

SECTION 7: DETAILED BUSINESS PLAN

Overview

Even after 10 years, launching a charter school is still a lot like building an airplane during takeoff. There are many challenges. Financing the startup is one. Our business plan will have Esperanza in the black by the second year of operation. We will balance our budgets during the planning year and the first operational year by utilizing either Federal CSP Startup and Implementation funds or a loan from the State's Revolving Loan Fund. We are assuming the latter for now and budgets in our application reflect this.

For our planning year, there is virtually no assured revenue so the bulk of our startup expenses will be paid for with the Federal grant or, more likely, a loan from the Revolving Loan Fund.

We will receive State MSP funding in our first operational year, but it will not be enough to cover the cost of the resources required during this startup year. This is primarily because of our growth model that allows only 320 students in the first year, but is also impacted by our capital startup needs like furniture, computer equipment and instructional materials. So for the first operational year we will again need to borrow money to balance our budget.

By the end of our second operational year, because of increased student enrollment (400) and reduced capital needs, we will realize a surplus while meeting all operating expenses and beginning repayment of loans. Our financial position improves every year after that until we level off when our full enrollment of 525 students is achieved in the fifth year of operation. By that time Esperanza Elementary will be fiscally robust.

Planning Year

During Esperanza's planning phase we have five primary objectives. The planning year budget is designed to ensure we accomplish them.

- 1) Fully develop the curriculum and educational programs in preparation for training educators and staff
- 2) Begin the interviewing and hiring process for educators, administrators and other staff
- 3) Oversee the design and construction of the school facility
- 4) Implement a vigorous marketing campaign to ensure maximum student enrollment
- 5) Establish community and neighborhood partnerships and support

It is anticipated that Esperanza will engage Barbara Lovejoy, instructional leader and primary founder of the school and its programs (see Barbara's bio information in Section 10), for \$30,000 plus benefits to see that the planning period objectives are accomplished. Whether or not to hire or contract with Ms Lovejoy will be a decision of the Board of Directors and will be in keeping with 53A-1a-518. \$12,000 is included for administrative support. Relationship building and marketing will be primary activities; the planning year budget includes funding to support these efforts. Monies will be allocated to launch organizational components including our website,

information technology infrastructure and the school’s basic accounting system. The costs for the planning year are \$89,150. We will generate at least \$4,000 in donations. We will borrow \$90,000 early in our planning year and begin repayments during our first operational year. Esperanza’s planning year budget follows this section.

First Two Operational Years

The budgets that follow illustrate how we will allocate educators, administrators, support staff and resources to fulfill our mission and ensure a quality educational program and school community. By the second year, with an enrollment of 400, the Principal’s staff will include 16 bilingual classroom teachers with a support team of a special education coordinator, social worker, librarian, IT specialist, three full-time paraprofessionals, three office workers and volunteers. The core teacher-to-student ratio will be 1 to 25. Direct student-services personnel to students will be 1 adult for every 16 children.

The CEO/Director and the business manager with support from the three admin/office staff will oversee all non-educational aspects of the school – operations, facilities and finances. In Esperanza’s model, the Principal/Instructional Leader is freed from these responsibilities in order to focus completely on the educational program and community.

Revenue – Our budgets show only modest donations and grants though we expect to raise far more money than shown. We show State MSP revenue for the first two operational years based on the USOE revenue worksheet. Budgets for year one and two show revenue for our school meals program (see explanation below). We are showing Federal IDEA and NCLB Title revenues based on anticipated student enrollment numbers and a conservative per-pupil revenue rate derived from analyzing two demographically similar charter schools.

Facility – Our budget models allocate \$504,000 annually to lease our current first choice facility option that includes a 45,000 square foot building plus grounds (see Section 6—Capital Facilities Plan). These projections result in our facilities costs being 18.5 percent of anticipated revenues in the first operational year and 16.5 percent in the second. We have based our operation and maintenance expenses, both for facilities and administrative support, on an analysis of actual data from two Salt Lake valley charter schools with several years successful operating history. These include utilities, custodial services and supplies, building and grounds maintenance, repair and supplies. If we opt to construct a facility (whether we lease or own) we understand that the construction process is complex, requiring formal bids for architectural and contracting services. We have consulted with two professionals experienced with this process for Utah charter schools in order to get a better understanding of the process. We would contract with a consultant to represent us and guide us through this process. Fees for this service would be included in the total financing or lease package.

