AGENDA ITEM: Replication Application– Patagonia Montessori Elementary School to create a new entity, Painted Desert Montessori, LLC, to operate a new school in Buckeye

Patagonia Montessori Elementary School submitted a complete replication application on October 16, 2015. Patagonia Montessori Elementary School seeks a charter for a new entity, Painted Desert Montessori, LLC, to replication Patagonia Montessori Elementary School and to operate a new school in Buckeye. The school will be named Painted Desert Montessori Academy and will serve students in grades K through 8.

Replication Model School— Patagonia Montessori Schools **Grades Served—**K–8

ACADEMICS

Patagonia Montessori Schools, the Replication Model School, is eligible to replicate based on three years of academic performance meeting the Board's expectations, summarized in the table below:

Fiscal Year	Grades Served	Overall Rating
FY2014	K–8	95.94
FY2013	K–8	81.25
FY2012	K–8	73.75

The Academic Dashboard of the Replication Model School is provided below:

Academic Performance

Edit this section.

Patagonia Montessori Schools

		2012 Small Elementary School (K-7)			2013 Small Elementary School (K to 8)			2014 Small Elementary School (K to 8)		
1. Growth		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1a. SGP	Math	40	50	25	49	50	25	67	100	25
	Reading	44.5	50	25	55	75	25	67	100	25
1b. SGP Bottom 25%	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
2a. Percent Passing	Math	87 / 48.1	100	11.25	91.1 / 49.1	100	11.25	91.7 / 48.8	100	11.25
	Reading	97 / 67.9	100	11.25	93.3 / 73.4	100	11.25	91.7 / 72.6	100	11.25
2b. Composite School Comparison	Math	35.1	100	11.25	40.2	100	11.25	37.1	100	11.25
	Reading	25.6	100	11.25	19.1	100	11.25	13.2	75	11.25
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2c. Subgroup FRL	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2c. Subgroup SPED	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		B	75	5	A	100	5	B	75	5
Overall Rating		Overall Rating			Overall Rating			Overall Rating		
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		73.75		100	81.25		100	95.94		100

EDUCATIONAL PLAN

The following summary was created from excerpts and summaries of the information submitted for the applicant's Educational Plan.

In the application, Patagonia Montessori Elementary School has affirmed that the Educational Plan of the new school will be consistent with the Educational Plan of the Replication Model School.

Mission— We believe education should address not only the academic needs of the children, but also speak to their spirits. Our mission is to provide individualized instruction that fosters a love of learning and respect for all living things. With the Montessori philosophy at the core, children will be guided through hands on learning in a prepared environment.

Program of Instruction

According to the charter holder, the program of instruction for Patagonia Montessori Elementary School focuses on using the Montessori materials and philosophy to teach the state standards. Each student is taught at his or her own personal level of knowledge. If a student is excelling, they are encouraged to learn past the state expectations. If a student is behind, school staff work with them to catch them up to the academic standards set forth for their grade. Students are taught until concepts are mastered.

According to the charter holder, Montessori makes learning fun by engaging the students through the use of all of their senses. By identifying a student's learning style, the charter holder teaches according to how each student learns, making learning easier and more enjoyable. By providing meaningful education, the students develop a deeper understanding of the world. Each day, there is a three hour work period. During this time, students are given instruction and work independently and in groups. This uninterrupted work time helps the students develop greater concentration and cultivate a strong work ethic.

Patagonia Montessori Elementary School implements mixed grade classrooms, with primary (3-6 year olds), lower elementary (6-9 year olds), senior elementary (9-12 year olds), and middle school (12-15 year olds). One important difference of the Montessori Method is that peer teaching is utilized; students teach mastered concepts to younger students. The true test of mastery is being able to teach the idea to someone else.

Patagonia Montessori Elementary School follows the state standards set forth by Arizona. Students will be given lessons with the expectation of mastery. Lessons will be retaught using different strategies until the student displays a high level of proficiency. Teacher assessments will determine if a student has successfully mastered all of the state standards and is ready to graduate to the next academic level.

