

## AGENDA ITEM EXECUTIVE SUMMARY: Enrollment Cap Amendment Request

### Request

San Tan Montessori School, Inc. (“Charter Holder”) submitted an expansion request to increase its enrollment cap from 1100 to 1500, beginning in FY 2020. This enrollment cap accounts for three years of projected student enrollment.

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

San Tan Charter School is a K-12 school operating at two campuses in east Gilbert. The elementary grades consist of students enrolled in either a Montessori or traditional program, while students in middle and high school grades participate in a traditional program that focuses on hands-on, collaboration-based learning. The Charter Holder reports an average 95% retention rate and a waiting list of approximately 170 students. The narrative proposes the addition of 11 staff members in FY 2020, eight staff members in FY 2021 and five staff members in FY 2022. The Charter Holder states that “adding additional buildings over the years it has allowed us to continue to expand our current program as well as begin to expand our popular High School program”, and believes the proposed cap increase will enable this growth to continue.

### Three Year Plan

	FY 2019	FY 2020	FY 2021	FY 2022
<b>Grade Levels</b>	K-12	K-12	K-12	K-12
<b>Enrollment</b>	842	1084	1398	1500

### 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 10 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 FY 2017 was 656.973, in FY 2018 was 792.495, and in FY 2019 is 951.756. Based on this trend, the Charter Holder will likely exceed its enrollment cap in the next three fiscal years.
<b>ADM is within 85% of current enrollment cap</b>	According to ADE School Finance, the Charter Holder currently has an ADM of 951.756. The charter holder is currently operating at 86% of its current enrollment cap of 1100.
<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>	San Tan Charter School does not perform at or above the average performance of nearby schools in ELA and Math.  See information about nearby schools on pages 3 and 4.

## 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 following table includes the Charter Holder’s financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	2018	2017	2016	2015
Cash	\$11,744,967	\$2,510,512	\$5,474,335	\$1,755,495
Unrestricted Cash	\$1,684,486	\$981,671	\$548,075	
Other Liquidity	-	-	-	
Total Assets	\$33,682,346	\$13,957,973	\$16,073,964	
Total Liabilities	\$35,464,597	\$15,418,383	\$17,474,419	
Current Portion of Long-Term Debt & Capital Leases	\$158,902	\$146,200	\$196,623	
Net Assets	(\$1,782,251)	(\$1,460,834)	(\$1,400,455)	
Statement of Activities	2018	2017	2016	
Revenue	\$6,802,822	\$5,608,182	\$4,984,594	
Expenses	\$7,124,239	\$5,668,561	\$4,865,637	
Net Income	(\$321,417)	(\$60,379)	\$118,957	
Change in Net Assets	(\$321,417)	(\$60,379)	\$118,957	
Financial Statements or Notes	2018	2017	2016	
Depreciation & Amortization Expense	\$256,207	\$223,602	\$218,336	
Interest Expense	\$2,046,110	\$1,404,254	\$1,171,436	
Lease Expense	-	-	-	
Financial Performance				
	2018	2017	2016	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity	86.30	63.21	41.11	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	(\$321,417)	(\$60,379)	\$118,957	N/A
Cash Flow	\$9,234,455	(\$2,963,823)	\$3,718,840	\$9,989,472
Fixed Charge Coverage Ratio	0.90	1.01	1.10	N/A

Staff’s final evaluation of the FPR resulted in two “Acceptable” and zero “Not Acceptable” determinations.<sup>1</sup> The FPR and staff evaluation are provided in Appendix C. 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 the Charter Holder’s financial performance, focusing on those measures where the Charter Holder 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> On March 5, 2019, Board staff emailed a copy of staff’s initial evaluation and provided a deadline by which the Charter Holder could supplement its FPR to address areas evaluated as “Not Acceptable”. By the deadline, the Charter Holder submitted supplemental information.



### Financial Measure Analysis

The Charter Holder attributed its FY 2018 financial performance to the timing of interest payments on bonds issued in December 2017. According to the Charter Holder, “Because the school did not open until the year after the interest expense was incurred, it did not have the additional revenue (as a result of additional students) to offset this new expense.” For FY 2019, the Charter Holder projects its financial performance on the two measures will decline as the Charter Holder will not reach sufficient average daily membership (“ADM”) in FY 2019 to offset the additional costs associated with the new bonds. For FY 2020, the Charter Holder projects positive net income and meeting the ratio’s target. The FY 2020 forecast is based on an ADM of 1,137. The percentage increase in ADM used in the FY 2020 forecast is in line with the percentage ADM increases experienced by the Charter Holder in FY 2018 and FY 2019. The Charter Holder states, “If for some reason it is not able to reach this adm, the school will cut teacher positions accordingly to bring its expenses in line with its revenue.”

