



May 5, 2016

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Dear Ms. Nagourney:

Thank you for the opportunity to outline our financial projections for the upcoming May 10<sup>th</sup> Formal Review Hearing. The Delaware STEM Academy has developed a series of four scenarios reflecting differing enrollment patterns and integrating them into five-year budget projections. The projections are attached and include descriptions of the individual line items.

**May 1 Unit Enrollment Scenario – 105 students:**

As of this writing, the Academy has 110 students enrolled. Nonetheless, we have developed a scenario which projects funding based on the 105 students. Per our May 1 unit count, the Academy had achieved 105 fully enrolled students. We have adjusted our budget to reflect changes in rent for smaller school space, reductions in fees for our Charter Management Organization and corresponding units and per student costs. With reductions in the first and second year of operation, the Academy demonstrates its ability to operate at this lower student threshold. It may necessitate the use of a line of credit to ensure that we do not use restricted funding (Foundation grants) for operating costs, but essentially it is viable on a cash basis.

**Enrollment Scenario – 160 students:**

The Academy developed an enrollment scenario reflecting 160 students (64% of 250 students). This scenario assumes the phased leasing of 109 Lukens Drive, costs of renovation (above landlords tenant improvements) and a small borrowing (\$175,000, with debt service over 5 years for the renovation). The school demonstrates a healthy cash balance, which does not penetrate the restricted funds. Growth in unreserved carryover funds over time is limited, however.

**Enrollment Scenario – 200 students:**

This scenario represents an ideal situation for the school. The cash balances are healthy and the year-over-year cash reserves begin to build. Our first objective is to spend more in the instructional program. These funds will also be beneficial as we build out the Lukens Drive facility and increase laboratory and integrated classroom space into the full 60,000 square feet of space and for potential purchase of property and construction of new facility within the next ten years.

Enrollment Scenario – 250 students:

This scenario demonstrates the full student enrollment requested in the charter application. It reflects very healthy year-over-year cash carryovers, the ability to reserve funds for a building campaign and available funds for greater instructional support.

The Academy has created not only these scenarios on a profit / loss basis but also on a balance sheet basis. The balance sheet allows us to better determine the use of restricted and unrestricted cash and to account for potential debt service and other assets and liabilities for the school. In addition, we have stressed-tested these scenarios on a balance sheet basis, which ultimately demonstrated that we are economically viable at 160 students and above without reductions in expenditures. All indicators demonstrate that the economies of scale get better as enrollment grows – cash and surplus per student and expenses and revenue per student goes down – while being in a cash positive position.

Although not included in the package, we also stress-tested the enrollments at populations of special education students at 30%. (All of the scenarios were projected based on 12% special education population, which was our target in the charter application. Interestingly, our current special education population per the May 1 enrollment count is at 15%.) The projections show positive cash positions under these conditions. These are available at your request.

Conclusions: Despite our low enrollment on May 1, we continue to aggressively market our school and we anticipate a healthy growth rate over the month of May and June. We expect to meet or exceed a goal of 200 students for the 2016-2017 school year. We have demonstrated that, even though we can exist with a student enrollment of at least 105, we anticipate enrollment to be at the 200 student scenario we have presented. This enrollment can be accommodated under the current spending plan, including transportation, facility rental and technology requirements.

We hope the Charter School Accountability Committee sees the efficacy in the Academy and the viability of the school financially. If there are any questions or comments, please feel free to reach out to us.

Thank you.



Ted Williams  
President  
Board of Directors



J. Brett Taylor, Ed.D.  
Executive Director  
Delaware STEM Academy