(Presented in the application portfolio: Section 5. Program of Instruction Narrative, 9-2 & 9-4)

Target Population

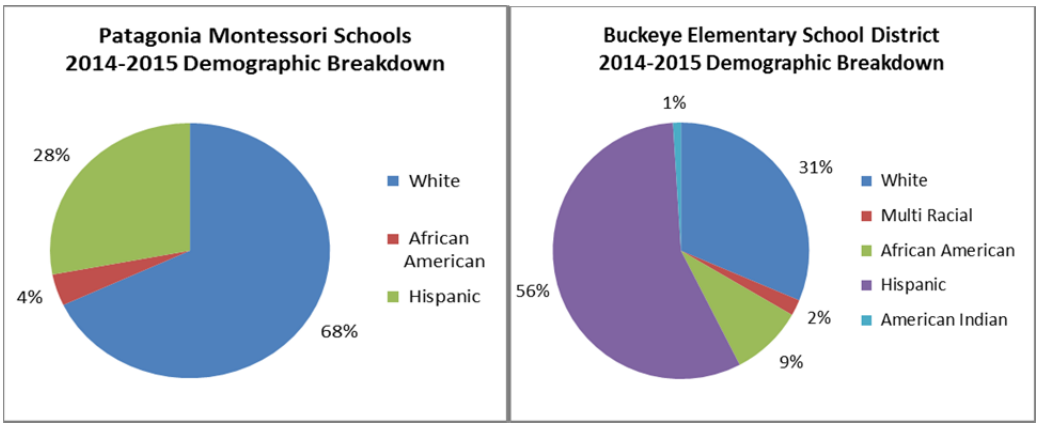
In the application, Patagonia Montessori Elementary School has identified a target location at the intersection of Lower Buckeye Road and 247th Avenue in Buckeye, Arizona. The charters holder's market analysis of the target population points to a rapidly expanding population with need for educational services. Additionally, the charter holder states the City of Buckeye has had growth of 678.28% from 2000 to 2010. The proposed site falls within the Buckeye Elementary School District (BESD). The district has enrolled an additional 200 students each year from 2012-2013 to 2013-2014 and again from 2013-2014 to 2014-2015. On average, elementary schools in BESD serve over 700 children on each campus. The local elementary charter schools, both under charter holder The Odyssey Preparatory Academy, Inc. serve over 600 grade K-5 students at one campus and over 600 grade 6-8 students at another. These indicators all support successful enrollment of the proposed school.

Patagonia Montessori Elementary School does not offer a lunch program therefore does not collect data related to Free and Reduced Lunch. The charter holder estimates that less than 20% of our students would qualify for such a program. (Presented in the application portfolio: Section 5. Target Population and Enrollment of New

School Narrative, 7-1). The percentage of students who were classified as English Language Learners and students with disabilities in the 2014-2015 school year are represented in the table below.

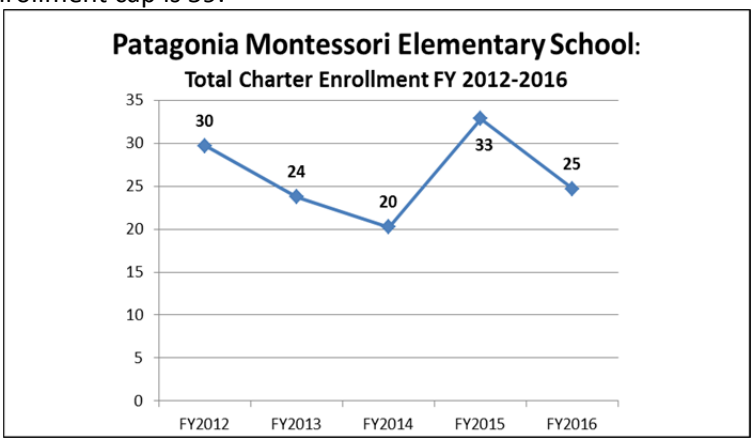
Category	Patagonia Montessori Schools [1]	Buckeye Elementary School District[2]
Free and Reduced Lunch (FRL)	*	74.5%
English Language Learners (ELLs)	4%	7.7%
Special Education	8%	13.4%

The demographic data for **Patagonia Montessori Elementary School** from the 2014-2015 school year is represented in the chart below.[3] Demographic data for Buckeye Elementary School District from the enrollment census was provided in the application narrative. [4]



Enrollment History

Patagonia Montessori Elementary School has operated Patagonia Montessori Schools since FY 2003. The table below summarizes enrollment in the last five years, based on ADE 100th day ADM. FY 2016 enrollment is based on 40th day ADM. The enrollment cap is 59.



