

AGENDA ITEM EXECUTIVE SUMMARY: Enrollment Cap Amendment Request

Request

BASIS Charter Schools, Inc.—Entity ID 92318 (“Charter Holder”) submitted an expansion request to increase its enrollment cap from 810 to 823, beginning in FY 2020. This enrollment cap accounts for three years of projected student enrollment.

See Appendix A: Amendment Request Materials and Support Materials.

According to the narrative, this request will allow the Charter Holder to serve additional students by adding one fifth grade section. The staffing plan to implement this request includes hiring one additional fifth grade teacher beginning in FY 2020. The Charter Holder reports “an overwhelming amount of interest in new student enrollment,” and will enroll students from the current waitlist as well as students who learn about the school from its advertising campaign.

Three Year Plan

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---------------------|---------|---------|---------|---------|
| Grade Levels | K-5 | K-5 | K-5 | K-5 |
| Enrollment | 771 | 823 | 823 | 823 |

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 five years. |
| “Meets the Board’s Operational Performance Expectations” based on the dashboards for the most recent two prior years and the current year. | The Charter Holder received an Overall Rating of “Meets” the Board’s Operational Performance Expectations. |
| “Meets the Board’s Financial Performance Expectations” based on the most recent dashboard. | The Charter Holder “Does Not Meet” the Financial Performance Expectations. |
| Past enrollment trends indicate the charter will exceed its enrollment cap within the next three years. | ADM in FY 2017 was 697.745, in FY 2018 was 695.350, and in FY 2019 was 706.422. Based on this trend, the charter likely will not exceed its enrollment cap by FY 2022. |
| ADM is within 85% of current enrollment cap | According to ADE School Finance, the Charter Holder currently has an ADM of 706.422. The Charter Holder is currently operating at 87% of its current enrollment cap of 810. |
| 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 | BASIS Oro Valley Primary performs at or above the average performance of nearby schools in ELA and Math. Information about nearby schools can be found 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 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 Charter Schools, Inc., as well as schools operated in Texas and the District of Columbia (collectively, “BASIS”).¹

| Financial Data | | | | |
|--|----------------|----------------|----------------|-----------------|
| Statement of Financial Position | 2017 | 2016 | 2015 | 2014 |
| Cash | \$91,819,678 | \$53,160,565 | \$38,922,945 | \$25,700,089 |
| Unrestricted Cash | \$17,265,236 | \$18,426,690 | \$11,268,324 | |
| Other Liquidity | - | - | - | |
| Total Assets | \$354,783,624 | \$258,401,398 | \$226,912,863 | |
| Total Liabilities | \$398,604,900 | \$290,554,500 | \$249,902,287 | |
| Current Portion of Long-Term Debt & Capital Leases | \$4,405,001 | \$2,865,000 | \$3,042,858 | |
| Net Assets | (\$43,821,276) | (\$32,153,102) | (\$22,989,424) | |
| Statement of Activities | 2017 | 2016 | 2015 | |
| Revenue | \$140,513,099 | \$116,256,051 | \$93,422,513 | |
| Expenses | \$152,181,273 | \$125,419,729 | \$103,099,711 | |
| Net Income | (\$11,668,174) | (\$9,163,678) | (\$9,677,198) | |
| Change in Net Assets | (\$11,668,174) | (\$9,163,678) | (\$9,677,198) | |
| Financial Statements or Notes | 2017 | 2016 | 2015 | |
| Depreciation & Amortization Expense | \$7,942,269 | \$6,191,912 | \$5,172,169 | |
| Interest Expense | \$13,305,063 | \$12,274,983 | \$9,774,140 | |
| Lease Expense | - | - | - | |
| Financial Performance | | | | |
| | 2017 | 2016 | 2015 | 3-yr Cumulative |
| Near-Term Indicators | | | | |
| Going Concern | No | No | No | N/A |
| Unrestricted Days Liquidity | 41.41 | 53.63 | 39.89 | N/A |
| Default | No | No | No | N/A |
| Sustainability Indicators | | | | |
| Net Income | (\$11,668,174) | (\$9,163,678) | (\$9,677,198) | N/A |
| Cash Flow | \$38,659,113 | \$14,237,620 | \$13,222,856 | \$66,119,589 |
| Fixed Charge Coverage Ratio | 0.54 | 0.61 | 0.41 | N/A |

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

¹ For fiscal years 2016, 2017 and 2018, the Board had 17, 18 and 20 charter contracts with BASIS, respectively.

