

**Freire Charter School New Charter Application Budget Narrative**  
**Attachment 17**  
**For Budget Sheets based on May 1, 2015 student count (160 students)**  
**Updated 5/5/2015**

**State and Local Funds**

Line 1 – The state appropriations recorded in the budget were derived from the “Revenue Estimates” worksheets.

<http://www.doe.state.de.us/infosuites/schools/charterschools/files/RevenueEstimates121313.xls>

The 160 students we have enrolled as of 5/1/15 reside in the following school districts:

Colonial	22%
Red Clay	17%
Brandywine	4%
Christina	57%

Although some enrolled students have already indicated that they have an IEP, we expect more students will be identified as special ed once we receive all of their paperwork and once we evaluate students thru the Child Find process. Ultimately, we expect about 15% of our students to be special ed (mostly Basic.) That percentage is consistent with our special ed enrollment numbers in Philadelphia and also with the number of students from Christina SD who have already provided us with an IEP.

Line 2 – The SD Local Fund Transfers amounts were derived from the “Revenue Estimates” worksheets utilized in Line 1.

Line 3 – Carryover funds from prior fiscal year budgets were brought forward.

Line 4 - 11 and Line 13 – See attached Salary Schedule. We plan to hire approximately 5.4 teachers for every 100 students. The teachers are expected to be primarily TFA-type teachers with bachelor degrees. Special ed teachers earn more than regular ed teachers. Salaries will increase by 3% in Years 1 & 2 and then remain constant in the years thereafter. We expect to have 49 FTE when we are fully enrolled with 560 students.

Line 12 – We do not plan to hire in-house substitute teachers. We will contract with an agency that provides substitute teachers on an as-needed basis. The cost of that service is included in Contracted Services (Line 31.)

Line 14 – Line 14 is automatically calculated, OECs projected at inflationary increased rate of 30.08%.

Line 15 – Health insurance costs were calculated utilizing the Highmark DE First State Basic Plan rates from this chart:

<http://ben.omb.delaware.gov/medical/documents/fy15-published-rates.pdf?ver=0329>

Based on demographics at our Philadelphia campuses, we anticipate about 60% of our employees will be enrolled at the Single rate, 18% of the staff will be enrolled at the Family rate, and the remainder will be enrolled as Employee/Spouse or Employee/Children.

Line 16 – The school will offer no other benefits.

Line 17 – We contacted Aspira CS who explained that they run yellow bus routes at a cost of \$38,500 per route. We estimated that in years 1-2, we will need 4 bus routes for a total cost of \$154,000. Starting in year 3, we will add a 5<sup>th</sup> bus route which will bring the total cost to \$192,500.

Line 18 –N/A

Line 19 – N/A

Line 20 – Extra Curricular is comprised of Sports. Sports will not be offered until Year 3 when we have 448 students enrolled. The amount is based on our sports budget in Phila.

Line 21 – Supplies and Materials consist of instructional materials for the classrooms. Examples of instructional supplies are science lab materials, art class supplies, graphing calculators, etc.

Line 22 – The amount for textbooks is based on what we typically spend on books at our Phila HS.

Line 23 – Drivers Education program. Cost of leasing one vehicle from Fleet services at an annual rate of \$6300 and \$110 per pupil instructional supplies. Anticipated 112 sophomores enrolled each year.

Line 24 – The amounts budgeted in Line 24 are for external professional development such as external conferences, workshops, seminars, and college courses. We consider external Professional Development to be a discretionary cost and make it available to staff when our budget allows for this type of spending. Since we will have less than 30 staff members in Years 1 & 2, we don't anticipate making it available during those years. It will be available in subsequent years on a limited basis. It is important to note that external professional development is separate from Freire's internal professional development program. Our internal program is developed by the leadership team and master teachers, does not incur additional costs, and is delivered on a regular schedule, such as bi-weekly.

Line 25 – We plan to invest in software designed to assess students’ grasp of the material and provide useful benchmarking data for our teachers.

Line 26 – Two of our enrolled students qualify as “Special Ed, Complex.” We have budgeted \$47,200 (\$23,600 x 2) to provide them with the appropriate supports such as one-on-one instruction.