(Data provided by Arizona Department of Education)

[1] Information provided by the Research and Evaluation Division of the ADE. If the percentage of students in a non-ethnicity-based demographic group is not reported to ADE, or is 0% or 100%, the percentage for that demographic group is redacted.

[2] Presented in the application portfolio: Section 5. Target Population and Enrollment of New School Narrative, 7-1 and 7-2

[3] Information provided by the Research and Evaluation Division of the ADE.

[4] Presented in the application portfolio: Section 5. Target Population and Enrollment of New School Narrative, 7-1 and 7-2

Enrollment Policies

Painted Desert Montessori Academy will enroll all pupils who submit an application and proof of Arizona residency. In the event that applications exceed enrollment capacity, Painted Desert Montessori Academy will follow the guidelines put forth in A.R.S. §15-184. Open enrollment for the proposed school will begin in February 2016. The lottery to fill enrollment positions will be held in April 2016. Additional enrollment spaces and waiting lists will be filled on a first-come, first-served basis (Presented in the application portfolio: Section 5. Target Population and Enrollment of New School Narrative, 7-4 and 7-5)

Proposed Growth Plan for Proposed School

Fiscal Year	Grades Served	Projected Full Enrollment
2016	K-8	400
2017	K-8	500
2018	K-8	600

OPERATIONAL PLAN

The following summary was created from excerpts and summaries of the documents submitted for the applicant's Operational Plan.

Patagonia Montessori Elementary School states that Painted Desert Montessori's capacity to support the quality and long-term academic and operational success, financial viability, and proposed growth of the school is determined by the experience and qualifications of the PDM management team: Jessi Beebe and Frank Yanez.

Jessi Beebe has a Master of Education in Montessori Integrated Learning from Endicott College and a Bachelor of Arts in Psychology from Park University. Ms. Beebe has 14 years of experience in teaching, and five years of experience as the Executive Director of a charter school. The charter holder states that under her direction, Patagonia Montessori Elementary School has seen increases in test scores and improved financial viability.

Frank Yanez has been involved with American education for the past 30 years. His company, FMY Consultants, LLC provides charter school business and educational services ranging from helping new charter schools secure their first charter, to full financial structuring services, to monthly school operational oversight. Financial institutions have retained FMY to provide them with initial funding due diligence and has been asked to provide professional instruction by The Arizona Charter School Association and several school boards.

During the past 16 years Mr. Yanez has worked with over 180 charter schools and has been involved with 19 tax-exempt municipal bond charter school financings. Now through Venture Feasibility, LLC Mr. Yanez and his team provide market feasibility studies for new charter school projects. He currently serves on the governing boards of four charter schools and serves in a leadership role with the Arizona Charter School Association.

Between Ms. Beebe and Mr. Yanez, the Painted Desert Montessori organization believes they have the knowledge, experience, and qualifications necessary to fill a school with highly-qualified instructors and administrators and with students. Additionally, the leadership team believes they have the knowledge and experience necessary to ensure the financial viability of PDM.

Painted Desert Montessori Academy will serve students in Kindergarten through the eighth grade.

(Presented in the application portfolio: Section 6. Operational Plan Narrative, 10-1, 10-2 and 10-3)

Charter Holder Entity for Replication Charter

The replication charter will be held by a new entity, Painted Desert Montessori, LLC. The new school will be operated by a new entity that will act as the governing body. The governance structure of the new school will be consistent with the governance structure of Patagonia Montessori Schools (Presented in the application portfolio: Section 2. Entity Information & 3. Governance)

Patagonia Montessori Elementary School has only one replication site planned at this time. The site is projected to open in fall of 2016 with 400 students. Painted Desert Montessori plans for growth of 100 students for each year until the maximum enrollment capacity of 600 students is reached. (Presented in the application portfolio: Section 6. Operational Plan Narrative, 10-1)

BUSINESS PLAN

The following summary was created from excerpts and summaries of the documents submitted for the applicant's Business Plan.