Professional development (PD) – Our Principal, as part of Esperanza’s teacher evaluation process, will assist educators individually in setting annual goals and collectively in establishing a school-wide professional learning community. Educators will receive an annual allowance to support personal and professional growth: \$300 per educator, with Principal approval. Attending conferences and visiting other schools is part of the PD plan and to support this,

educators will receive an annual travel allowance of \$150. The PD plan includes funds to pay for consultants, speakers or trainers. The total PD plan budget is as follows:

	Planning Year	1st Year of Operation	2 nd Year of Operation
PD consultants	3,000	7,500	17,000
PD Fund for: conferences school visits trainings	3,050	4,860	5,160
Conference registrations	800	1,450	1,550
Educator PD allowance @ \$300 per educator		5,400	6,600
Total	6,850	19,210	30,310

Instructional materials and supplies – Budgets include \$600 per teacher annually for instructional supplies: \$400 may be used by individual teachers, \$200 per teacher will be pooled and used for general educational supplies. Esperanza will comply with state law minimums regarding allocations to teachers for educational materials. \$5,000 per grade level is budgeted annually for textbooks and other printed instructional materials and equates to \$90 per pupil during the first year. This amount is increased to \$6400 per grade level (\$100 per student) in the second year. We anticipate this amount to increase in subsequent years as our enrollment and revenues increase.

Library – \$3,900 (\$10/student) is budgeted for the first year, \$11,250 (\$25/student) for the second year for books, software and other resource materials. Furnishings will be included in the facility construction/remodeling budget. Computers for the library are included in the technology plan and budget.

School meals program – Esperanza Elementary will provide the federal school meals program for its students, at a minimum, both breakfast and lunch. We will contract with a food service provider for the meals and guidance in managing the Federal program. We have received an estimate of revenues and expenses for our first two operational years from Lunchboxers, a local state approved vendor based on the anticipated numbers of students and a 50 percent free and reduced-price rate. The program, for both years, is projected to generate a modest surplus. Lunchboxers has extensive experience providing school meals to Utah charter schools. The estimates below are included in our budgets. See Lunchboxers projections in Appendix H.

LUNCHBOXER SCHOOL MEALS PROJECTIONS

2013-14 2014-15

REVENUE

Meal Purchases	\$38,295.08	\$44,186.63
Fed RMB	\$138,638.76	\$159,967.80
Fed Commodities	\$14,453.30	\$16,676.89

ESPERANZA ELEMENTARY CHARTER SCHOOL

State Funding	\$12,600.32	\$14,538.83
TOTAL REV	\$203,987.45	\$235,370.14

EXPENSES

Meal Expenses	\$168,592.33	\$193,760.38
Coordinator (36 wks)	\$25,228.80	\$25,228.80
TOTAL EXP	\$193,821.13	\$218,989.18
NET	\$10,166.33	\$16,380.96

Technology infrastructure and equipment – See Esperanza’s IT equipment acquisition plan in Section 22. This is a big investment in our first operational year, but a critical one to support our education program, students and staff. Our technology infrastructure includes a Voice Over Internet Protocol (VOIP) telephone system which is less expensive than the traditional PBX system while giving users and school administration greater individual flexibility. We anticipate contracting with an outside firm to help us design our technology strategic plan, purchase and implement the infrastructure and manage it for optimum functionality. We will employ a half-time staff person to be our in-house technology support and liaison with the IT management group. The IT management team will also oversee our e-Rate eligibility, helping us maximize e-Rate discounts for communications technology – our equipment expenses reflect e-Rate savings.

Furniture – Furniture will not be fancy at Esperanza, at least for the first few years. We will acquire furniture through donations and through purchases of used property primarily from school district warehouses. As we begin to enjoy budget surpluses after our second year of operation we will begin to acquire better quality furniture.

Liability insurance and risk management – We will utilize the services of the State’s Risk Management Division for economical liability and property insurance rates. But more importantly, for Risk Management’s safety inspection services as well as its superior support in the event of an accident or law suit.

Business Plan / Financial Management Goals & Indicators

<i>Indicator - Financial performance & sustainability</i>		
Measure	Metric	Target
Current ratio	Current Assets / Current Liabilities	> 1.15
Debt ratio	Total Liabilities / Total Assets	< 0.09
Occupancy costs	Facility Costs / Total Operating Revenues	< 22%
Current assets to total annual operating expenses	Current Assets / (Total Annual Operating Expenses / 365)	> 30 - 60 days cash on hand
Adherence to budget	(Budgeted expenditure - Actual expenditure) / Budgeted expenditure	Overall budget to actual expenditures within 5% of budget