AGENDA ITEM: Academic Performance Reviews – DSP Demonstrating Fragmented Systems

I. Issue

Tucson Preparatory School, a non-profit organization that operates Tucson Preparatory School, failed to demonstrate sufficient progress toward the Board's Academic Performance Expectations and is not in compliance with its charter.

Background Information

A.R.S. § 15-183.R requires the Board to ground its action in evidence of the charter holder's performance in accordance with the Performance Framework, which includes the Academic Performance Expectations of the charter school and the measurement of sufficient progress toward the Academic Performance Expectations. The Board's Academic Performance Framework and Guidance document includes an Academic Intervention Schedule that requires the submission of required documents when the charter holder fails to meet the Board's academic expectations.

Charter holders that failed to meet the Board's academic performance standards based on FY2014 performance data and who operate one or more schools that were assigned a FY2014 letter grade of D as reported by the Arizona Department of Education were required to submit a Demonstration of Sufficient Progress (DSP) on January 7, 2015 and complete a DSP site visit. A DSP is used by the Board to determine whether a charter holder that fails to meet the Board's academic expectations has demonstrated sufficient progress toward the Academic Performance Expectations. Through the DSP Report and site visit, Tucson Preparatory School has failed to demonstrate it is making sufficient progress toward meeting the Board's the Academic Performance Expectations.

A.R.S. § 15-183.I.3 states, in part, that the Board may revoke a charter at any time if the charter school fails to meet or make sufficient progress toward the Academic Performance Expectations set forth in the performance framework.

II. Performance Summary

Area	Acceptable	Not Acceptable
Academic Framework	☐	☒
Financial Framework	☐	☒
Operational Framework	Not Yet Rated See Section VIII	Not Yet Rated See Section VIII

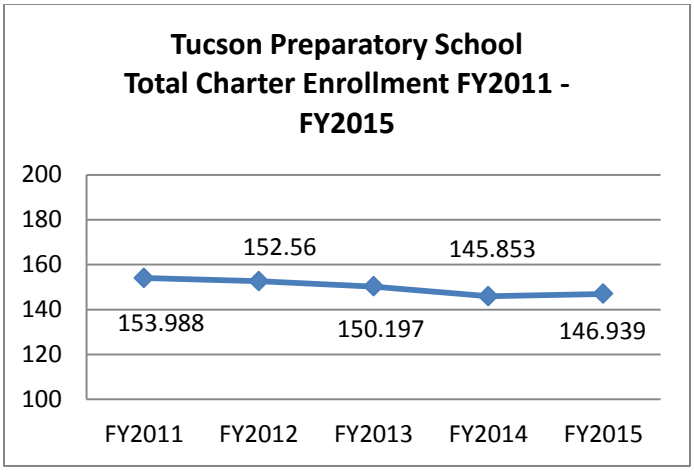
Tucson Preparatory School was required to submit a Performance Management Plan with its Charter Renewal application because Tucson Preparatory School operated by the Charter Holder did not meet the academic expectations set forth by the Board. Upon reviewing the academic performance in subsequent years, in accordance with the Board's academic intervention schedule, the Charter Holder did not meet the Academic Performance Expectations of the Board as set forth in the Performance Framework and was required to submit a Demonstration of Sufficient Progress. The Charter Holder was unable to demonstrate the school is making sufficient progress toward the Board's expectations through the submission of the required information or evidence reviewed during an on-site visit. In the most recent fiscal year for which there is State assessment data available, Tucson Preparatory School received an overall rating of "Does Not Meet" the Board's academic standards.

The Charter Holder did not meet the Financial Performance Expectations of the Board as set forth in the Performance Framework and was required to submit a Financial Performance Response.

The Charter Holder does have compliance matters, which are described in the "Adherence to the Terms of the Charter" section of this report.

III. Profile

Tucson Preparatory School operates one school, Tucson Preparatory School, serving grades 9-12 in Tucson. Tucson Preparatory School is designated as an alternative school. The graph below shows the Charter Holder's actual 100th day average daily membership (ADM) for fiscal years 2011-2015.