Line 27 – We plan to contract with an outside company that offers speech therapy, academic evaluations, etc. The cost is based on what we typically incur at our Phila HS.

Line 28 – Classroom Technology consists of software such as a Student Information System (SIS) and IT supplies such as printers, toner, and smartboard accessories.

Line 29 – School Climate consists of Student Activities such as field trips, dances, prom, senior class activities, school spirit, pep rally, etc. The amount is based on what we typically spend on such activities in Philadelphia.

Line 30 – We anticipate on periodically purchasing computers and laptops to replace worn or broken ones. The amount is based on what we typically spend on computers in Philadelphia.

Line 31 – We plan to contract with an outside company that provides substitute teachers. This category also includes money budgeted for educational consultants that we may want to utilize as necessary. An example is hiring a math coach to work with our math teachers on delivering effective lessons. The amounts we budgeted are based on use of such services in Philadelphia.

Line 32 – Other costs are miscellaneous costs for instruction support.

Line 33 – The amount budgeted for insurance is based on a full insurance package for our Phila HS.

Line 34 – We will lease a building located at 201 W. 14th St. The entire building is 50,000 sq ft. The amount of space we will occupy will increase as we ramp up enrollment from Year 1 to Year 3. Specifically, we expect to occupy 20,000 sq ft in Year 1, 40,000 sq ft in Year 2, and the full 50,000 sq ft in Year 3 and beyond. The rental rate is based on a letter of intent from the landlord.

Line 35 – There will be no mortgage in the initial charter.

Line 36 – We expect utilities to run about \$1.80 per sq foot, based on utility costs in Phila. We multiplied \$1.80 by the square footage that we plan to lease to come up with the amounts in Line 36.

Line 37 – We do not employ janitorial staff. Instead, we will contract with an outside cleaning company and negotiate for reduced fees in years 1 & 2 since we will be occupying less classrooms, offices, etc. Maintenance also includes routine maintenance and repairs such as

hiring plumbers, electricians, locksmiths, etc when needed. It also includes trash removal services, exterminators, and shredding services. The breakdown of maintenance costs in Year 1 is:

Outsourced cleaning company	\$ 45,000
Routine maintenance & repair	\$ 71,600

Line 38 – Telephone/Communications includes internet access, landlines, VoIP service, cell phones, and aircards. These services can be discounted up to 90% by E-rate, a federal program that provides funds to help schools pay for their telecommunications. The amount shown is net of e-rate funds and is comparable to that of the Phila HS.

Line 39 – N/A.

Line 40 – N/A.

Line 41 – Facilities supplies are budgeted here. Typical supplies include toilet paper, trash bags, soap, paint, hardware, etc. The amount is based on actual usage in Phila.

Line 42 – We plan to lease a postage meter and certain computer equipment. This category also includes maintenance costs for copiers and computers. The amount is comparable to that of our Phila HS.

Line 43 – N/A

Line 44 – This category consists of nurse’s supplies, general office supplies as well as supplies and materials purchased by Administration. This may include items such as supplies for Professional Development week, decorations for the school, and supplies utilized by the Admissions office. The amounts are based on similar purchases in Phila.

Line 45 – We will outsource the printing of our Parent Student Handbook. We will also utilize a printshop such as Fedex Kinkos for color copies, posters, laminated items, etc. The amounts are based on similar purchases in Phila.

Line 46 – Postage and Shipping expenses are based on similar costs at the Phila HS. Since we will have lower enrollment during the first two years, our postage cost should be lower since we will have less families to mail letters to.

Line 47 – N/A

Line 48 – We plan to recruit teachers by advertising on websites that target DE teachers specifically. We will also hire teachers through TFA. TFA charges a fee for this. The amount is based on similar teacher recruiting efforts in Phila.

Line 49 – We have been working with an IT consulting company headquartered in Wilmington called SSD. They advise us on major IT projects, help us implement such projects and assist with troubleshooting as necessary.

Line 50 – Other costs consists of legal fees, consulting fees, meals and travel expense incurred by Administration, and interest and principal payments on the \$1.1M loan incurred in Year 0.

