

AGENDA ITEM EXECUTIVE SUMMARY: New School Amendment Request

Request

Incito Schools (“Charter Holder”) submitted an expansion amendment request to add a new school to the existing charter contract, beginning in FY 2019.

See Appendix A. Amendment Request and Support Materials.

Incito Schools is requesting to open a new school that will serve students in Phoenix. The Charter Holder states that “Incito Schools is unique in that it offers a learning environment that focuses on teaching the whole child through High Trust Psychology.” The Charter Holder plans to use the current executive directors to support the new school and will use the 2017-2018 school year to focus on recruitment and hiring of the new school staff. New staff will attend trainings that will focus on Incito Schools mission and vision, High Trust Psychology, Singapore Math, Core knowledge, Balanced Literacy, and Galileo Assessment. The new school’s target population are students within a 4 mile radius of the proposed location. The new school will utilize the same curriculum as the Goodyear campus and the learning materials for the new school location will need to be purchased. The curriculum includes Core Knowledge, Singapore Math, and Balanced Literacy. The Charter Holder states “the value of Incito’s educational program pivots around our integrity, competence and performance skills.” Additionally, the curriculum is “designed to ensure that learners have meaningful options for life and success academically, physically and socially.”

Three Year Plan.

| | FY 2019 | FY 2020 | FY 2021 |
|---------------------|---------|---------|---------|
| Grade Levels | K–5 | K–6 | K–7 |
| Enrollment | 182 | 234 | 286 |

Staff Recommendation

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

| Staff Recommendation Criteria | Analysis |
|--|--|
| In operation for three years | The Charter Holder has been in operation for 4 years. |
| “Meets Operational Standard” in the most recent Fiscal Year | The Charter Holder received an Overall Rating of “Meets” on the Operational Performance Dashboard in FY 2017. |
| “Meets Financial Performance Standard” in the most recent Fiscal Year | The Charter Holder received an Overall Rating of “Does Not Meet” on the FY 2015 and FY 2016 Financial Performance Dashboard. The Charter Holder’s Financial Performance Dashboard is included in Appendix A. Amendment Request and Support Materials |
| Each school performs at or above the average performance of a majority of schools within a five mile radius of the proposed school’s location | Incito Schools did not perform at or above the average performance of a majority of schools within a five mile radius of the proposed school’s location. Information regarding nearby schools is provided on page 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 Charter Holder’s financial data and financial performance for the last three audited fiscal years may be found in Appendix A. Amendment Request and Support Materials.

Staff’s final evaluation of the FPR resulted in two “Acceptable” and zero “Not Acceptable” determinations. The FPR and staff evaluation are provided in Appendix A. 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.

Financial Measure Analysis

The Charter Holder attributed its performance on the net income and fixed charge coverage ratio (FCCR) measures to the method the Charter Holder must use under Generally Accepted Accounting Principles (GAAP) to account for its facility lease. The facility lease is for several years with the amount paid under the lease escalating over time. Under GAAP, the Charter Holder must recognize the operating lease and related sublease on a straight-line basis, which in the early years of the operating lease results in the lease expense and sublease revenue recognized on a straight-line basis being higher than the actual payments due and actual sublease revenue received. For FY 2016, the net effect of accounting for the facility operating lease and related sublease on a straight-line basis was \$69,320 and resulted in a net loss of \$41,221 instead of positive net income of \$28,099, as well as a FCCR that did not meet the Board’s target. The Charter Holder continues to experience enrollment growth and for FY 2017 projects positive net income and meeting the FCCR target.

New School Amendment Request

According to the budget submitted with the new school request, Incito Schools-Phoenix will rely on the Charter Holder to cover its start-up expenses of \$249,945. The projected start-up expenses represent 30 days of the Charter Holder’s projected FY 2017 unrestricted days liquidity of approximately 45 days.¹

Profile

The Charter Holder was granted a new charter in 2012.

Governance

| Corporate Board Members |
|-------------------------|
| Kristina Beltran |
| Ian Casey |
| April Castillo |
| Amanda Jelleson |
| Kathleen Kotzbauer |