The academic performance of Tucson Preparatory School is represented in the table below. The Academic Dashboard for the school can be seen in the portfolio: c. Academic Dashboard.

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Tucson Preparatory School	08/17/1998	9 – 12	58.75 / C-ALT	49.58 / D-ALT	42.5 / D-ALT

The Charter Holder's stated mission is "To offer homeless, chronically truant and otherwise troubled youth who have experience academic/school failure with an individualized course of instruction that not only focuses upon academic corrections and remediation, but engenders self worth and prepares them educationally and socially for a productive future."

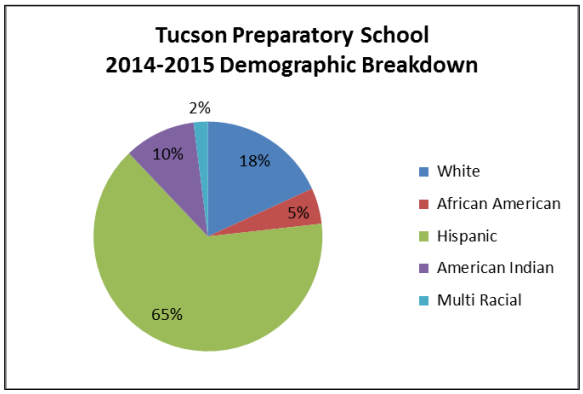
The website for Tucson Preparatory School further states that the school was "conceived as an educational oasis for students that do not fit into a traditional high school setting" and uses "a holistic approach to education that addresses serious issues that interfere with achievement and success in all facets of a student's life".

The Charter Holder's program of instruction states that instruction occurs through "an integrated curriculum by utilizing individualized instruction, self-paced learning and student directed education". Additionally the program of instruction states that "each student will have a learning plan based on entrance testing placement" and that the learning plan "will consist of long-term goals for the entire school year or a single term", while "short term goals will be established for each week".

It is unclear whether the program of instruction as described in the contract aligns with the program as it is being implemented at the school.The Charter Holder indicated that students are placed into self-paced courses based on the results of assessment results and that was the sole purpose for the use of

assessment data at the school. However, no long term or short term goals were evident in a review of curricular and instructional materials or data. Additionally, the curricular and instructional materials did not demonstrate the use of self-paced learning and student directed education.

The demographic data for Tucson Preparatory School from the 2014-2015 school year is represented in the charts below.[1]



The percentage of students who were eligible for Free and Reduced Lunch, classified as English Language Learners, and classified as students with disabilities in the 2014-2015 school year is represented in the table below.[2]

Category	Tucson Preparatory School
Free and Reduced Lunch (FRL)	97%
English Language Learners (ELLs)	*
Special Education	24%

IV. Additional School Choices

Tucson Preparatory School is located in Tucson near E. Prince Road and N. Stone Avenue. The following information identifies additional schools within a five mile radius of the school and the academic performance of those schools.

There are 9 public alternative schools serving grades 9-12 within a five mile radius of Tucson Preparatory School. The table below provides a breakdown of those schools. Schools are grouped by the A - F letter grade assigned by the ADE. For each letter grade, the table identifies the number of schools assigned that letter grade, the number of those schools that are charter schools, the number of the charter schools that are meeting the Board's academic performance standard for FY14, and the number of schools serving a comparable percentage of students (± 5%) in the identified subgroups.[3]

[1] Information provided by the Research and Evaluation Division of the ADE.
[2] 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.
[3] 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.

Tucson Preparatory School				97%	*	24%
Letter Grade	Within 5 miles	Charter Schools	Meets Board's Standard	Comparable FRL (± 5%)	Comparable ELL (± 5%)	Comparable SPED (± 5%)
B-ALT	3	2	1	0		0
C-ALT	6	5	2	3		1

V. Success of the Academic Program

Since FY2012 the academic performance of Tucson Preparatory School has declined each year. The Overall Rating points have decreased from 4.25 points below being evaluated as "Meets" the Board's academic performance standards in FY2012, to 3.5 points away from being evaluated as "Falls Far Below" the Board's academic performance standards in FY2014. For FY2014 the school's performance for individual measures shows that 6 out of 11 measures for which data was available are evaluated as Falls Far Below.