Legal fees are budgeted at \$30,000 in year 1 and increase to \$50,000 in year 3. These costs are based on similar legal costs in Phila.

Repayment of \$1.1M bank loan - If we assume similar loan terms to what we received for our middle school in Phila (20 year loan at 5% fixed rate interest,) then the principal & interest repayment will be approximately \$86k annually. In Year 1, we will be paying interest only, thus the lower repayment amount.

Line 51-Fees consist of CMO Fees that are charged as a percentage of total revenue. The percentages are as follows:

- Year 1: 6%
- Year 2: 7%
- Year 3: 6%
- Year 4: 6%

A portion of the CMO fees is paid out of Other Funds (Non-profit grants) with the balance paid out of state and local funds.

Line 52-53 N/A

Line 54 - Accounting and payroll costs consist of the annual audit fee and the cost of financial management company (Michelle Lambert) to provide FSF, PHRST, Human Resource, Benefit, Payroll, Budgeting and Financial Reporting support. After consulting with local experts in Wilmington, we budgeted \$14k for the annual audit in all years. We budgeted up to \$60k for the financial management company in Years 1 & 2. In Year 4, we will hire an in-house Business Manager and scale back on the services contracted with Ms. Lambert. Thus the cost of her services will reduce to \$40k annually in Years 3 & 4.

Line 55 – N/A

Line 56 – Our school will consist of grades 8-12 and each grade level will have 112 students. In year 1, we will enroll students in grades 8-9. In year 2, we will add grade 10. In year 3, we'll add grade 11. Finally, in year 4, we'll have grade 12 and reach full capacity.

## **Federal Funds**

Line 1 – The Entitlement funds included are Title I, Title II and IDEA and the amounts are an average of what is awarded to a charter school with a similar program and enrollment.

Line 2 – N/A

Line 3 – We plan to use Title I money to pay for one classroom teacher in the subject of Catch-up Reading or Catch-up Math. Title I is a supplemental grant and the funds can't be used to supplant. Our Catch-up Reading / Catch-up Math course is a supplemental education program that would cease in the absence of the federal funding.

Lines 4 – We plan to use IDEA money to fund one to two special ed teachers. The Federal Funds budget sheet indicates how many special ed teachers will be funded and in which years.

Line 5 and Lines 7-12: None of these positions will be funded by federal funds.

Line 6 – At Freire, the positions of Academic Advisor and College Counselor fall into the category of “Counselors.” We plan to use Title I money to pay for up to 3.4 counselors. The Federal Funds budget sheet indicates how many counselors will be funded and in which years.

Line 13 – Line 13 is automatically calculated, OECs projected at inflationary increased rate of 30.08%.

Line 14 – See narrative for Line 15 under State/Local Funds.

Line 15 – The school will offer no other benefits.

Line 16-19 – N/A

Line 20 – Supplies and materials used in federal funded activities.

Line 21 & 22 – N/A

Line 23 – N/A

Line 24-53 N/A

### **Other Funds**

Line 1 - Longwood Foundation has awarded Freire grant money in the amount of \$300,000 to open a school in DE. The \$300k is not restricted to any type of cost. We have also been awarded a 3-year grant from CSP, a federal program that helps fund new charter schools. The

CSP grant will be distributed as follows: \$189,000 in year 1, \$249,000 in year 2, \$249,000 in year 3.

Line 2 – N/A

Line 3 – In the interest of keeping the budget conservative, we are including fundraising only if it has been already raised or pledged.

Line 4 – We will borrow \$1.1M from a bank to help pay for renovation costs to the building we have designated as our school. Attached is a term sheet from Barclays outlining the terms of a \$1.1M loan that they have agreed to provide. The landlord of 201 W. 14<sup>th</sup> Street will finance the remaining \$900,000.

Line 5 – Cafeteria funds under “Other Funds” represent the funding and expenditures anticipated from participation in the USDA child nutrition program. We expect to break even on the Lunch Program.

Line 6-15 N/A

Line 16 – Bill Porter, Head of Freire Wilmington, is spending the start up year working in Wilmington on a number of projects such as enrollment, recruiting, marketing, community outreach, etc. His salary and benefits are included in this line. Also included are payments made to short-term workers that we hired to serve as community outreach ambassadors who assisted Bill in many recruiting efforts.

