

2018-19 Preliminary Fifteen-Year Charter Renewal Report

City Arts & Prep Public Charter School

November 19, 2018

DC Public Charter School Board
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STAFF RECOMMENDATION AND KEY FINDINGS

The District of Columbia Public Charter School Board (DC PCSB) has reviewed the renewal application submitted by City Arts & Prep Public Charter School (City Arts & Prep PCS), as required by the School Reform Act (SRA), and concludes that the school has not met the goals and student academic achievement expectations as specified in its charter agreement, and thus does not meet the standard for charter renewal set out in the SRA. DC PCSB staff recommends that the DC PCSB Board deny City Arts & Prep PCS's renewal application, and that the school close at the end of the 2018-19 school year.

The SRA provides DC PCSB no discretion at a 15-year charter renewal, stating that the board “shall not approve” an application to renew a charter when a school has failed to meet its goals.¹ City Arts & Prep PCS submitted its renewal application on October 4, 2018, and DC PCSB notified the school of its right to an informal hearing on its charter renewal on October 19, 2018.

City Arts & Prep PCS is a single campus local education agency (LEA) that serves grades prekindergarten (PK) through eight. The school has a dual mission focused on strong academics and the performing arts. The school elected to adopt the Performance Management Framework (PMF) as its goals and academic achievement expectations and did not choose to have any goals around its performing arts program.

City Arts & Prep PCS is measured using the PK-8 PMF. This framework uses common measures across schools serving similar grades to measure student academic achievement. The PMF has four components: student academic progress, student academic achievement, attendance, re-enrollment, and prekindergarten classroom observations.

Pursuant to the latest charter agreement amendment to the school's goals, City Arts & Prep PCS committed to achieving an average PMF score of 50% over the period under review.² The school's average score over this period is 46.4%, and it never exceeded a score of 50% in any of the years under review. Because the school has not demonstrated consistent improvement on overall PMF scores for this review period, the “improvement provision” in the school's charter goals is not applicable. Accordingly, the school has not met the standard for charter renewal under the SRA.

¹ D.C. Code § 38-1802.12(c).

² Specifically, per its charter agreement, the school must earn an average PMF score of at least 50% for 2013-14, 2015-16, 2016-17, and 2017-18. In SY 2014-15, no PMF scores or tiers were released due to the change in state assessment. Accordingly, the charter agreement explicitly excludes this year from consideration in calculating the average PMF score. Per its charter agreement, the school must also meet the floor of all Early Childhood PMF measures in SY 2013-14.

DC PCSB staff also calculated hypothetical PMF scores for only the elementary grades and middle school grades and found that these grade spans also would have failed to meet the goals of the school as a whole.

The school's overall performance on the state assessment in English Language Arts (ELA) and math has been consistently below the state average for the past five years, with the exception of school year (SY) 2014-15, the first year of the PARCC assessment. While the school demonstrated slight growth among at-risk students in ELA between SY 2015-16 and 2017-18, the performance of its students with disabilities on the state assessment was particularly low in SY 2016-17 and 2017-18, when zero students with disabilities earned a passing score in ELA, and only one student with a disability met the target in math to indicate that he or she is College and Career Ready. In addition to the school's low academic performance, City Arts & Prep PCS's rates for in-seat attendance and re-enrollment have also been below the state average throughout the entire review period for all students.

During its most recent Qualitative Site Review (QSR), when DC PCSB conducted on-site classroom observations at the school, an alarming 35% of observations were rated as *Unsatisfactory* in the Classroom Environment domain due to a chaotic atmosphere in which observers found there were no clear standards of conduct for students and staff.

Separate and apart from the determination of the school's goals and student academic achievement expectations, DC PCSB staff has determined that the school has not committed a material violation of law or of its charter, has adhered to generally accepted accounting principles (GAAP), has not engaged in a pattern of fiscal mismanagement, and is economically viable.

Based on these findings, DC PCSB staff recommends that the DC PCSB Board vote to deny the charter renewal application of City Arts & Prep PCS, with the school closing at the end of SY 2018-19.