The following is a timeline of activities that have occurred related to the academic performance of Tucson Preparatory School:

December, 2011: Tucson Preparatory School was notified that the Charter Holder was required to submit a Performance Management Plan as part of the Charter Renewal application because Tucson Preparatory School, a school operated by the Charter Holder, did not meet the Academic Expectations set forth by the Board.

March, 2012: Tucson Preparatory School timely submitted a Performance Management Plan as part of the Charter Renewal application (portfolio: g. Prior Academic Intervention Submission and Evaluations – i. PMP).

June, 2012: The Board denied Tucson Preparatory School's request for charter renewal and voted not to grant a renewal contract to Tucson Preparatory School based on Tucson Preparatory School's failure to provide a learning environment that improved pupil achievement in accordance with the obligations of its charter contract and A.R.S. § 15-181(A).

August, 2012: The Charter Holder submitted a Notice of Appeal and Request for Hearing.

September, 2012: Based on information provided to the Board at the June 11, 2012 meeting and additional information provided at the September 10, 2012 meeting, the Board reversed its previous decision and approved the renewal application for Tucson Preparatory School and granted the renewal of the charter incorporating the Performance Management Plan into the contract.

February, 2013: The Board released FY2012 Academic Dashboards; Tucson Preparatory School received an overall rating of "Does Not Meet" the Board's academic standards and Tucson Preparatory School did not meet the Board's Academic Performance Expectations. In accordance with the Board's academic framework intervention schedule at that time, the Charter Holder was waived from any specific monitoring requirements.

September, 2013: The Board released FY2013 Academic Dashboards; Tucson Preparatory School received an overall rating of "Does Not Meet" the Board's academic standards. Therefore, Charter Holder Name did not meet the Board's Academic Performance Expectations. The Charter Holder was assigned a DSP as part of an annual reporting (portfolio: g. Prior Academic Intervention Submissions and Evaluations – ii. FY2014 DSP Submission).

February, 2014: Following a preliminary evaluation of the FY2014 DSP, Board staff conducted a site visit on February 14, 2014 to meet with the school's leadership and review all evidence provided by the Charter Holder.

September, 2014: The Board released FY202014 Academic Dashboards; Tucson Preparatory School received an overall rating of "Does Not Meet" the Board's academic standards. Therefore, Tucson Preparatory School did not meet the Board's Academic Performance Expectations.

December, 2014: Board staff completed a final evaluation (portfolio: g. Prior Academic Intervention Submissions and Evaluations – iii. FY2014 DSP Final Evaluation) of the Charter Holder's FY2014 DSP and made the evaluation available to the Charter Holder. In that final evaluation of the FY2014 DSP, Board staff determined that the Charter Holder's Demonstration of Sufficient Progress was not acceptable in all areas. In areas that were evaluated as not acceptable, Board staff provided the Charter Holder with technical guidance. The findings contained in the final evaluation of the FY2014 DSP were grounded in a limited evaluation of the school's evidence.

The Charter Holder was notified of its requirement to submit a FY2015 DSP by January 7, 2015.

VI. Demonstration of Sufficient Progress

Tucson Preparatory School timely submitted a FY2015 DSP Report January 7, 2015 (portfolio: f. FY2015 DSP Submission). The Charter Holder was provided a copy of the initial evaluation of the DSP Report prior to the site visit and informed that areas initially evaluated as not acceptable must be addressed with additional evidence and documentation at the time of the visit.

Following a preliminary evaluation of the DSP, staff conducted a site visit to meet with the school's leadership, as selected by the school, to confirm evidence of the processes described in the DSP and review additional evidence to be considered in the final evaluation of the Charter Holder's DSP submission. The following representatives of Tucson Preparatory School were present at the site visit:

Name	Role
Patrick J. Peatrowsky II	Teacher
Joseph Lechuga	Principal
Toren Lockermann	Special Education Director
Efrain Romero	School Board Member