### Profile

The Charter Holder was granted a new charter in 2008.

### Governance

Corporate Board Members
Michael Endredy
Thomas Enneking
Terry Fong
Kris Sippel
Rita Sippel
Samuel Tomlin
Richard Tomljenovic

School Governing Body Members	Type
Amanda Errington	Parents
Sara Laramie	School Staff
Carol Page	School Staff
Kris Sippel	Unknown
Rita Sippel	Unknown
Kristen Stanfel	Parents
Barbara Wahlman	Unknown

### School Profile

School Name	San Tan Charter School		
Date Open	July 2008		
Location	Gilbert		
Grades Served	K-12		
FY 18 Letter Grade	C		
	FY 16	FY 17	FY 18
ELA AzMERIT (41% <sup>+</sup> )	56%	54%	44%
Math AzMERIT (41% <sup>+</sup> )	54%	49%	46%
Science AIMS (52% <sup>+</sup> )	67%	74%	61%

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

### Additional School Choices Serving Grades K-12 within 5 Miles of San Tan Charter School

Total Schools	FY 18 Letter Grade	Total Charter Schools	FY 18 State Assessment Data Greater than State Average			Subgroups within (±5%) of Charter Holder’s Subgroup Data		
			ELA (>41%)	Math (>41%)	Science (>52%)	FRL (±5%)	ELL (±5%)	SPED (±5%)
32	<b>A</b>	10	32	32	30	16	*	22
23	<b>B</b>	6	18	21	17	16	*	8
3	<b>C</b>	0	1	2	2	0	*	0

\*Because the percentage of ELL students is not available for the Charter Holder, comparison to nearby schools is not possible.

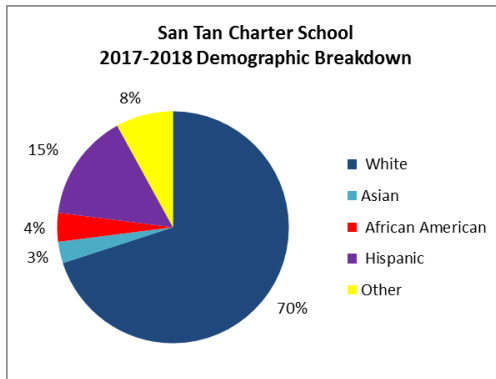
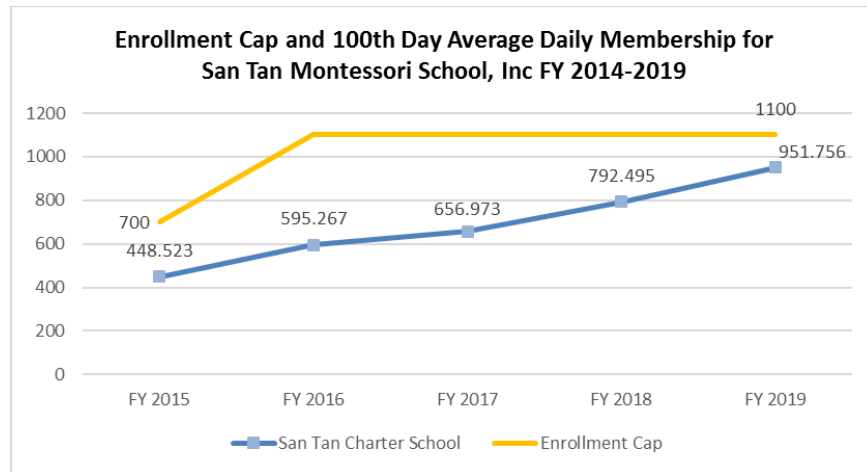


### Comparison of Nearby Schools to San Tan Charter School

Total Schools	FY 18 Letter Grade	Total Charter Schools	FY 18 State Assessment Data Greater than San Tan Charter School		
			AzMERIT ELA (>44%)	AzMERIT Math (>46%)	AIMS Science (>61%)
32	<b>A</b>	10	32	31	30
23	<b>B</b>	6	18	19	14
3	<b>C</b>	0	1	0	1
<b>Total Number of Schools Performing Better than San Tan Charter School (Percentage of Total)</b>					
58		16 (28%)	51 (88%)	50 (86%)	45 (78%)

### Enrollment and Demographic Data

100th Day Average Daily Membership for FY 2015–FY 2019.



2017-2018 Subgroup Data	
Free and Reduced Lunch	19%
English Language Learners	*
Special Education	13%

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