

## AGENDA ITEM EXECUTIVE SUMMARY: Grade Level Change to Charter with Enrollment Cap Amendment Request

### Request

BASIS Schools, Inc – Entity ID 91949 (“Charter Holder”) submitted an expansion request to increase the grade levels the Charter Holder serves at BASIS Mesa from 3–12 to K–12, and an enrollment cap expansion request to increase the enrollment cap from 840 to 883, beginning in FY 2019. This expansion request accounts for 3 years of projected student enrollment.

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

The Charter Holder’s rationale is to provide the full BASIS model to prepare students for the curriculum of the intermediate and high school grades. The school will open all grades in FY 2019 with 60 students in each grade. The staffing plan indicates that the Charter Holder will conduct searches for teaching candidates by reaching out to the entire BASIS community, across the nation and worldwide. Professional development will be provided to all new teachers and they will undergo training by meeting with Subject Advisors throughout the academic year. The Charter Holder states that since the school’s inception, enrollment has exceeded capacity, resulting in a wait list. According to the Charter Holder, this wait list, a fall marketing campaign, and opening additional grade levels will ensure enrollment targets are met.

### Three Year Plan

	FY 2018	FY 2019	FY 2020	FY 2021
<b>Grade Levels</b>	3 - 12	K - 12	K - 12	K - 12
<b>Enrollment</b>	638	871	852	852

### 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 4 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 “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 Board’s Financial Performance Expectations.
<b>Grade Level cohorts are at capacity and/or could fill enrollment for new grades requested.</b>	Grade level cohorts are at capacity. Enrollment can fill the new grades requested.
<b>ADM is within 85% of current enrollment cap.</b>	According to ADE School Finance, the Charter Holder currently has an ADM of 625.239. The current enrollment cap is 840. Current ADM is within 74% of its current 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>	BASIS Mesa performs at or above the average performance of nearby schools in ELA and Math.  Information regarding nearby schools is found on page 4.

**Past enrollment trends indicate the charter will exceed its enrollment cap within the next three years.**

The Charter Holder’s ADM in FY 2016 was 624.608, in FY 2017 was 644.334 and in FY 2018 was 625.239 (as of 4/4/18). 12<sup>th</sup> grade enrollment has been historically low because the charter did not begin serving this grade until FY 2016. For the upcoming fiscal years, the projected enrollment for 12<sup>th</sup> grade will increase based on current enrollment in grades 9-11, as indicated in the Enrollment Matrix, and the addition of 180 K–2 students. This demonstrates that the Charter Holder will exceed its enrollment cap within the next three years.

Information regarding enrollment trends is found on page

### 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 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 Schools, Inc., as well as schools operated in Texas and the District of Columbia (collectively, “BASIS”).<sup>1</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

<sup>1</sup> For fiscal years 2015, 2016 and 2017, the Board had 13, 17 and 18 charter contracts with BASIS, respectively. ASBCS, May 14, 2018



Staff’s final evaluation of the FPR resulted in two “Acceptable” and zero “Not Acceptable” determinations.<sup>2</sup> 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.

**Net Income**

BASIS continues efforts to refinance its existing, higher interest debt. The FY 2016 refinancing activities resulted in approximately \$9.9 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 2016) to comply with Generally Accepted Accounting Principles (“GAAP”). Prior to factoring in these expenses, which were paid using the bond proceeds, BASIS had net income of \$244,681 for FY 2016. Documentation submitted with the response shows the debt refinancing yielded positive net present value savings of approximately \$10 million. For FY 2017, the magnitude of BASIS’s net loss decreased by approximately \$500,000. According to BASIS, “As of Fiscal Year 2018 we have successfully refinanced all of the higher priced debt into the new debt structure and we are savings millions in annual debt service that instead is being spent in classrooms at BASIS schools.”

**Fixed Charge Coverage Ratio**

The magnitude of the net loss affected BASIS’s performance in FY 2016. For FY 2017, BASIS’s numeric performance on the ratio improved.

**Profile**

The Charter Holder was granted a new charter in 2013.