At the site visit, Board staff completed a document inventory for all evidence presented by the Charter Holder (portfolio: e. DSP Site Visit Inventory Forms). The Charter Holder was provided a copy of the document inventory at the end of the site visit. Following the site visit, Board staff completed a final evaluation of the DSP (portfolio: d. FY2015 DSP Final Evaluation). The following is a summary of the final DSP Evaluation:

Evaluation Summary			
Area	Evaluation of DSP		
	Meets	Does Not Meet	Falls Far Below
Data	☐	☐	☒
Curriculum	☐	☒	☐
Assessment	☐	☐	☒
Monitoring Instruction	☐	☒	☐
Professional Development	☐	☐	☒
Graduation Rate	☐	☒	☐

After considering information in the DSP Report and evidence provided at the time of the site visit, the Charter Holder did not demonstrate evidence of a sustained improvement plan that includes implementation of a comprehensive curriculum system, a comprehensive assessment system, a comprehensive instructional monitoring system, a comprehensive professional development system, and a system for ensuring students in grades 9-12 graduate on time. Additionally, the data provided by the Charter Holder failed to show improvement year-over-year for the two most recent school years in 12 out of the 12 measures required by the Board, and demonstrated declines in academic performance in some of those measures.

Based on the findings summarized above and described below, staff determined that the Charter Holder did not demonstrate sufficient progress towards meeting the Board's Academic Performance Expectations.

Data

The area of Data is evaluated as Falls Far Below. As evidenced at the DSP site visit, the data provided by the Charter Holder failed to show improvement year-over-year for the two most recent school years in 12 out of the 12 measures required by the Board, and demonstrated declines in academic performance in some of those measures. For more detailed analysis see Curriculum Inventory (portfolio: e. DSP Site Visit Inventory Forms, i. Site Visit Inventory – Data).

Question	Valid and Reliable Data	Comparative Data provided for Current Fiscal Year	Comparative Data Demonstrates Growth	Document Inventory Item
Student Median Growth Percentile (SGP) - Math	Yes	No	No	D1
Student Median Growth Percentile (SGP) - Reading	Yes	No	No	D2
Improvement - Math	Yes	Yes	No	D3
Improvement - Reading	Yes	Yes	No	D4
Percent Passing - Math	Yes	Yes	No	D5
Percent Passing - Reading	Yes	Yes	No	D6
Subgroup, ELL - Math	N/A	N/A	N/A	D7
Subgroup, ELL - Reading	N/A	N/A	N/A	D8
Subgroup, FRL - Math	Yes	Yes	No	D9
Subgroup, FRL - Reading	Yes	Yes	No	D10
Subgroup, students with disabilities - Math	Yes	Yes	No	D11
Subgroup, students with disabilities - Reading	Yes	Yes	No	D12
High School Graduation Rate	Yes	No	No	D13

Curriculum

The area of Curriculum is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited curriculum approach. At the DSP site visit, the Charter Holder sufficiently demonstrated some of the components of these required elements, but failed to sufficiently demonstrate all of the components of the required elements. For more detailed analysis see Curriculum Inventory (portfolio: e. DSP Site Visit Inventory Forms, ii. Site Visit Inventory – Curriculum).

Question	Sufficient Evidence	Document Inventory Item
Evaluating Curriculum		
What is the Charter Holder's process for evaluating curriculum? How does the Charter Holder evaluate how effectively the curriculum enables students to meet the standards?	No	C1
How does the Charter Holder identify gaps in the curriculum?	No	C2
Adopting/Revising Curriculum		
What is the Charter Holder's process for adopting or revising curriculum based on its evaluation processes?	No	C3
Who is involved in the process for adopting or revising curriculum?"	No	C4
When adopting curriculum, how does the Charter Holder evaluate curriculum options to determine which curriculum to adopt?	No	C5
Implementing Curriculum		
What is the Charter Holder's process for ensuring consistent implementation of the curriculum across the school(s) operated by the Charter Holder?	No	C6
What tools exist that identify what must be taught and when it must be delivered? How does the Charter Holder ensure that all grade-level standards are covered within the academic year?	No	C7
What is the expectation for consistent use of these tools? How are these expectations communicated?	No	C8
What evidence is there to demonstrate usage of these tools in the classroom and alignment with instruction?	No	C9
Alignment of Curriculum		
How does the Charter Holder know the curriculum is aligned to standards?	No	C10
Adapted to Meet the Needs of Subgroups		
How has the Charter Holder ensured that the curriculum addresses the needs of non-proficient students?	Yes	C11
How has the Charter Holder ensured that the curriculum addresses the needs of English Language Learners (ELLs)?	N/A	C12
How has the Charter Holder ensured that the curriculum addresses the needs of Free and Reduced Lunch (FRL) students?	N/A	C13
How has the Charter Holder ensured that the curriculum addresses the needs of students with disabilities?"	Yes	C14

