

Education Management Organization Report



AMERICAN LEADERSHIP
ACADEMY CHARTER
SCHOOLS &
CHARTER ONE

Agenda

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Analysis of Service Agreement

- I. Introduction to Charter One (“C1”) Education Management Organization and America Leadership Academies (“ALA”)
- II. Service Provider Agreement
 - ✦ Responsibilities of C1
 - ✦ Responsibilities of Wake Prep Board
 - ✦ Fee Structure
 - ✦ Termination by Either Party

Charter School Performance

- III. Academic Performance: ALA K-12 schools in Arizona
- IV. C1/ALA Financial Performance

Introduction to Education Management Organization (EMO)

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This report was compiled from the information received
in the:

- Wake Preparatory Academy Application
- Other public sources (Washington Post, Arizona Current)

Introduction to American Leadership Academy Charter Schools & Charter One

American Leadership Academy schools is a network of charter schools operating throughout Arizona and Nevada.

- Arizona: American Leadership Academy charter schools operates 9 campuses in Arizona and serves approximately 9,619 students, in San Tan Valley, Florence, Gilbert, Mesa, Queen Creek.
- Nevada: American Leadership Academy was the EMO for ALA -North Las Vegas in Nevada up until July 2018, when the governing Board voted to terminate the ALA contract.
- ALA withdrew its application for ALA- Centennial Hills but intends to move forward with ALA - Summerlin campus in Nevada.

Introduction to American Leadership Academy Charter Schools & Charter One

- **Charter One** is an educational management organization (EMO) headquartered in Chandler AZ that manages all **ALA** schools. Charter One is applying to manage a number of non-ALA schools as well.
- Glenn Way, founder of **ALA** and former **ALA** Board chair, owns Charter One along with Brent McArthur and Bill Guttery.
- Glenn Way, Scott Brand, and Corey Brand own Schoolhouse Development LLC.
- SchoolDev East is another (“separate”) entity with ties to Mr. Way and planning to contract with Wake Preparatory.

Introduction to American Leadership Academy Charter Schools & Charter One

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- Schoolhouse provides charter school developers with facilities development, data analysis, financing, architectural design, and construction expertise.
- Schoolhouse completed eight facilities projects for ALA schools.
- Schoolhouse entered into a lease agreement with ALA which included a clause allowing ALA to purchase the properties at a pre-set price. ALA has exercised the purchase option on at least four campuses, and has one campus still under lease with Schoolhouse.

Introduction to American Leadership Academy Charter Schools & Charter One

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- According to the proposal, Wake Prep will serve 1,605 students in grades K – 10 in year 1, and grow to serve 2,105 students in grades K – 12 by year 5.
- Charter applicant, Wake Prep, intends to enter into a service agreement with **C1** as its EMO.
- Charter applicant Wake Prep intends to also enter into a partnership with Schooldev East for a 20-year renewable lease in exchange for real estate development services.

Introduction to American Leadership Academy Charter Schools & Charter One

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- Charter applicant, Wake Prep, intends to contract for a sale-and-leaseback with SchoolDev East to build a 144,000 sq. ft. facility and then lease it from SchoolDev East.

- Lease terms as follows:
 - year 1 \$2.2 mil
 - year 2 \$2.6 mil
 - years 3-5 \$3 mil

Introduction to Charter One & Charter Success Partners

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- Charter Success Partners (“CSP”) is an educational support organization based in Durham.
- CSP founders founded Voyager Academy in 2007.
- CSP and C1 partnered on an unsuccessful proposal for the assumption of Heritage Collegiate Leadership Academy’s charter in 2018.

Introduction to American Leadership Academy Charter Schools & Charter One

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Areas for Additional Clarification:

- Describe in detail the relationship between Schoolhouse Development LLC, Schooldev East, Corey Brand, Scott Brand, ALA, and Glenn Way.
- Please describe any “related party transactions” pertaining to the proposed partnership between Wake Prep and **C1**, Schoolhouse Development LLC, Schooldev East, Corey and Scott Brand, **ALA**, and/or Glenn Way.

Introduction to American Leadership Academy Charter Schools & Charter One

Areas for Additional Clarification:

- Why does the facilities lease increase between year 1 and year 3?
- Does the sale-and-leaseback provision mean that, charter applicant Wake Prep is immediately indebted to SchoolDev East?
- Does Wake Prep foresee any challenges holding Charter One accountable when one of the owners of C1 is also a minority owner of SchoolDev East?

Service Provider Agreement

Article II. Annual Review

The Service Provider Agreement states that the “Board shall conduct an evaluation of the Services provided by CHARTER ONE on at least an annual basis. CHARTER ONE’s performance will be measured based on achievement of the operational, academic, and financial benchmarks determined by the most recent NC Charter School Performance Framework (the “Benchmarks”). CHARTER ONE agrees to fully participate in the review process. If WPA determines, in its sole discretion, that the Benchmarks have not been achieved, WPA may direct CHARTER ONE to develop and propose a plan to correct any deficiencies or terminate this Agreement pursuant to Article VII below.

