

AGENDA ITEM EXECUTIVE SUMMARY: Enrollment Cap Amendment Request

Request

BASIS Charter Schools, Inc.—Entity ID 90841 (“Charter Holder”) submitted an expansion request to increase its enrollment cap from 929 to 1018, 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 in the high school grade levels. The staffing plan is to hire four additional grade level teachers, two additional specialty staff, and three paraprofessionals by FY 2022. 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	6-12	6-12	6-12	6-12
Enrollment	926	958	996	1018

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 eight 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 765.178, in FY 2018 was 825.072, and in FY 2019 was 917.618. The charter will likely exceed its enrollment cap in FY 2020.
ADM is within 85% of current enrollment cap	According to ADE School Finance, the Charter Holder currently has an ADM of 917.618. The Charter Holder is currently operating at 99% of its current enrollment cap of 929.
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 Peoria performs at or above the average performance of nearby schools in ELA and Math. Information about nearby schools is 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 new charter in 2010.

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 Peoria		
Date Open	August 2011		
Location	Peoria		
Grades Served	6-12		
FY 18 Letter Grade	A		
	FY 16	FY 17	FY 18
ELA AzMERIT (41% ⁺)	89%	88%	89%
Math AzMERIT (41% ⁺)	84%	94%	94%
Science AIMS (52% ⁺)	98%	99%	>98%

⁺FY 18 State Average Passing

Additional School Choices Serving Grades 6-12 within 5 Miles of BASIS Peoria

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%)
18	A	4	16	18	17	*	*	0
2	B	1	2	2	1	*	*	0

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

Comparison of Nearby Schools to BASIS Peoria

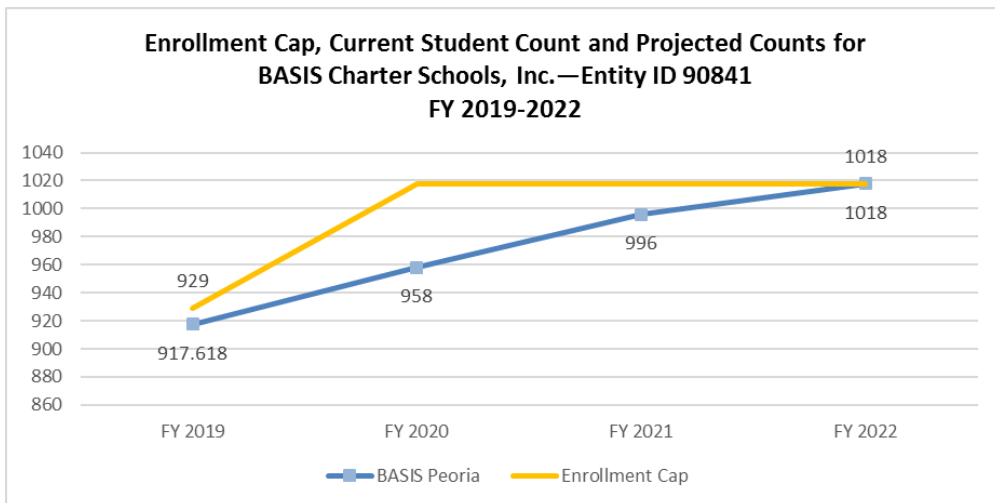
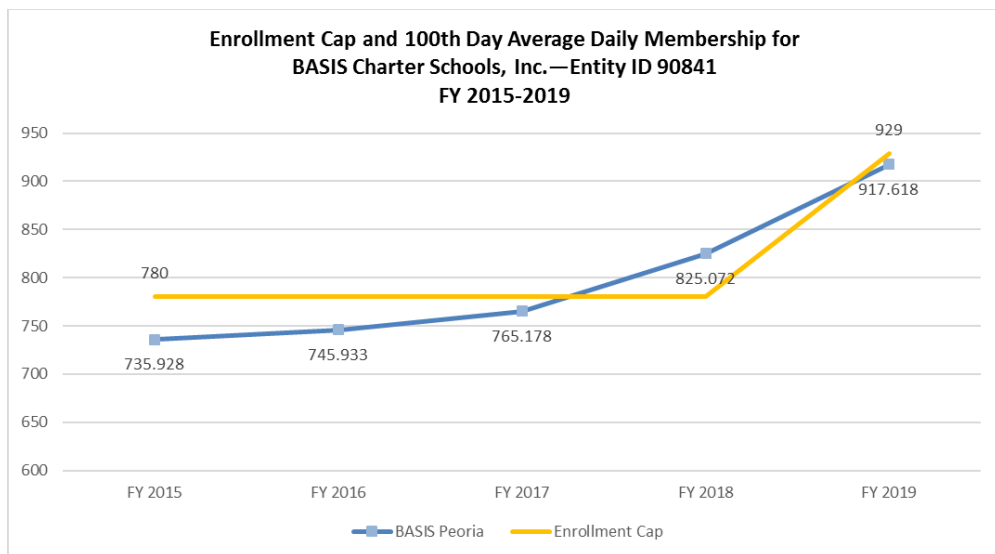
Total Schools	FY 18 Letter Grade	Total Charter Schools	FY 18 State Assessment Data Greater than School BASIS Peoria		
			AzMERIT ELA (>89%)	AzMERIT Math (>94%)	AIMS Science (>98%)
18	A	4	0	0	0
2	B	1	0	0	0
Total Number of Schools Performing Better than BASIS Peoria					
20		5 (25%)	0	0	0

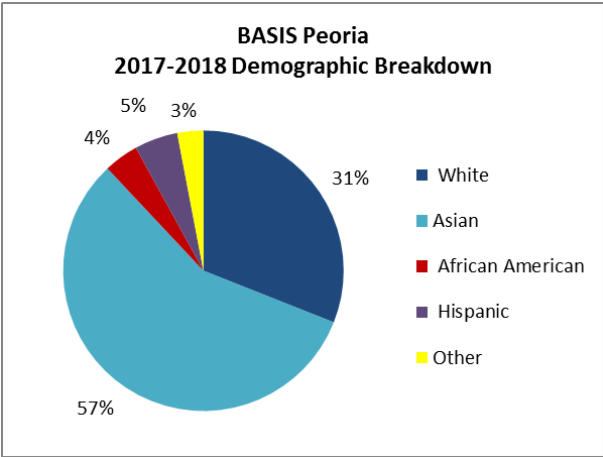
Schools Associated with BASIS Peoria

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	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.*