Assessment

The area of Assessment is evaluated as Falls Far Below. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has implemented no efforts to assess student performance on expectations for student learning, and to evaluate and adjust curriculum and instruction based on analysis of student assessment data. For more detailed analysis see Assessment Inventory (portfolio: e. DSP Site Visit Inventory Forms, iii. Site Visit Inventory – Assessment).

Question	Sufficient Evidence	Document Inventory Item
Assessment System		
What types of assessments does the Charter Holder use?	Yes	A1
What was the process for designing or selecting the assessment system?	No	A2
How is the assessment system aligned to the curriculum and instructional methodology?	No	A3
What intervals are used to assess student progress? How does the assessment plan include data collection from multiple assessments, such as formative and summative assessments and common/benchmark assessments?	No	A4
Analyzing Assessment Data		
How does the assessment system provide for analysis of assessment data? What intervals are used to analyze assessment data?	No	A5
How is the analysis used to evaluate instructional and curricular effectiveness?	No	A6
How is the analysis used to adjust curriculum and instruction in a timely manner? What intervals are used to adjust curriculum and instruction?	No	A7
Adapted to Meet the Needs of Subgroups		
How is the assessment system adapted to meet the assessment needs of non-proficient students?	No	A8
How is the assessment system adapted to meet the assessment needs of English Language Learners (ELLs)?	N/A	A9
How is the assessment system adapted to meet the assessment needs of Free and Reduced Lunch (FRL) students?	N/A	A10
How is the assessment system adapted to meet the assessment needs of students with disabilities?	No	A11

Monitoring Instruction

The area of Monitoring Instruction is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited instructional monitoring approach. At the DSP site visit, the Charter Holder sufficiently demonstrated the some of the components of these required elements, but failed to sufficiently demonstrate all components of these required elements. For more detailed analysis see Monitoring Instruction Inventory (portfolio: e. DSP Site Visit Inventory Forms, iv. Site Visit Inventory – Monitoring Instruction).

Question	Sufficient Evidence	Document Inventory Item
Monitoring the Integration of Standards		
What is the Charter Holder's process for monitoring the integration of standards into classroom instruction? How does the Charter Holder monitor whether or not instructional staff implements an ACCRS-aligned curriculum with fidelity?	No	M1
How does the Charter Holder monitor the effectiveness of standards-based instruction throughout the year?	No	M2
Evaluating Instructional Practices		
What is the Charter Holder's process for evaluating the instructional practices? How does this process evaluate the quality of instruction?	Yes	M3
How does this process identify individual strengths, weaknesses, and needs?	Yes	M4
Providing Analysis and Feedback to Further Develop Instructional Quality		
How does the Charter Holder provide feedback on strengths, weaknesses, and learning needs based on the evaluation of instructional practices?	Yes	M5
How does this Charter Holder analyze this information? What does the data about quality of instruction tell the Charter Holder? What has the Charter Holder done in response?	Yes	M6
Adapted to Meet the Needs of Subgroups		
How does the Charter Holder monitor instruction to ensure it is meeting the needs of non-proficient students?	Yes	M7
How does the Charter Holder monitor instruction to ensure it is meeting the needs of English Language Learners (ELLs)?	N/A	M8
How does the Charter Holder monitor instruction to ensure it is meeting the needs of Free and Reduced Lunch (FRL) students?	N/A	M9
How does the Charter Holder monitor instruction to ensure it is meeting the needs of students with disabilities?	No	M10

Professional Development

The area of Professional Development is evaluated as Falls Far Below. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has implemented fragmented, ad hoc efforts to provide professional development that is aligned with instructional staff learning needs, focuses on areas of high importance, addresses the needs of relevant subgroup populations, and supports high quality implementation; and monitoring follow-up to support and develop implementation of the strategies learned. The efforts lack intentionality and prior planning, and are not consistently implemented. For more detailed analysis see Professional Development Inventory (portfolio: e. DSP Site Visit Inventory Forms, v. Site Visit Inventory – Professional Development).