CHARTER RENEWAL STANDARD

The standard for charter renewal is established in the SRA and is inflexible: DC PCSB shall approve a school's renewal application, except that DC PCSB shall not approve the application if it determines one or both of the following:

- (1) The school committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities; or
- (2) The school failed to meet the goals and student academic achievement expectations set forth in its charter.³

Separate and apart from the renewal process, DC PCSB is required by the SRA to revoke a school's charter if DC PCSB determines that the school (1) has engaged in a pattern of non-adherence to GAAP, (2) has engaged in a pattern of fiscal mismanagement, and/or (3) is no longer economically viable.⁴

Given the SRA's standard for charter renewal, as well as DC PCSB's obligation to revoke a school's charter if it has engaged in the above fiscal misconduct, this report is organized into three sections. Sections One and Two are analyses of the school's academic performance and legal compliance, respectively, and serve as the basis for DC PCSB staff's renewal recommendation. Section Three is an analysis of the school's fiscal performance.

³ D.C. Code § 38-1802.12(c).

⁴ D.C. Code § 38-1802.13(b).

BACKGROUND INFORMATION ABOUT SCHOOL

School History and Overview

City Arts & Prep PCS began operation in 2004 under authorization from DC PCSB and currently serves students in prekindergarten (PK) through eighth grade at a single campus in Ward 5.⁵ The school's mission is "to prepare students for success in high school and beyond by providing an academically rigorous learning environment enriched by a diverse performing arts program."⁶

At its inception in 2004, City Arts & Prep PCS began operation with one campus in the Edgewood community where it served students in grades PK3-5 in its first academic year. Thereafter, the school added a new grade level each year until it served PK3 to grade 8.⁷

While the school opened a high school campus in 2006, DC PCSB closed this campus in 2011 due to poor academic performance.⁸ In 2008, the school began operating a second campus in the former facility of Tri-Community Public Charter School but consolidated its two campuses in SY 2011-12, and it currently operates a single campus in the Edgewood community. The school's campus is a leased converted warehouse with few windows and limited space for performances or outdoor activities.

City Arts & Prep PCS currently uses a self-created "Arts to the Core" curriculum that is aligned to the Common Core State Standards.⁹ Students receive ninety minutes of arts instruction every day, and middle school students are required to select an art major and complete a twenty-hour creative traineeship in the community. Presently, the school has partnerships with community arts organizations such as the Atlas Performing Arts Center and the Joy of Motion Dance Center, among others.¹⁰ The school is the only public charter school with a performing arts focus.

Enrollment and Demographic Trends

The tables below show the school's enrollment and demographics. Though the school enrolled at or above its enrollment projections in the early years of this review period, it has seen sharply declining enrollment in the past two years that falls well below its projections.

⁵ The school was formerly known as William E. Doar, Jr. Public Charter School for the Performing Arts (WEDJ PCS). On September 23, 2016, DC PCSB approved the school to change its name to City Arts & Prep PCS because its original name was too long and did not adequately represent the school's mission. Board Proposal, Charter Agreement Amendment – School Name Change for WEDJ PCS, July 18, 2016, attached to this report as Appendix A.

⁶ Fourth Amendment to Charter School Agreement Between DCPCSB and WEDJ PCS, June 2015, attached to this report as Appendix B.

⁷ City Arts & Prep PCS charter agreement dated August 25, 2004 attached to this report as Appendix C.

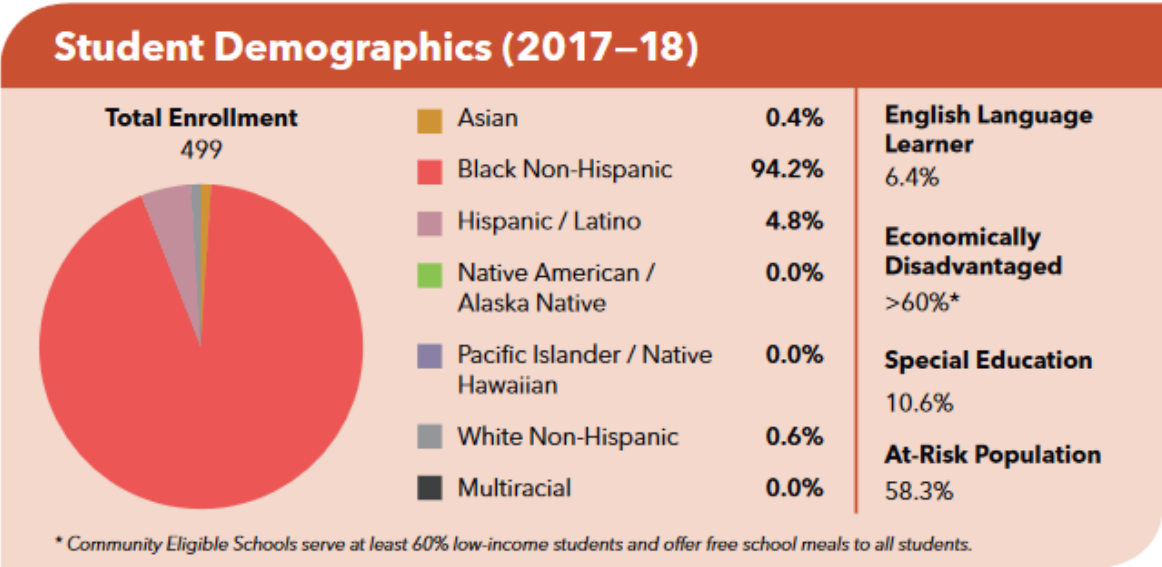
⁸ Letter to Marco W. McMillian, Board Chair, William E. Doar Jr. PCS, from Brian Jones, Chair, DC PCSB, January 2011, attached to this report as Appendix D.

