

## AGENDA ITEM EXECUTIVE SUMMARY: Enrollment Cap Amendment Request

### Request

BASIS Charter Schools, Inc.—Entity ID 90841 (“Charter Holder”) submitted an expansion request to increase its enrollment cap from 780 to 929, beginning in FY 2019. This enrollment cap accounts for 3 years of projected student enrollment.

*See Appendix A: Amendment Request Materials and Support Materials.*

The Charter Holder is requesting this expansion to accommodate its current student population. The Charter Holder identified this issue during an internal compliance check and is requesting the increase to correct the discrepancy. Additional measures have been put in place by the Charter Holder to ensure that this situation does not occur again either with this charter or any others operated by BASIS Charters Schools, Inc. Staffing will increase in FY 2020 to add an additional teacher to both 7<sup>th</sup> grade and 11<sup>th</sup> grade. Additional resources will not be necessary to implement this expansion.

### Three Year Plan

	FY 2019	FY 2020	FY 2021	FY 2022
<b>Grade Levels</b>	5-12	5-12	5-12	5-12
<b>Enrollment</b>	929	929	929	929

### Staff Recommendation

The Charter Holder has not met the criteria to receive a staff recommendation for expansion.

Staff Recommendation Criteria	Analysis
<b>In operation for three years.</b>	The Charter Holder has been in operation for 8 years.
<b>“Meets the Board’s Operational Performance Expectations” based on the dashboards for the most recent two prior years and the current year.</b>	The Charter Holder received an Overall Rating of “Meets” the Board’s Operational Performance Expectations.
<b>“Meets the Board’s Financial Performance Expectations” based on the most recent dashboard.</b>	The Charter Holder “Does Not Meet” the Financial Performance Expectations.
<b>Past enrollment trends indicate the charter will exceed its enrollment cap within the next three years.</b>	ADM in FY2016 was 745.933, in FY 2017 was 765.175, and in FY 2018 was 825.072. The charter has exceeded its enrollment cap.
<b>ADM is within 85% of current enrollment cap</b>	According to ADE School Finance, the charter holder currently has an ADM of 926.788. The Charter Holder is operating at 119% of its enrollment cap.
<b>Each school operated by the charter holder: Performs at or above the average performance of a majority of schools within a five-mile radius of the school’s location</b>	Board staff is unable to determine the performance of nearby schools due to a loss of functionality with the AZ Report Cards website. Therefore, a determination cannot be made for this criterion.

## Financial Performance

The Charter Holder was required to submit a Financial Performance Response (“FPR”) because it did not meet the Board’s Financial Performance Expectations. The table<sup>1</sup> below includes the Charter Holder’s financial data and financial performance for the last three audited fiscal years and reflects the charter contracts the Board had with BASIS Charter Schools, Inc., as well as schools operated in Texas and the District of Columbia (collectively, “BASIS”).<sup>2</sup>

Financial Data				
Statement of Financial Position	2017	2016	2015	2014
Cash	\$53,160,565	\$38,922,945	\$25,700,089	\$26,604,956
Unrestricted Cash	\$18,426,690	\$11,268,324	\$8,375,333	
Other Liquidity	-	-	-	
Total Assets	\$258,401,398	\$226,912,863	\$178,580,822	
Total Liabilities	\$290,554,500	\$249,902,287	\$191,893,048	
Current Portion of Long-Term Debt & Capital Leases	\$2,865,000	\$3,042,858	\$1,003,276	
Net Assets	(\$32,153,102)	(\$22,989,424)	(\$13,312,226)	
Statement of Activities	2017	2016	2015	
Revenue	\$116,256,051	\$93,422,513	\$84,472,972	
Expenses	\$125,419,729	\$103,099,711	\$92,076,281	
Net Income	(\$9,163,678)	(\$9,677,198)	(\$7,603,309)	
Change in Net Assets	(\$9,163,678)	(\$9,677,198)	(\$7,603,309)	
Financial Statements or Notes	2017	2016	2015	
Depreciation & Amortization Expense	\$6,191,912	\$5,172,169	\$6,688,551	
Interest Expense	\$12,274,983	\$9,774,140	\$10,979,720	
Lease Expense	-	-	-	
Financial Performance				
	2017	2016	2015	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity	53.63	39.89	33.20	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	(\$9,163,678)	(\$9,677,198)	(\$7,603,309)	N/A
Cash Flow	\$14,237,620	\$13,222,856	(\$904,867)	\$26,555,609
Fixed Charge Coverage Ratio	0.61	0.41	0.84	N/A

Staff’s evaluation of the FPR resulted in two “Acceptable” and zero “Not Acceptable” determinations. The FPR and staff evaluation are provided in Appendix B. A “Not Acceptable” means the measure’s response did not sufficiently address one or more of the questions identified in Appendix C of the Financial Performance Framework. An analysis of BASIS’ financial performance, focusing on those measures where BASIS failed to meet the Board’s target and using information from the Charter Holder’s FPR and related documents, is provided below.

<sup>1</sup> BASIS’ beginning net assets were restated in the fiscal year 2015 audit.

<sup>2</sup> For fiscal years 2015, 2016 and 2017, the Board had 13, 17 and 18 charter contracts with BASIS, respectively. ASBCS, December 10, 2018

### Net Income

BASIS continues efforts to refinance its existing, higher interest debt. The FY 2017 refinancing activities resulted in approximately \$4.1 million in loan issuance costs and prepayment penalties, which would have been spread out over the life of the original bonds, having to be recorded in one year (FY 2017) to comply with Generally Accepted Accounting Principles (GAAP). Prior to factoring in these expenses, which were paid using the bond proceeds, BASIS had a net loss of approximately \$5 million for FY 2017. Documentation submitted with the response shows the debt refinancing yielded positive net present value savings of approximately \$10 million. For 2018, the magnitude of BASIS's net loss is projected to decrease by approximately \$4.6 million before considering adjustments for extinguishment of debt.