Service Provider Agreement

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Areas for Additional Clarification:

- What are the academic benchmarks that will be used to measure the effectiveness of Charter One?
- What are the operational and financial benchmarks that will be used to measure the effectiveness of Charter One?
- How and by whom will the benchmarks be set and agreed to when will this be done?

Service Provider Agreement

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Article III. Subcontracts

Article III of service provider agreement states that “CHARTER ONE reserves the right to subcontract any and all aspects of the Services. Provided, however, that CHARTER ONE shall not subcontract the oversight of the educational program, except with prior approval of the Board.”

Service Provider Agreement

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Concerns:

- If **Charter One** is allowed to subcontract out all services except the educational program, what is the value-add of the management company?
- What foreseeable circumstances may cause Charter One to subcontract out oversight of the academic program?

Service Provider Agreement

Article V I. Compensation for Services

Article VI section 6.1 of the service provider contract states that “In exchange for providing the Services hereunder, WPA will pay CHARTER ONE an annual fee in an amount equal to 15% of total revenues of WPA, or a lesser amount if agreed to in writing by CHARTER ONE (the “Fee”). The Fee shall be set forth in the Annual Budget.

Service Provider Agreement

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Areas for Additional Clarification:

- Has the Board considered negotiating a lesser amount?
- Describe how will the Board, independently, monitor resource allocation decisions to ensure Charter One intensively prioritizes the instructional needs of students?
- If the school does not meet targeted benchmarks, outlined in 2.1.5, will Charter One receive the entire 15% management fee?

Service Provider Agreement

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Areas for Additional Clarification:

- Will the management fee be tied to student academic outcomes-proficiency and/or growth; if so, how ?
- How will the Board, independently, monitor the ratio between instructional spending and administrative expenditures?
- How will the Board, independently, monitor resource allocation decisions as they relate to parent and community engagement, social-emotional development health needs of students and families, and professional development of staff?

Service Provider Agreement

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Exhibit B.

Operational, Academic, Financial, and Compliance Services states that “curriculum will be paid for by WPA, and CHARTER ONE will manage the implementation of the curriculum.”

Service Provider Agreement

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Concerns:

- What curriculum will be used? Will the curriculum bear similarities to the curriculum being used in ALA schools?
- The budgeted amount for curriculum text, year 1 is \$20,000. Will this amount cover instructional materials for 1,065 students k- 10th grade?
- Will the curriculum materials belong to Wake Prep or will they be treated as intellectual property belonging to Charter One?

Academic Performance: K-12 ALA Schools

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Student Performance Grade

2017-18 A-F Letter Grades K-12

School Name	Letter Grade	K-8 Total Points Earned	K-8 Total Points Eligible	K-8 Percentage Earned	9-12 Total Points Earned	9-12 Total Points Eligible	9-12 Percentage Earned	Hybrid - Total Points Earned	Hybrid Total Points Eligible	Hybrid Percentage Earned
ALA - Ironwood	B	87.26	100.00	87.26	62.03	90.00	68.92	77.38	96.08	80.53
ALA - Queen Creek	B	77.41	90.00	86.01	68.05	90.00	75.61	72.76	90.00	80.84

Student Performance Grade

Schools annually earn a letter grade based on a range of comprehensive measures including: Proficiency 30%; Growth 50%; College Career Readiness 10%; ELL Growth & Proficiency 10%;

Academic Performance: K-12 Schools

Areas for Additional Clarification:

- **ALA's** two C1-managed K-12 schools earned an average 72% of eligible points on last years state assessment in Arizona. What accounts for this level of student performance at those two K-12 schools?
- What has Charter One learned about running a high school from its experience(s) in Arizona?
- How will **C1** adjust the middle and high school instructional program to meet the specific needs of students in Wake County?

Areas for Additional Clarification in Summary

Concerns about possible conflicts of interest were noted in regard to:

- ❑ The relationship between Schoolhouse Development LLC, ALA, Charter One, Scott Brand, Corey Brand, and Glenn Way

Concerns about the EMO agreement were noted in regard to:

- ❑ The existence of any “related party transactions”
- ❑ The EMO’s use of subcontracts to perform its work
- ❑ Clear performance standards and use of accountability
- ❑ The board’s ability to monitor and hold EMO accountable
- ❑ Board’s ability to monitor EMO resource allocation decision making process
- ❑ The fee percentage charged by the EMO
- ❑ The facility lease/fee amount
- ❑ Student performance grades in middle and high school
- ❑ The financial statements for the EMO were not provided