School Profile

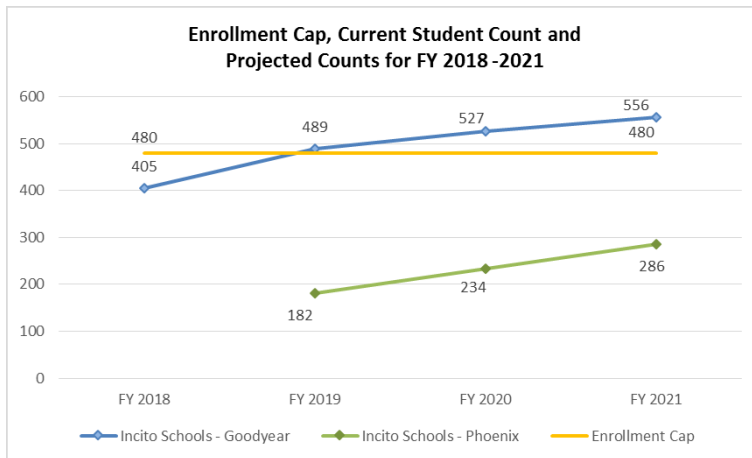
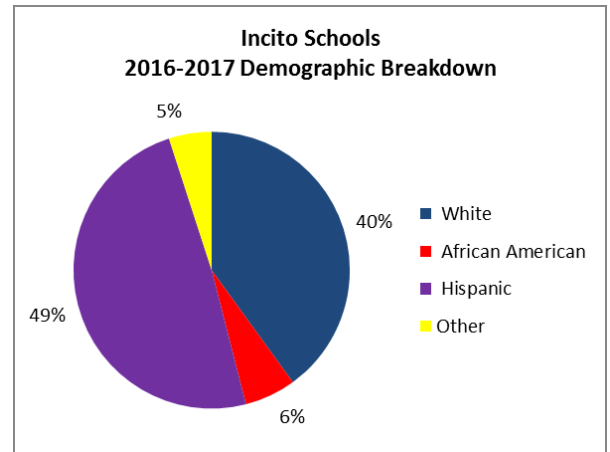
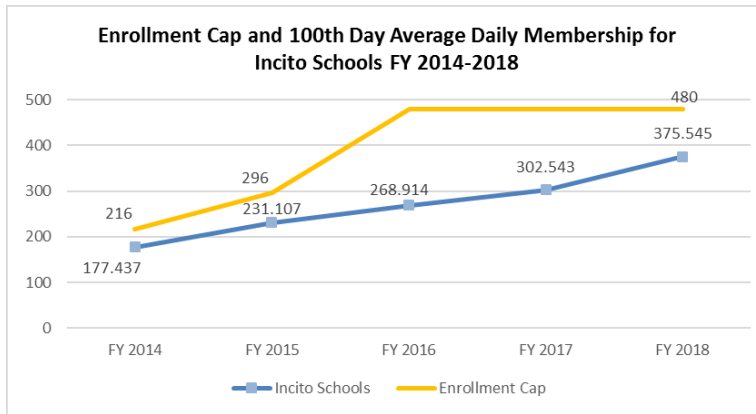
| School Name | Letter Grade FY 14 | Date Opened | Location | Grade Levels Served | Average AzMERIT Passing | | | |
|----------------|-----------------------|-------------------|----------|---------------------------|----------------------------------|-------|-----------------------------------|-------|
| | | | | | ELA (FY 17 State Average 39%) | | Math (FY 17 State Average 40%) | |
| | | | | | FY 16 | FY 17 | FY 16 | FY 17 |
| Incito Schools | A | September 2013 | Goodyear | K-8 | 35% | 25% | 23% | 15% |

¹ The Charter Holder projected unrestricted days liquidity of “above 60 days” for FY 2017. In its calculation, the Charter Holder did not include the lease expense amount in its total expenses. Board staff calculated the Charter Holder’s unrestricted days liquidity to be approximately 45 days for FY 2017.



Enrollment and Demographic Data

100th day ADM for FY 2014 – FY 2017, and FY 2018 ADM as of October 4, 2017.



| 2016-2017 Subgroup Data | |
|---------------------------|-----|
| Free and Reduced Lunch | 43% |
| English Language Learners | * |
| Special Education | 15% |

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



Additional School Choices Serving Grades K-8 within 5 Miles

| Total Schools | FY 2014 Letter Grade | Number of Charter Schools | FY 2017 AzMERIT Greater than State Average | | Subgroups within ($\pm 5\%$) of Charter Holder's Subgroup Data | | |
|---------------|----------------------|---------------------------|--|-------------|--|-----|------|
| | | | ELA (>39%) | Math (>40%) | FRL | ELL | SPED |
| 17 | A | 10 | 17 | 17 | 2 | * | 4 |
| 21 | B | 2 | 11 | 11 | 2 | * | 12 |
| 17 | C | 1 | 2 | 6 | 1 | * | 11 |
| 1 | D | 0 | 0 | 0 | 0 | * | 0 |

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

Comparison of nearby schools to the school operated by Incito Schools

| Total Schools | FY 2014 Letter Grade | Number of Charter Schools | FY 2017 AzMERIT Greater than Incito Schools | |
|--|----------------------|---------------------------|---|-------------|
| | | | ELA (>25%) | Math (>15%) |
| 17 | A | 10 | 17 | 17 |
| 21 | B | 2 | 19 | 21 |
| 17 | C | 1 | 13 | 16 |
| 1 | D | 0 | 0 | 1 |
| Total Number of Schools (Percentage of total) | | | | |
| 56 | | 13 (23%) | 49 (88%) | 55 (98%) |