### Fixed Charge Coverage Ratio

The magnitude of the net loss affected BASIS's performance in FY 2017. For FY 2018, BASIS's numeric performance on the ratio is projected to improve.

The Charter Holder was granted a new charter in 2010.

### Governance

Corporate Board Members
Craig Barrett
Donald Budinger
Shelly Esque
John Morton
Steve Twist
Mittida Raksanaves
DeAnna Rowe
Terry Sarvas

School Governing Body Members	Type
Michael Beaulieu	School Staff
David Hubalik	Charter Organization
Shashi Jasthi	Community Member
Hanqing Jiang	Community Member
Kristen Jordison	School Staff
Rizwan Safdar	Community Member
Mittida Raksanaves	Community Member
DeAnna Rowe	Charter Organization

### School Profile

School Name	BASIS Peoria		
Date Open	August 2011		
Location	Peoria		
Grades Served	5-12		
FY 18 Letter Grade	A		
	FY 16	FY 17	FY 18
ELA AzMERIT (41% <sup>+</sup> )	89%	88%	89%
Math AzMERIT (41% <sup>+</sup> )	84%	94%	94%
Science AIMS (52% <sup>+</sup> )	*	98%	>98%

<sup>+</sup>FY 18 State Average Passing

\*If the percentage of students is 0% or 100%, or the group includes less than 10 students, the percentage for that group is redacted.

### School Choices Serving Grades 5-12 within 5 Miles of BASIS Peoria

Board staff is unable to provide information about the academic performance of nearby schools due to an issue with the AZ Report Cards website. Therefore, this information cannot be provided about additional school choices or a comparison to nearby schools.

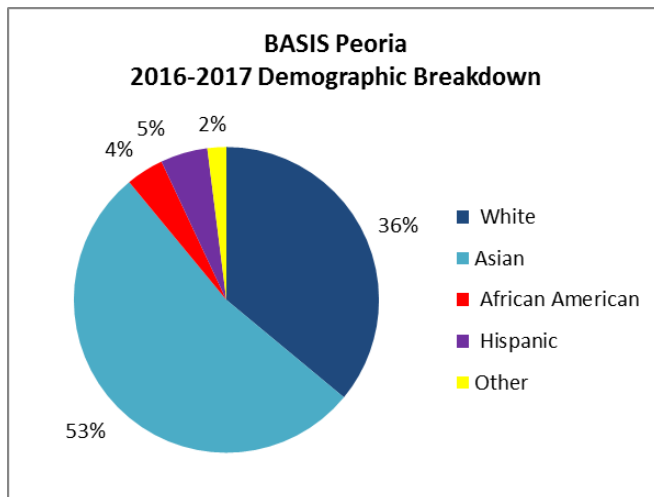
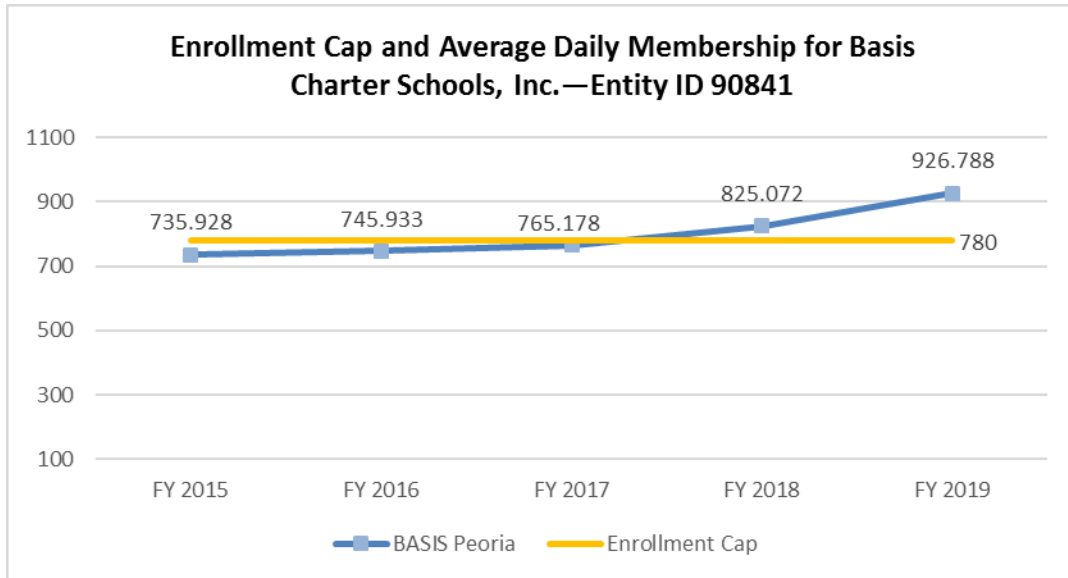
### Schools Associated with BASIS Peoria

See Appendix D: Associated Schools for more information.



Enrollment and Demographic Data

100th Day Average Daily Membership (“ADM”) for FY 2015–FY 2018, and FY 2019 ADM as of November 16, 2018.



2016-2017 Subgroup Data	
Free and Reduced Lunch	*
English Language Learners	*
Special Education	1%

*\*If the percentage of students is 0% or 100%, or the group includes less than 10 students, the percentage for that group is redacted.*