Question	Sufficient Evidence	Document Inventory Item
Professional Development System		
What is the Charter Holder's professional development plan?	No	P1
How was the professional development plan developed?	No	P2
How is the professional development plan aligned with instructional staff learning needs?	No	P3
How does this plan address areas of high importance?	No	P4
Supporting High Quality Implementation		
How does the Charter Holder support high quality implementation of the strategies learned in professional development sessions?	No	P5
How does the Charter Holder provide the resources that are necessary for high quality implementation?	No	P6
Monitoring Implementation		
How does the Charter Holder monitor the implementation of the strategies learned in professional development sessions?	No	P7
How does the Charter Holder monitor and follow-up with instructional staff to support and develop implementation of the strategies learned in professional development?	No	P8
Adapted to Meet the Needs of Subgroups		
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of non-proficient students?	No	P9
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of English Language Learners (ELLs)?	N/A	P10
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of Free and Reduced Lunch (FRL) students?	N/A	P11
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of students with disabilities?	No	P12

Graduation Rate

The area of Graduation Rate is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited approach to ensure students in grades 9-12 graduate on time. At the DSP site visit, the Charter Holder sufficiently demonstrated the some of the components of these required elements, but failed to sufficiently demonstrate all components of the required elements. For more detailed analysis see Graduation Rate Inventory (portfolio: e. DSP Site Visit Inventory Forms, vi. Site Visit Inventory – Graduation Rate).

Question	Sufficient Evidence	Document Inventory Item
Ensuring Students in Grades 9-12 Graduate On Time		
How does the Charter Holder monitor and follow up on student progress toward completing courses to meet graduation requirements?	Yes	G1
How does the Charter Holder identify students that are not successfully progressing through required courses?	Yes	G2
How does the Charter Holder provide additional academic supports to remediate academic problems for struggling students?	Yes	G3
What data can the Charter Holder provide to demonstrate that these strategies are effective?	No	G4

VII. Viability of the Organization

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 table below which includes the Charter Holder's financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	**2014**	**2013**	**2012**	**2011**
Cash	$132,596	$81,633	$200,934	$186,007
Unrestricted Cash	$105,220	$81,633	$194,342	
Other Liquidity	-	-		
Total Assets	$1,240,902	$1,201,564	$1,354,713	
Total Liabilities	$569,898	$576,289	$636,689	
Current Portion of Long-Term Debt & Capital Leases	$529,155	$35,781	$183,174	
Net Assets	$671,004	$625,275	$718,024	
Statement of Activities	**2014**	**2013**	**2012**	
Revenue	$1,276,361	$1,200,296	$1,229,510	
Expenses	$1,230,632	$1,293,045	$1,230,635	
Net Income	$45,729	($92,749)	($1,125)	
Change in Net Assets	$45,729	($92,749)	($1,125)	
Financial Statements or Notes	**2014**	**2013**	**2012**	
Depreciation & Amortization Expense	$48,676	$50,513	$50,358	
Interest Expense	$36,512	$38,607	$43,441	
Lease Expense	$46,804	$42,868	$12,227	
Financial Performance				
	2014	**2013**	**2012**	**3-yr Cumulative**
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity*	31.21	23.04	57.64	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	$45,729	($92,749)	($1,125)	N/A
Cash Flow	$50,963	($119,301)	$14,927	($53,411)
Fixed Charge Coverage Ratio	0.29	0.33	0.44	N/A

* For fiscal year 2012, the field reflects the charter holder's performance under the financial framework's previous "Unrestricted Days Cash" measure.