Site Information

Proposed School Name:	Painted Desert Montessori Academy
Proposed Location:	Intersection of Lower Buckeye Road and 247th Ave
Proposed Facility:	The current facility plan includes three buildings. Two of the buildings are classroom buildings housing 10 classrooms each, and the third is an administration building with a cafeteria/gymnasium. The three buildings are projected to total about 25,000 square feet. (Presented in the application portfolio: D.2-2)

Financial Performance of Applicant

The Charter Holder was required to submit a financial performance response because it did not meet the Board's Financial Performance Expectations, as reflected in the following table which includes the Charter Holder's financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	**2015**	**2014**	**2013**	**2012**
Cash	$38,791	$36,227	$61,210	$75,763
Unrestricted Cash	$38,791	$36,227	$61,210	
Other Liquidity	-	-	-	
Total Assets	$1,684,064	$1,690,082	$1,754,190	
Total Liabilities	$7,871	$7,555	$7,791	
Current Portion of Long-Term Debt & Capital Leases	-	-	-	
Net Assets	$1,676,193	$1,682,527	$1,746,399	
Statement of Activities	**2015**	**2014**	**2013**	
Revenue	$256,129	$186,565	$211,386	
Expenses	$262,463	$250,437	$238,488	
Net Income	($6,334)	($63,872)	($27,102)	
Change in Net Assets	($6,334)	($63,872)	($27,102)	
Financial Statements or Notes	**2015**	**2014**	**2013**	
Depreciation & Amortization Expense	$15,471	$20,526	$20,526	
Interest Expense	-	-	-	
Lease Expense	-	-	-	
Financial Performance				
	2015	**2014**	**2013**	**3-yr Cumulative**
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity	53.95	52.80	93.68	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	($6,334)	($63,872)	($27,102)	N/A
Cash Flow	$2,564	($24,983)	($14,553)	($36,972)
Fixed Charge Coverage Ratio	N/A	N/A	N/A	N/A

The Charter Holder's financial performance response has been provided in the meeting materials (portfolio: I. Supplemented Financial Response).[5] Staff's final evaluation of the financial performance response resulted in zero "Acceptable" and two "Not Acceptable" determinations (portfolio: H. Financial Response Evaluation). 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 financial performance response and related documents, is provided below.

Net Income

The Charter Holder indicated it cut purchased property services and other expenses, but an increase in average daily membership (ADM) in 2015 led to "increased expenses in salaries, benefits and areas that directly support the education of the students." As a result of these efforts, the Charter Holder was able to control the overall rise in expenses which had a "positive effect" on net income. As shown on the ADM chart on page 3, in 2015, the Charter Holder's ADM increased by more than 50% from the prior year. Based on the 2015 audit, the additional revenue received also contributed to the Charter Holder's improved performance from 2014 (see table above).

[5] On November 9, 2015, 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.

Since ADM is lower in 2016 "primarily due to families in Nogales relocating," the Charter Holder has made cuts to "salaries and benefits accordingly to account for the decrease in ADM." Further, the Charter Holder indicated that the cuts made in 2015 "are being continued as much as allowed in fiscal year 15-16." The adjusted profit and loss statement indicates an approximate $9,000 net loss at October 31, 2015.[6]

Cash Flow

The Charter Holder indicated that its efforts to cut expenses in 2015 were the reason it was able to achieve positive cash flow in that year. Based on the audit, the additional revenue the Charter Holder received in 2015 also contributed to the positive cash flow (see net income).

For 2016, the Charter Holder has reduced salary and related expenses and plans to continue the cuts made in 2015 "as much as allowed in fiscal year 15-16." The response specified, "The financial statements as of the end of October, 2015 show us to be on track for a continued improvement in our financial performance." Based on the October 31, 2015 balance sheet provided with the response, the Charter Holder's cash balance has decreased by approximately $16,000 since June 30, 2015.[7] The Charter Holder has been approached by an outside party that is interested in leasing some land from the Charter Holder for gardening. If approved by the Charter Holder's board in December 2015, this contract could provide some additional cash and revenue.

BOARD OPTIONS

Option 1: The Board may approve the replication application package. Staff recommends the following language for consideration: I move, based on the information contained in the Board materials and presented today, that the Board approve the replication application and grant the replication charter to Patagonia Montessori Elementary School to establish Painted Desert Montessori to serve grades K–8.

Option 2: The Board may deny the replication application. The following language is provided for consideration: I move, based on the information contained in the Board materials and presented today, that the Board deny the request for the replication charter of Legacy Traditional School- Northwest Tucson to establish a charter school for the reason:

- (list the specific reasons the Board may have found during its consideration).

[6] The Charter Holder provided its profit and loss statement and balance sheet at October 31, 2015 that erroneously included the November state equalization payment. In order to have an accurate comparison of revenues with expenses at October 31, 2015, Board staff was required to back out the November 2, 2015 payment.
[7] See footnote 6.