**Governance**

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

School Governing Body Members	Type
Michael Beaulieu	School Staff
Sashi Jasthi	Community Member
Hanqing Jiang	Community Member
Kristen Jordison	School Staff
Carolyn McGarvey	Charter Organization
Anthony Pitucco	Community Member
Mittida Raksanaves	Community Member
DeAnna Rowe	Charter Organization
Rizwan Safdar	Community Member

**School Profile**

School Name	BASIS Mesa		
Date Open	August 2013		
Location	Mesa		
Grades Served	3 - 12		
FY 17 Letter Grade	A		
	FY 15	FY 16	FY 17
ELA AzMERIT (39% <sup>+</sup> )	77%	85%	79%
Math AzMERIT (40% <sup>+</sup> )	68%	74%	82%
Science AIMS (53% <sup>+</sup> )	95%	98%	95%

<sup>+</sup>FY 17 State Average Passing

<sup>2</sup> On March 22, 2018, Board staff emailed a copy of staff’s initial evaluation and provided a deadline by which the Charter Holder could supplement its financial performance response to address areas evaluated as “Not Acceptable”. By the deadline, the Charter Holder submitted supplemental information.



### Additional School Choices Serving Grades K – 12 within 5 Miles of BASIS Mesa

Total Schools	FY 14 Letter Grade	Total Charter Schools	FY 17 State Assessment Data Greater than State Average			Subgroups within (±5%) of Charter Holder’s Subgroup Data		
			ELA (>39%)	Math (>40%)	Science (>53%)	FRL (±5%)	ELL (±5%)	SPED (±5%)
11	<b>A</b>	4	11	11	11	*	*	2
7	<b>B</b>	3	5	5	5	*	*	0
1	<b>C</b>	1	1	1	1	*	*	0
3	<b>N/A</b>	2	3	3	3	*	*	1

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

### Comparison of Nearby Schools to BASIS Mesa

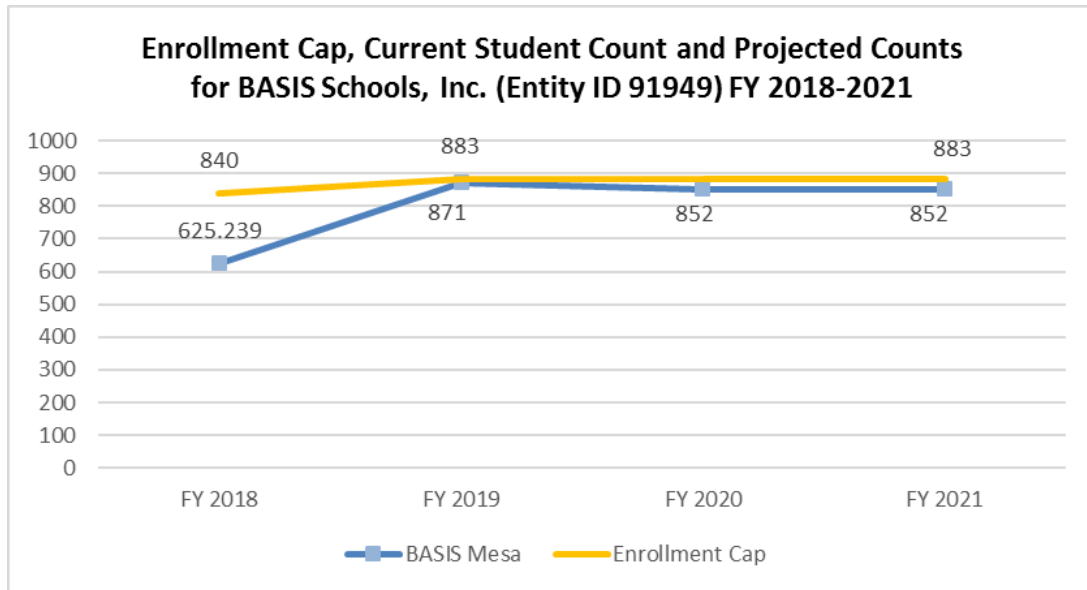
Total Schools	FY 14 Letter Grade	Total Charter Schools	FY 17 State Assessment Data Greater than BASIS Mesa		
			AzMERIT ELA (>79%)	AzMERIT Math (>82%)	AIMS Science (>95%)
11	<b>A</b>	4	1	1	0
7	<b>B</b>	5	0	0	0
1	<b>C</b>	1	0	0	0
3	<b>N/A</b>	2	0	0	0
<b>Total Number of Schools</b>			<b>Total Number of Schools Performing Better Than BASIS Mesa (Percentage of Total)</b>		
22		12 (40%)	1(5%)	0 (0%)	0 (0%)

