

Attachment 20- Budget Narrative

The SMS is expected to enroll 260 students in its first year of operation and grow to 455 students by Year 4. Funding sources will include state and local appropriations based on unit counts, federal funding for Title I, Title III and Free and Reduced Lunch programming, and private donations. To the extent possible all operating costs associated with personnel, facilities and contracts will be paid with state and local appropriations, except in cases where federal funds are eligible or required.

The budget is comprised of many different costs; however, the majority of costs will be for personnel salaries and benefits, facility rentals, classroom materials and transportation costs.

Among our assumptions for the revenue projections and budget for SMS are noted below.

- State and local revenues are based on 260 students in Year 1 to 455 students by Year 4, adding approximately 65 students per grade. We will enroll students from Kindergarten through Grade 3, adding Grade 4 in Year 2, Grade 5 in Year 3, and Grade 6 in Year 4. We have also calculated these units based on 80% of full enrollment (208 students in Year 1).
- Health benefits and other employee costs are allocated based on the state cost and percentage.
- Non-teaching support in Year 1 includes the School Leader, one Educational Director, one clerical staff member, one custodian, and one nurse. Additional positions are added in later years.
- Transportation costs are based on 90% of students being eligible for transportation. The unit cost is \$897.78 per student.
- Facility allocation is calculated at 70 square feet per student. Facility costs includes debt service/ mortgage for land acquisition and building construction for 32,000 square feet of space. The facility will sit on 10 acres of land.
- Cafeteria costs, which is funded by the federal government, calculates to \$625 per eligible student per year.
- Funds are allocated each year for student recruitment, marketing and community outreach
- SMS will contract for accounting and payroll services totaling \$35,000 per year. Positive Outcomes has indicated a willingness to serve as our vendor.

The SMS will be hiring a certified full-time classroom teacher and a non-certified full-time assistant teacher for each cohort of 25 students. This will require positions to be hired over and above the number of full-time teachers as per the unit count allocation. These additional salaries will be funded by a) reducing the number of administrative and support positions and b) by utilizing additional units, such as Academic Excellence units, and Equalization funding to supplement funds from teaching units.

Outside donations will be solicited to assist with non-personnel and facility costs, specified for programming associated with extra-curricular activities and technology. Facility construction costs will be funded through independent financing in the planning year. Subsequent mortgage have been incorporated into the state and local budgets.

The Montessori Works board has also developed an aggressive fundraising plan to help supplement the costs of school academic programming. Revenues raised through fundraising activities will be collected by a Fundraising Committee of the board and deposited into the school's First State Financial

(FSF) account, in accordance with required procedures. Decisions for the use of these funds will be become part of the overall financial planning process for the school, subject to review by the Citizens Budget Oversight Committee, and will be part of the annual financial audit of the school.

The contingency finance plan for SMS, should enrollment fall below the projections as presented in this application, will be to reduce personnel and operating costs to meet funding limitations. SMS has demonstrated in this application that it can operate financially at any student level between 208 and 403 students. The minimum number of students the school can enroll to remain economically viable in year 1 is 208 with enrollment increasing in subsequent years. We have provided a financial scenario which supports this enrollment estimate. Please see Attachment 16.

All contingencies for the budget as required by law have been fully met.

Below is a line by line description of the assumptions behind the revenue sheets and six year operating budget.

Revenues:

Line 1 - State Appropriations: State and local revenues are based on 260 students in Year 1 to 455 students by Year 4, adding approximately 65 students per grade. We will enroll students from Kindergarten through Grade 3, adding Grade 4 in Year 2, Grade 5 in Year 3, and Grade 6 in Year 4. We have also calculated these units based on 80% of full enrollment (208 students in Year 1).

Line 2 - Local Appropriations: Local appropriations are based local revenue sharing estimates for the allocation of students coming from seven districts in Sussex County: Indian River, Cape Henlopen, Milford, Seaford, Delmar, Woodbridge, and Laurel. The majority will be coming from Indian River, Seaford and Laurel.

Line 3- Other State: There are no other state funds contributing to the revenues at present.

Line 4 - Federal Entitlement: We are estimating based on 100% of the enrollment for Title I and Title III federal funding at approximately \$250 per student. All funding will be used for these programs specifically and do not supplant any other state or local funds for other programs.

Line 5 - Cafeteria Funds: We are including cafeteria funds at \$625 per student at 100% of the student enrollment. In both cases, all funding will be used for these programs specifically and do not supplant any other state or local funds for other programs.

Line 6 - Donations: We are estimating the need for \$400,000 in private funding for the Planning Year. No donations or private funding are included in Year 1-5. All costs are sourced by State and Local Appropriations.

Line 7 - School Activities/ Other: We have not estimated these revenues or costs as yet. We will reconsider these once enrollment is determined.

Line 8 - Prior Year Carryover Funds: This includes all carryover funds (including the 2% contingency).

Operating Budget:

Personnel Salaries/Other Employer Costs:

Line 15 - Classroom Teachers: SMS will be hiring 9.0 FTE state certified, Montessori-trained classroom teachers in Year 1. Division I state portion of teacher are based on 90% of the average salaries of the charter schools in the state. Additional teachers will be added in later years as cash flow accumulates due to higher enrollments. A 2% inflation index has been included each year for salaries.

Line 16 - Special Education Teachers: One FTE state certified, Montessori-trained special education will be hired as part of the normal complement (10 teachers in Year 1). This position will assist other teachers with special education approaches on an as-needed basis, but will have a regular classroom assignment.