² On April 9, 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.



Net Income

BASIS continues efforts to refinance its existing, higher interest debt. The FY 2018 refinancing activities resulted in approximately \$5 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 2018) to comply with Generally Accepted Accounting Principles (“GAAP”). Prior to factoring in these expenses, which were paid using the bond proceeds, BASIS had a net loss of approximately \$6.7 million for FY 2018. Documentation submitted with the response shows the debt refinancing yielded positive net present value savings of approximately \$600,000. For FY 2019, the magnitude of BASIS’s net loss is projected to decrease by approximately \$7.3 million using the current financial framework’s calculation, which does not remove depreciation, amortization and other noncash expenses.

Fixed Charge Coverage Ratio

The magnitude of the net loss affected BASIS’s performance in FY 2018. For FY 2019, BASIS’s numeric performance on the ratio is projected to improve.

Profile

The Charter Holder was granted a charter in 2013.

Governance

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

| School Governing Body Members | Type |
|-------------------------------|----------------------|
| Michael Beaulieu | Head of Operations |
| David Hubalik | Charter Organization |
| Hanqing Jiang | Community |
| Kristen Jordison | Head of School |
| Anthony Pitucco | Community |
| Mittida Raksanaves | Community |
| DeAnna Rowe | Charter Organization |
| Rizwan Safdar | Community |

School Profile

| School Name | BASIS Oro Valley Primary | | |
|----------------------------------|--------------------------|-------|-------|
| Date Open | August 2014 | | |
| Location | Oro Valley | | |
| Grades Served | K-5 | | |
| FY 18 Letter Grade | A | | |
| | FY 16 | FY 17 | FY 18 |
| ELA AzMERIT (41% ⁺) | 85% | 87% | 85% |
| Math AzMERIT (41% ⁺) | 93% | 87% | 90% |
| Science AIMS (52% ⁺) | 99% | 90% | 98% |

⁺FY 18 State Average Passing

Additional School Choices Serving Grades K-5 within 5 Miles of BASIS Oro Valley Primary

| 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%) |
| 4 | A | 0 | 4 | 4 | 4 | * | * | 0 |
| 3 | B | 1 | 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 Oro Valley Primary