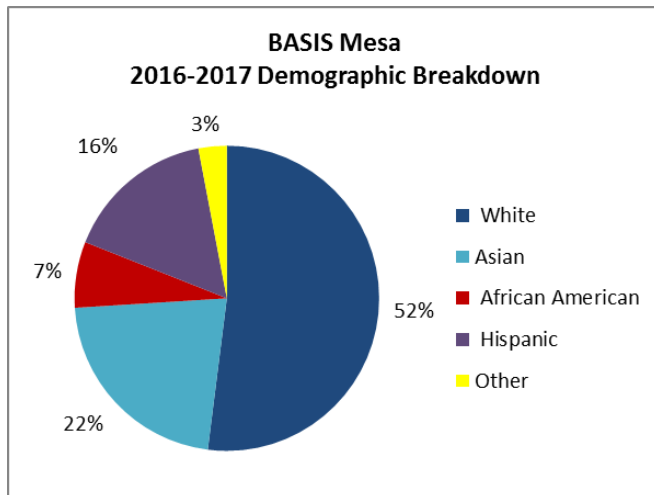
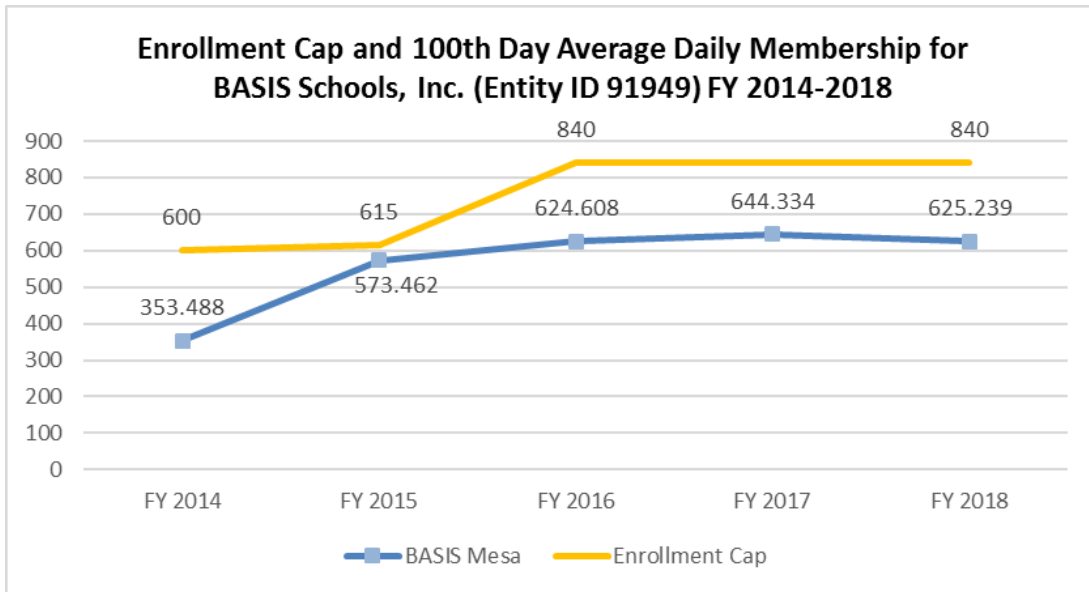
### Schools Associated with BASIS Mesa

See Appendix D: Associated Schools for more information.

### Enrollment and Demographic Data

100th Day Average Daily Membership for FY 2014–FY 2018.





2016-2017 Subgroup Data	
Free and Reduced Lunch	*
English Language Learners	*
Special Education	2%

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