Line 17 - Special Teachers: Not applicable; part of normal complement of teachers

Line 18 - Counselors: SMS will not hire counselors until Year 3, when enrollment is sufficient to afford this employee. Counseling duties will fall to teachers and the Educational Director as needed.

Line 19 - Principal/Administrative: One School Leader will be hired for the foreseeable future. This position will be hired in January 2018. One half year of salaries has been allocated for the Planning Year.

Line 20 - Nurse: The school will contract with a certified Nurse for the first year. One full-time position will be hired in Year 2 at a salary of \$35,000.

Line 21 - Clerical: One full-time clerical position will be hired in Year 1 at a salary of \$35,000.

Line 22 – Custodial: One full-time custodial / maintenance position will be hired at \$35,000.

Line 23 - Educational Director: This position will support the School Leader with carrying out the academic fidelity of the school and assist teachers with educational delivery. The position will start in July 2018 at a salary of \$55,000.

Line 24 - EPER: Not applicable.

Line 25 - Assistant Teachers: Each classroom will have an Assistant Teacher to assist the Classroom Teacher with educational delivery. These positions are contracted and are allocated in the Contractual Services line below.

Line 26 - Substitutes: Not applicable; the need for substitutions will be decided at the beginning of school.

Line 27 - Other: Not applicable

Line 28 - Other Employee Costs: Calculated at the State suggested rate of 31.49% for all full-time employees. This does not include the Assistant Teachers, who are contracted.

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Line 29 - Health Insurance: Calculated at an annual rate of \$12,528, based on a Highmark Gold Plan for an employee and family.

Line 30 - Other Benefits: Not applicable.

Student Support:

Line 35 - Transportation: Based on transportation for 90% of the students at a cost of \$898.00 per student per year.

Line 36 - Extra Curricular Transportation: Included in the amount of regular transportation.

Line 37 - Cafeteria: Calculated based on 100% of students at a rate of \$625 per year. Will determine if the school will charge for food based on low-income estimates once enrollment is determined.

Line 38 - Extra Curricular: Not applicable.

Line 39 - Supplies and Materials: Each new classroom in Year 1 will receive \$8,000 and \$8,000 thereafter; Year 2 new classrooms will receive \$10,000, then \$8,000 per year thereafter.

Line 40 - Textbooks: Not applicable; Instructional materials are built into the Supplies and Materials budget.

Line 41 - Other Professional Services/Substitutes: Includes support services for Title I and Title III programming; contracted services for teachers and teacher development will be used.

Line 42 - Professional Development: \$8,000 per full-time teacher per year is allocated for teacher development and training, including Montessori training, in Year 1. Subsequent years will include only new teachers for additional classrooms.

Line 43 - Assessments: Not applicable; will use supplies and materials budget as needed.

Line 44 - Parent and Community Engagement: Allocation for recruitment and education/training programs for parents

Line 45 - Therapists: Not applicable.

Line 46 - Classroom Technology: One computer lab will be established (10 computers at \$500 per computer)

Line 47 - School Climate: Not applicable

Line 48 - Computers: Allocations for staff and administration for computer technology and support.

Line 49 - Contractual Services: Allocation for Start-up Consultant in Planning Year of \$50,000; Year 1-5 includes allocations for Assistant Teachers at \$30,000 per year; Includes \$1,000 per student per year for 20% enrollment of special education students); Includes \$30,000 for a nurse in Year 1

Line 50 - Other Student Activities: Not applicable.

Operations and Maintenance of Facilities:

Line 55 - Insurance: Estimate by Pratt Insurance; Planning Year includes indemnification of Board; Year 1-5 includes personal liability, facility protection and Board liability.

Line 56 - Rent/Mortgage: Estimate based on purchase of land and construction of new building of 32,000 square feet in Year 1; financed over 30 years; Also estimated 25,000 square foot building is enrollment is 80%.

Line 57 - Taxes: To be determined.

Line 58 - Utilities: Based on \$.86 per square foot at 32,000 square feet.

Line 59 - Maintenance and Custodial: Budget of materials, supplies and equipment for building.

Line 60 - Telephone/Communications: Allocation for digital connection; telephone will be voice-over-internet-protocol.

Line 61 - Construction: No funds allocated; included in mortgage amount over 30 years; a separate construction budget will be submitted to DOE upon finalization of plans.

Line 62 - Renovation: Not applicable.

Line 63 - Other/ Maintenance Reserve: Not applicable. Will build reserve once building is past five years; mortgage/debt service reserve is expected.

Administrative / Operations Support:

Line 68 - Equipment Lease / Maintenance: Lease for copiers and other equipment for main office and teacher support.

Line 69 - Equipment Purchase: Not applicable.

Line 70 - Supplies and Materials: Includes \$10,000 for Planning Year Start-Up costs;

Line 71 - Printing and Copying: \$5,000 per year

Line 72 - Postage and Shipping: Costs associated with mailers for recruitment efforts in Planning Year.

Line 73 - Enrollment and Recruitment: Costs associated recruitment in the Planning Year and Years 1 and 2

Line 74 - Staffing (assessment): Not applicable.

Line 75 - Technology Plan: Consulting fees to technology company for start-up technology costs and security cameras.

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Line 76 - Other /Audit/ Legal: Allocations for audit services (annual financial report) and legal services.

Management Company:

Line 81 - Fees: Not Applicable

Line 82 - Salaries/ Other employee costs: Not applicable

Line 83 - Curriculum: Not applicable

Line 84 - Accounting and Payroll: Funds allocated for independent financial and payroll processor (Positive Outcomes)

Line 85 - Other: Not Applicable