⁹ The William E. Doar, Jr. Public Charter School for the Performing Arts Annual Report 2012-2013, attached to this report as Appendix E.

¹⁰ City Arts & Prep website, <http://cityartspcs.org/our-program/>.

During this review period the school has never enrolled close to its maximum enrollment ceiling of 905 students. In SY 2017-18 the school served a student population that was 58% at-risk and 94% African American.

City Arts & Prep PCS – Enrollment					
School Year	2014-15	2015-16	2016-17	2017-18	2018-19
Grade Levels	PK3-8	PK3-8	PK3-8	PK3-8	PK3-8
Audited Enrollment	439	467	522	499	430 ¹¹
Enrollment Projections	440	450	450	533	520



Performance Management Framework Outcomes

Summarized in the table on the following page are details regarding the school’s overall performance data on DC PCSB’s Performance Management Framework (PMF), which assesses reading and math proficiency, academic growth, attendance, and re-enrollment. For years in which the school received a PMF score, City Arts & Prep PCS’s performance has consistently earned the school a low Tier 2 rating.

Between SY 2013-14 and the end of SY 2015-16, City Arts & Prep PCS was engaged in a contract with TenSquare for an extensive school turnaround effort. During this tenure, the school earned its highest PMF score for this review period in SY 2015-16 with 49.4%, but its PMF performance declined in SY 2016-17 after the school opted not to renew its contract with TenSquare due to high costs for the contracted services. While working with TenSquare, City Arts & Prep PCS’s performance improved in some areas, including higher proficiency rates in ELA on the state assessment in SY 2014-15. However, the school’s

¹¹ This is as of an October enrollment count; this number is still unaudited.

progress was never consistent, with sharp declines in ELA and math in SY 2015-16 for the percentage of students who were Approaching College and Career Ready (level 3+) and College and Career Ready (level 4+).

Pursuant to the goals and academic achievement expectations in the school's charter and charter agreement, the school must earn an average PMF score of 50% for SY 2013-14, 2015-16, 2016-17, and 2017-18 and must meet the floor of all Early Childhood PMF measures in SY 2013-14.¹² The school met the floor of all Early Childhood PMF measures in SY 2013-14. However, it earned an average PMF score of 46.4% and therefore did not meet its goals and student academic achievement expectations.

City Arts & Prep PCS – PMF Outcomes				
2013-14	2014-15	2015-16	2016-17	2017-18
Tier 2 47.6% Met 9 of 9 EC PMF Measures	N/A¹³	Tier 2 49.4%	Tier 2 42.4%	Tier 2 46.3%

Communications with School

DC PCSB staff and members of the DC PCSB Board met with school leaders in June 2017 to discuss the school's performance. During this meeting, staff reviewed concerns about the school's low re-enrollment rate, the school's progress on meeting financial conditions from the ten-year charter review, and the standard the school would need to meet for its charter renewal.

DC PCSB staff and Board members again met with City Arts & Prep PCS on January 26, 2018 to discuss the school's performance in advance of its 15-year charter renewal. During this meeting, DC PCSB staff discussed issues such as low re-enrollment rates, high mid-year withdrawal rates, anticipated Partnership for Assessment of Readiness for College and Career (PARCC) assessment performance, and the standard the school would need to meet at its upcoming charter renewal.

DC PCSB staff also met with school leaders at City Arts & Prep PCS on May 3, 2018 to discuss the school's 15-year renewal. Staff provided City Arts & Prep PCS with a chart similar to the one in the "PMF Outcomes" section and informed the school that, in order to meet its charter goals, it would need to earn 60.8% on the PK-8 PMF in SY 2017-18.