The Charter Holder's Financial Performance Response has been provided in the meeting materials (portfolio: i. Supplemented Financial Response).[4] Staff's final evaluation of the Financial Performance Response resulted in zero "Acceptable" and two "Not Acceptable" determinations (portfolio: h. Financial

[4] On March 3, 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.

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.

Fixed Charge Coverage Ratio (FCCR)

The Charter Holder maintains a debt structure that consists of a note payable for the Charter Holder's school building and a related party note. In past years, the Charter Holder maintained a relatively small current portion of long-term debt (a part of the debt due to be paid in the next 12 months), while the majority of the debt was not factored into the FCCR. This had the effect of minimizing the impact of the Charter Holder's debt on the FCCR. However, both the building and related party notes matured which resulted in all remaining debt balances of approximately $530,000 to be accounted for as current debt in 2014. This was a main factor that led to a declining FCCR in 2014.

Subsequent to June 30, 2014, the Charter Holder amended the building promissory note. The promissory note amendment dated July 11, 2014 extends the maturity date and the date of the final balloon payment (the remaining balance) until after fiscal year 2015. This effectively shifts approximately $320,000 of the 2014 current portion of long-term debt identified in the table above to long-term debt, thus excluding it from the Board's FCCR ratio. Had the promissory note amendment been disclosed in the audit, it would have been considered in Board staff's evaluation and the FCCR ratio would have improved from 0.29 to 0.62.

The Charter Holder intends to obtain a bank loan prior to the July 30, 2015 final balloon payment to pay off the entire balance of the building note, as well as notes due to related parties. Obtaining the bank loan will have the effect of significantly reducing the Charter Holder's current portion of long-term debt in 2015 and subsequent years. The Charter Holder also indicated that any cash remaining after paying off the building and related party debt will be used "to build a solid cash reserve". Failure to obtain the bank loan (or other financing or restructuring of the current mortgage loan) will put the Charter Holder in a position of having approximately $41,000 in cash at the end of fiscal year 2015 to pay a final balloon payment of approximately $320,000 in July 2015. The Charter Holder indicated that it has met with a banker and is in the process of completing the required information requested by the bank.

Cash Flow

The Charter Holder indicated that the reason for a negative three-year cumulative cash flow in 2014 was the result of unexpected legal expenditures and a required debt payment of approximately $70,000 toward principal on the mortgage in 2013. The Charter Holder projected two cash flow scenarios for 2015 predicated on whether it can successfully obtain the bank loan described above. If the Charter Holder is successful in obtaining the bank loan, it projects total cash of $100,939 in 2015, according to the Cash Flow Analysis. If the Charter Holder is not successful in obtaining the bank loan, it projects total cash of $40,939. In either scenario, the Charter Holder will not meet the measure's target in 2015 due to negative cash flows in 2013 and 2015, and a negative three-year cumulative cash flow.

VIII. Adherence to the Terms of the Charter

Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?

Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder's education program, in operation, reflects the essential terms as described in the charter contract.

Does the Charter Holder adhere with applicable education requirements defined in state and federal law?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder adheres with applicable education requirements defined in state and federal law.

Do the Charter Holder's annual audit reporting packages reflect sound operations?
Yes. As reported in the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the fiscal year 2014 annual audit reporting package.

Is the Charter Holder administering student admission and attendance appropriately?
Yes. Based on the available information and as reported in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to administering student admission and attendance.

Is the Charter Holder maintaining a safe environment consistent with state and local requirements?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to maintaining a safe environment.

Is the Charter Holder transparent in its operations?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to transparency of operations.

Is the Charter Holder complying with its obligations to the Board?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to its obligations to the Board.

Is the Charter Holder complying with reporting requirements of other entities to which the Charter Holder is accountable?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements monitored by other entities to which the Charter Holder is accountable.

Is the Charter Holder complying with all other obligations?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to all other obligations.