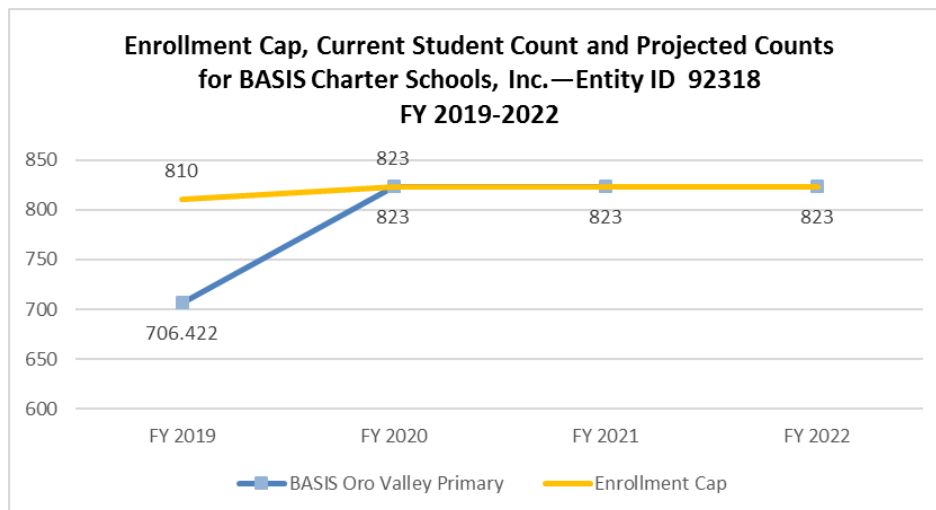
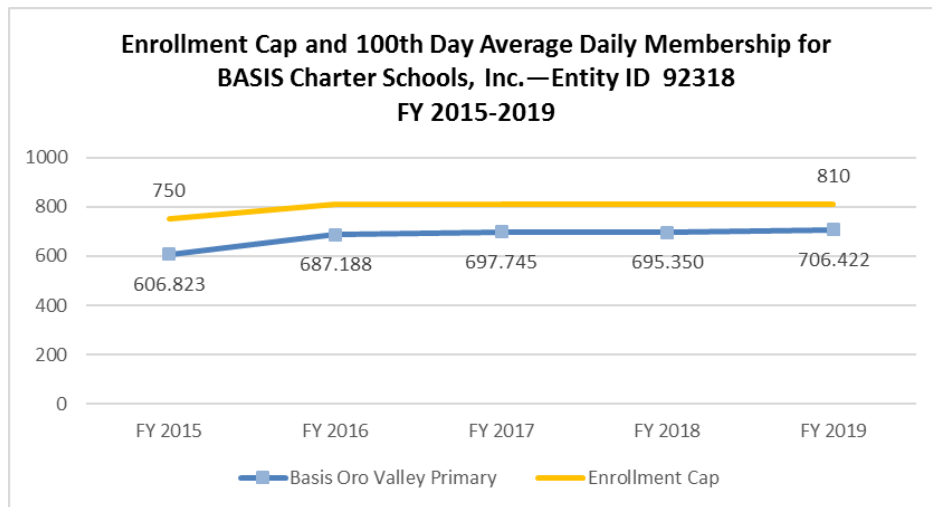
| Total Schools | FY 18 Letter Grade | Total Charter Schools | FY 18 State Assessment Data Greater than BASIS Oro Valley Primary | | |
|--|--------------------|-----------------------|---|---------------------|---------------------|
| | | | AzMERIT ELA (>85%) | AzMERIT Math (>90%) | AIMS Science (>98%) |
| 4 | A | 0 | 0 | 0 | 0 |
| 3 | B | 1 | 0 | 0 | 0 |
| Total Number of Schools Performing Better than BASIS Oro Valley Primary | | | | | |
| 7 | | 1 (14%) | 0 | 0 | 0 |

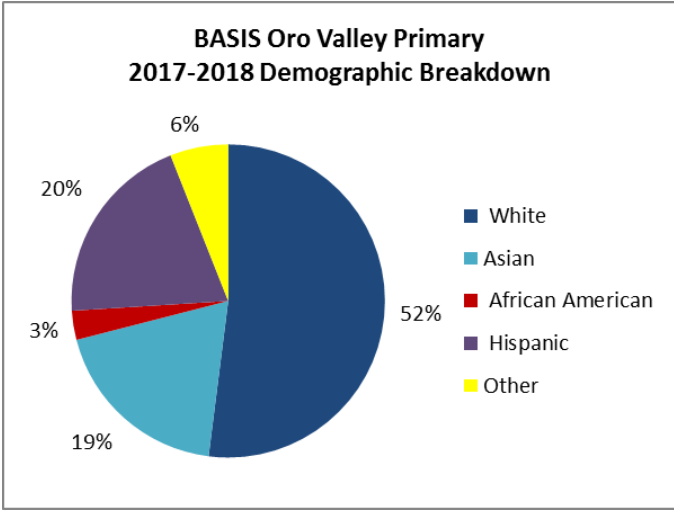
Schools Associated with BASIS Oro Valley Primary

Information about associated schools can be found in Appendix D.

Enrollment and Demographic Data

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





| 2017-2018 Subgroup Data | |
|---------------------------|----|
| Free and Reduced Lunch | * |
| English Language Learners | * |
| Special Education | 5% |

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