¹² In SY 2013-14, the school had two PMFs: the EC PMF for grades PK-2 and the Elementary/Middle School PMF for grades 3-8. See Appendix F for additional details.
¹³ Due to the change in the state assessment, scores and tiers were not displayed in 2014–15.

Prior Charter Reviews

Five-Year Review

DC PCSB conducted a five-year review of City Arts & Prep PCS (then called the William E. Doar Jr. PCS) in SY 2009-10. DC PCSB found that the school had only met one of three academic performance standards, and three of four non-academic performance standards. In April 2010 the DC PCSB Board voted to grant the school a conditional continuance for one year. In order for the school to receive full continuance in a year's time, the DC PCSB Board required it to fulfill eight conditions relating to improving academics and attendance as well as improving the school's financial stability.¹⁴

In January 2011, DC PCSB determined the school met the three fiscal management conditions but did not meet any of the five academic conditions. DC PCSB found that there was evidence that the elementary/middle school had shown "significant improvement" although the high school "remain[ed] in crisis."¹⁵ Based on these circumstances, the DC PCSB Board voted 5-2 to extend the school's conditional continuance for four months with additional stipulations, including the closure of the high school.

In May 2011 the DC PCSB Board voted unanimously to extend the Conditional Continuance for another year, until May 2012.¹⁶ DC PCSB then established conditions that the school had to meet by May 2012 for full continuance. These targets were intended to solve issues caused by "a dysfunctional Board of trustees, accusations of mishandling of funds, doubts about the school's ability to be financially viable, and a concern about student enrollment."¹⁷ The targets involved creating a governing body compliant with the SRA and submitting to academic and financial auditing requirements.¹⁸

In May 2012, DC PCSB found that the school had met these conditions.¹⁹ In June 2012 the DC PCSB Board voted unanimously to lift the school's conditions and fully continue the school because of the governance improvements the school had made, though some Board members still expressed concern about the school's academic indicators.²⁰

Ten-Year Review

At City Arts & Prep PCS's ten-year charter review in 2014, DC PCSB found that the school had failed to fully meet any of its goals and student academic expectations. Of the school's

¹⁴ May 24, 2011 PCSB Board Action Proposal attached to this report as Appendix G.

¹⁵ PCSB Board minutes, January 2011, attached to this report as Appendix H.

¹⁶ Letter from Brian Jones, PCSB Chair, to Mr. Marco W. McMillian, WEDJ PCS Board Chair, May 25, 2011, attached to this report as Appendix I.

¹⁷ Letter from Charlotte Jarvis-Cureton, PCSB Performance Officer, to Mr. Marco W. McMillian, EDJ PCS Board Chair, August 11, 2011, attached to this report as Appendix J.

¹⁸ PCSB Board Action Proposal, May 21, 2012, attached to this report as Appendix K.

¹⁹ PCSB meeting minutes, May 2012, attached to this report as Appendix L.

²⁰ PCSB Board minutes, June 2012, attached to this report as Appendix M.

twenty-two goals, it partially met seven, did not meet nine (with five of those determinations based on insufficient evidence), and had abandoned six goals mid-year without a charter amendment because the goals were based a school model which the school had stopped using.²¹

DC PCSB found that the school “continue[d] to struggle with its academic performance.” This included “inconsistent performance in reading and math progress and achievement at the early childhood level,” a “third grade class consistently performing well below the state average,” and Elementary/Middle School performance on the PMF that was “extremely low for a school in its tenth year of operation.”²²

The school also struggled with governance issues. For several months in SY 2012-13, after most of its board resigned, the school had only one board member, a violation of the SRA. The school also violated the terms of its charter agreement by failing to inform DC PCSB that its school leader had been put on administrative leave in February of 2013 and later concealing this information from DC PCSB.

Because of these academic and governance issues, in late 2013, the school engaged TenSquare, a consulting group, to launch “an intensive school improvement effort,” targeting the areas reviewed in TenSquare’s comprehensive audit of the school.²³

In light of the school turnaround effort that was already underway, DC PCSB voted to conditionally continue the school’s charter in June 2014. As a condition of continuance, the school agreed to a corrective action plan that committed the school to amending its charter to accurately reflect its program, document its turnaround efforts, hit specific academic benchmarks, and achieve greater financial stability for its next financial audit.²⁴

City Arts & Prep PCS renewed TenSquare’s consulting contract twice, once in in June 2014, and again in July 2015. The school chose not to renew the contract in June 2016 and ended its relationship with TenSquare.²⁵

²¹ City Arts & Prep PCS (formerly William E. Doar, Jr. PCS), Ten-Year Review, June 2014, attached to this report as Appendix N.