IX. Board Options

Option 1: The Board may vote to issue a Notice of Intent to Revoke the Charter Holder's charter contract unless the Charter Holder enters into a Consent Agreement to restore the charter to acceptable performance. Staff recommends the following language provided for consideration: I move that, having considered the statements of the representatives of the Charter Holder today and the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder, the Board has sufficient basis to issue a Notice of Intent to Revoke the charter of Tucson Preparatory School on the grounds that the Charter Holder failed to meet or make sufficient progress toward the Academic Performance Expectations set forth in the Performance Framework as reflected in the Staff Report, the

Inventory Documents, and the DSP Final Evaluation. Data and analysis provided by the Charter Holder does not demonstrate improved academic performance based on data generated from valid and reliable assessment sources. Additionally, the Charter Holder was unable to provide evidence that it has consistently implemented a sustained improvement plan that includes a comprehensive curriculum system, a comprehensive assessment system, a comprehensive monitoring instruction system, a comprehensive professional development system, and a comprehensive system for ensuring students in grades 9-12 graduate on time.

All that taken into consideration, the Board directs staff to work with Tucson Preparatory School to create a Consent Agreement for the purpose of restoring the charter to acceptable performance using the Consent Agreement Template contained in the portfolio. The terms of the consent agreement to be negotiated include only the terms concerning the data that will be reported to the board and the methodology used to calculate that data. All other terms contained in the template must be accepted. Among other terms, these terms require that the Charter Holder shall complete and submit a Performance Management Plan that Meets the Board's evaluation criteria no later than June 30, 2015.

I further move that if the terms of a Consent Agreement cannot be reached by June 30, 2015 the Board issue a Notice of Intent to Revoke the charter for the reasons previously stated and that:

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Intent to Revoke and the Notice of Hearing and provide a school location where the copy may be reviewed;
- Within 20 days of receipt of the Notice the charter operator shall provide copies of all correspondence and communications used to comply with the preceding provision; and
- Within 20 days of receipt of the Notice the charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Option 2: The Board may vote to implement heightened monitoring of this Charter Holder. The following language is provided for consideration: I move that, having considered the statements of the representatives of the Charter Holder today and the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder, the Board has sufficient basis to issue a Notice of Intent to Revoke the charter of Tucson Preparatory School on the grounds that the Charter Holder failed to meet or make sufficient progress toward the Academic Performance Expectations set forth in the Performance Framework as reflected in the Staff Report, the Inventory Documents, and the DSP Final Evaluation. Data and analysis provided by the Charter Holder does not demonstrate improved academic performance based on data generated from valid and reliable assessment sources. Additionally, the Charter Holder was unable to provide evidence that it has consistently implemented a sustained improvement plan that includes a comprehensive curriculum system, a comprehensive assessment system, a comprehensive monitoring instruction system, a comprehensive professional development system, and a comprehensive system for ensuring students in grades 9-12 graduate on time.

All that taken into consideration, the Board directs staff to implement heightened monitoring of Tucson Preparatory School. Specifically, the Charter Holder shall 1) submit a revised PMP that Meets the Board's evaluation criteria no later than June 30, 2015, using a template provided by Board staff and 2) submit evidence of the implementation of a sustained improvement plan that includes implementation of a comprehensive curriculum system, a comprehensive assessment system, a comprehensive instructional monitoring system, a comprehensive professional development system, and a system for

ensuring students in grades 9-12 graduate on time along with data and analysis to demonstrate changes in academic performance at quarterly intervals (September 15, December 15, March 15, June 15) until the Charter Holder's Academic Dashboards demonstrate improved academic performance or until further consideration of the Charter Holder's academic performance by this Board. If Tucson Preparatory School does not submit an acceptable PMP, does not submit evidence of the implementation of comprehensive systems at the quarterly monitoring, or if the academic performance of the school operated by the Charter Holder does not improve as reported at quarterly monitoring or through the Academic Dashboard, the Board will again review the performance of this Charter Holder and may impose disciplinary action at that time.

Option 3: The Board may vote to continue monitoring the Charter Holder through the Academic Intervention Schedule as set out in the Academic Performance Framework and Guidance document. The following language is provided for consideration: I move that the board direct staff to continue monitoring Tucson Preparatory School through the Academic Intervention Schedule as set out in the Academic Performance Framework and Guidance document. If the academic performance of the school operated by the Charter Holder, as reported on the Academic Dashboard, does not improve, the Board will again review the performance of this Charter Holder and may impose disciplinary action at that time.