER SCHOOL

Budget Narrative, prepared by EdTec
Fiscal Years 2017-2020

The attached budget and cash flow projections are based on conservative estimates of actual costs to implement Futuro Academy's program. Assumptions used to create the analysis are based on the school's projected enrollment, program plan, and historical financial data from similar charter schools. The narrative outlines all major revenue and expense assumptions in the development of the three-year operating budget. The projections demonstrate a healthy and fiscally sound plan.

REVENUES

Enrollment Assumptions

Futuro Academy's projected enrollment in its first three years of operation are 116, 240, and 360 students, respectively. The grade levels span K-3 starting with K-1 classrooms in Year 1.

Demographics

Demographic information for Futuro is based on student population characteristics of schools in the surrounding neighborhood:

Free and Reduced Lunch: 80%
Special Education: 10%

Local Revenue

In all three years, the school plans to raise $25 per student in fundraising and bring in approximately $30,000 in private grants.

Ten percent of students are expected to pay for school lunch meals. The revenue and related expenditures are awash; however, the school expects a small sum in federal reimbursement for paid meals included in the Federal Revenues section below.

State Funding

The school's largest source of funding is the state's Distributive School Account (DSA). The funding rate of $6,506 per student was calculated using the 2017 Financial Plan Workbook provided by the State Public Charter School Authority of Nevada. The formula factors in student enrollment, location of school, and percent of free and reduced lunch eligible students.

For special education, the budget assumes $533 per student. Assuming a 10% special education population, the school expects $6,183 in funding in its first year.

Federal Funding

Futuro Academy is a recipient of the Charter School Program grant. It is expecting $251,000 in 2017-18 and $233,000 in 2018-19. The school needs to pay for expenses in advance of claiming reimbursement of funds.

Having at least 80% of its students eligible for free and reduced lunch, the school will also apply for Title funding. The budget conservatively assumes $212 per eligible student. The rate remains flat in future years with uncertainty around guidelines for Every Student Succeeds Act and potential changes to the funding formula.

The school will participate in the National School Lunch Program, as well as breakfast and snack programs. The reimbursement rates for each meal follow the 2016-17 USDA rates for contiguous states including Nevada and schools with FRL greater than 60%. The resulting rates assumed for breakfast, lunch, paid lunch, and snacks are $1.56, $3.04, $0.38, and $0.64 per eligible student. Additionally, the budget assumes that only 80% of FRL students will participate to account for any unclaimed meals.

EXPENSES

Expenses have been estimated by school leadership based on their research, program needs, and the comparable quotes for similar charter schools. The majority of expenses assume a 2.5% increase per year for inflation unless otherwise noted. Below is a summary of the expense categories and the underlying assumptions.

Staffing and Benefits

Given the enrollment assumptions, the school plans to hire 5 teachers in Year 1, 6 teachers in Year 2, and 5 teachers in Year 3. This includes 2 specialists on staff, while 1 special education instructor and 1 support specialist will be contracted. The school will maintain 2 administrators in all three years and add a special education/support teacher on staff in 2019-20.

	FTE		
Position	**2017/18**	**2018/19**	**2019/20**
Administrators	2	2	2
Licensed Teachers	5	11	16
Other Licensed Staff	0	0	1
Classified Support Staff	0.3	1.3	1
Total	7.3	14.3	20

The average teacher base salary in 2017-18 is approximately $47,000 growing at 3% per year. Classified pay is also increasing at 3% per year. A full-time hourly receptionist in 2018-19 will be replaced by a part-time employee in 2019-20 but at a higher pay.

Futuro Academy will participate in PERS among its administrators and licensed staff. The PERS employer contribution rate is set at 29%. Futuro will also offer health benefits to full-time employees. The estimated cost in 2017-18 is about $4,035 per participating employee, growing at 3% each year. Health, welfare, required benefits and employer taxes are estimated to cost 42% of the base teacher salary in 2017-18.

Professional and Technical Services

For professional educational services, Futuro Academy has budgeted approximately $1,700 per SPED student for contracted special education services. The school is also expecting to spending $20,000 in Year 1, $30,000 in Year 2, and $40,000 in Year 3 for additional teacher specialist resources.

Professional development across the three years is budgeted at $40,000, $35,000, and $15,000. Though the costs are higher in the first two years, the training will be funded by the CSP grant.

In 2017-18, the anticipated cost for other professional services including fees for banking, payroll, audit, legal and back-office business services total $63,000.

Technical services for student assessments are estimated to be $50 per student, and technology support services are estimated to be $750 per month.

Property Services, Other Services and Supplies

Facility related expenses include utilities at $1.25 per sq. ft., cleaning and maintenance at $1.50 per sq. ft., and property rental at $13 per sq. ft. Other property services include leasing of copiers which will cost $800 per month and general liability insurance at $18,000 in 2017-18 based on a quote from Distinctive Insurance.

In Year 1, the total cost for communications related expenses total $10,000 – 90 percent towards internet and phone expenditures and 10% for postage (or $5 per student for postage).

Based on a quote from Three Square, the food will cost approximately $2.95 for lunch meal, $1.85 for breakfast meal, and $0.84 for a snack meal per student. Food service management will cost an additional $250 per student.

For general supplies, the school will spend $36 per student for office and health supplies, $300 per month for other supplies, and $2,000 in gifts for students and staff. On average, school uniforms will cost $20 per student.

For non-IT related supplies and equipment, the school plans to spend $65 per student for music, athletic and instructional supplies. The school will also purchase $300 per new student for furniture and $1600 per classroom for furniture and equipment. These expenses will decrease by Year 3 after the CSP grant ends in Year 2.

The CSP grant will also cover expenditures for IT related supplies in Years 1 and 2. The $50,000 budget in year one includes the cost of Chromebooks, staff laptops, document cameras, projectors, and software.

Property

The school does not plan on needing capital improvements but will recognize approximately $7,000 in depreciation expenses each year for the setup of the internet infrastructure completed in the planning year.

CASH FLOW

Included in the budget workbook is a three-year cash flow projection, which demonstrates healthy cash balances for sustained operations with the aid of the Revolving Loan in Year 1. In Year 2, the school begins monthly repayment of the loan at a 3.75% interest rate over two years. The interest expense is recorded under debt-related expenses in the budget. In Year 2, the school utilizes receivable sales as a cash financing option and will repay the amounts within two months of receiving the proceeds. The repayments assume a 17% interest based on rates provided by Charter Asset Management. The accompanying interest and fees are also recorded under debt-related expenses.

CONTINGENCIES AND RESERVES

Futuro Academy's budget reflects positive net operating income in all three years and a growing fund balance from 6% in Year 1 to 17% in Year 3. In all future years, the school will operate at a surplus and continue to contribute to its reserves in the event of fluctuating funding levels or other unforeseen risks.