Line 17-21 N/A

Line 22 - Food Service will be outsourced to a qualified food service vendor in accordance with regulation of the Free & Reduced Lunch program. Our local experts in Wilmington who have experience with opening and operating charter schools have advised us that it costs about \$320k to feed 560 students. We then prorated that amount to reflect lower enrollment levels in Years 1-3.

Line 23 N/A

Line 24 & 25 – During the start up year, we will buy \$67,200 worth of books and classroom materials. A portion of the CSP grant will be used for this purpose.

Line 26 – N/A

Line 27 – The funds allocated to this line will come from the CSP grant. In year 1, we plan to send the leadership team to external professional development so that they will be well trained to manage and oversee the operation of a new school. In years 2 & 3, the CSP funds will help pay

for external professional development for our teachers as well as any stipends that we pay to senior teachers for coaching the newer teachers.

Line 28 – In years 1 & 2, a portion of the CSP grant will be used to pay for instruction and assesment materials.

Line 29-30 N/A

Line 31 – Rather than outfitting the classrooms with smartboards which are costly and break easily, we will utilize the latest technology of a tablet and projector. We have seen this technology in place at other schools and are impressed with it. This line also includes the cost of mobile computer labs (computer carts stocked with laptops) which we estimate will cost approximately \$30,000 each. The CSP grant will fund all the classroom technology described in line 31.

Line 32-35 N/A

Line 36 – Since we are maintaining a small office in Wilmington, we have purchased general liability insurance for our startup operations.

Line 37 – Rent expense for our administrative office in Wilmington.

Line 38 – N/A

Line 39 – Utilities for our administrative office.

Line 40 – N/A

Line 41 – Internet and cell phone bills for our administrative office.

Line 42 – N/A (we are not constructing a new building.)

Line 43 – 201 W 14<sup>th</sup> Street is a commercial building formerly owned by Blue Cross Blue Shield. We estimated that renovations to convert the space into classrooms, cafeteria, etc will cost about \$2M during the start up year. This includes soft costs such as design fees, project management , inspection, appraisal and financing costs.

Line 44 – We have budgeted \$10,000 for traffic engineers.

Line 45 – N/A

Line 46 – This is furniture specifically for students: lockers, classroom desks, chairs, tables, and cafeteria furniture. It also includes copiers and telephone equipment. The amount is consistent with what we spent when we furnished the Phila MS.



Line 47-49 – In year 1, we have budgeted \$4500 for various operating costs in our administrative office. These include postage, office supplies, outside duplicating, laptop, printer, etc. In year 2, Supplies & Materials will be funded by both State/Local funds and Other Funds.

Line 50 – In order to entice families to enroll at Freire Wilmington, we invested a substantial amount in marketing, advertising, communications, and consultants who specialize in community outreach. Our advertising campaign involves primarily print material such as billboards, posters at bus shelters, and door hangers. The bulk of our enrollment/recruitment costs will be incurred in year 0. We will continue to spend on enrollment/recruitment as we ramp up enrollment in years 1-4.

Line 51-52 N/A

Line 53 – Other start up costs include travel expenses, legal fees, PR firm, and kickoff event for potential donors.

Line 54 – Please see the narrative for Line 51 under State/Local Funds.

Line 55 – Various staff members in Phila have been assisting Bill Porter with startup efforts. The value of their time that is spent on Freire Wilmington will be paid for with funds from general donations.

Line 56 – N/A

Line 57 - Please see the narrative for Line 54 under State/Local Funds.

Line 58 – N/A

#### BUDGET WORKSHEET BASED ON 179 STUDENTS

We are also providing a Budget worksheet based on 179 students in year 1. 179 is 80% of our year 1 target enrollment (224 students.) That budget worksheet is identical to the worksheet for 160 students except for the following lines:

Lines 1-3: State and local revenue were calculated by entering 179 students in the Revenue excel file provided by DOE.

Line 4: The number of classroom teacher FTE is 5 instead of 4 in year 1. The corresponding salary also increased.

Line 51: Since the CMO fee is calculated as 6% of revenue, the fee increased when revenue increased.