²² See Appendix O.

²³ See Appendix O.

²⁴ See Appendix O.

²⁵ See City Arts & Prep PCS Application for Renewal, Appendix P

SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS

The SRA requires DC PCSB to review whether a school has met its goals and student academic achievement expectations at least once every five years and, at renewal, to deny the renewal application if DC PCSB finds that the school has not met its goals and academic achievement expectations. Goals and academic achievement expectations are considered part of the renewal analysis only if they were included in a school’s charter or charter amendment approved by the DC PCSB Board.

In October 2017, City Arts & Prep PCS adopted as its goals and academic achievement expectations the most recently revised *Elect to Adopt the PMF as Goals Policy*.²⁶

The chart below summarizes DC PCSB’s determinations of whether the school’s academic program met its respective goals and academic achievement expectations. These determinations are further detailed in the body of this report.

Goals and Academic Expectations	Met?
The School Corporation will be deemed to have met its goals and academic achievement expectations if, at its fifteen-year charter renewal in school year 2018-19:	
the school’s average PMF score for SY 2013-14, 2015-16, 2016-17, and 2017-18 is equal to or exceeds 50%; and the school has met the floor of all Early Childhood PMF measures in SY 2013-14.	Not Met

Assessment: City Arts & Prep PCS did not meet its goals and academic achievement expectations. The table below provides an overview of the school’s PMF performance. DC charter schools did not receive a score on the 2014-15 PMF, because DC transitioned from the DC CAS to the PARCC (Partnership for Assessment of Readiness for College and Career) assessment. Accordingly, this year is excluded per the charter agreement in calculating the average PMF score. Over the four school years indicated in its charter goal, the school earned an average PMF score of 46.4%. As the school did not meet the 50% average required by its charter, the school did not meet its goals and student academic achievement expectations.

The improvement provision of the school’s charter allows that if the school has shown “consistent improvement on overall PMF scores” over the five-year period of its review, DC PCSB may exercise discretion to find that the school has met its goals. In this case, the

²⁶ Please see the *Elect to Adopt the PMF as Goals Policy* attached as Appendix Q.

improvement provision does not apply because the school has not consistently improved in its overall PMF score. Between SY 2015-16 and SY 2016-17, the school’s PMF performance declined by seven percentage points. While the school’s overall PMF score improved between SY 2016-17 and SY 2017-18, one year of improvement is not “consistent improvement.”

City Arts & Prep PCS – PMF Outcomes					
2013-14	2014-15	2015-16	2016-17	2017-18	Average
<p>Tier 2 47.6%</p> <p>Met 9 of 9 EC PMF Measures</p>	N/A²⁷	<p>Tier 2 49.4%</p>	<p>Tier 2 42.4%</p>	<p>Tier 2 46.3%</p>	46.4%

Student Academic Achievement and Progress Measures

The school’s PMF score is based on the following:

- Proficiency rates in ELA and math on the statewide assessment (the PARCC test) taken by 3rd through 8th graders.
- Academic growth from one year to the next on the PARCC, as measured by the Median Growth Percentile (MGP), which assesses the relative year-to-year progress made by individual students at a school.
- School environment measures, including attendance rates, re-enrollment rates, and scores from the Classroom Assessment Scoring System (CLASS), which assesses classroom instruction in PK.
- For SY 2013-14, the following measures count toward goal attainment for the school’s early childhood program:
 - PK CLASS Scores in the Emotional Support, Organization and Instructional Support Domains: The school must meet or exceed the threshold for the CLASS score in each domain that is scored by an external vendor.
 - PK Literacy mCLASS Circle Assessment: The percent of PK3-PK4 students achieving a proficient score must meet or exceed the threshold for the mClass Circle literacy assessment.
 - PK Math mCLASS Circle Assessment: The percent of PK3-PK4 students achieving a proficient score must meet or exceed the threshold for the mClass Circle math assessment.

²⁷ Due to the change in the state assessment, scores and tiers were not assigned for any school in SY 2014–15.

- K-2 Literacy mCLASS Circle Assessment: The percent of K-2 students achieving a proficient score must meet or exceed the threshold for the mClass Circle literacy assessment.
- K-2 Math mCLASS Circle Assessment: The percent of K-2 students must meet or exceed the threshold for the mClass Circle math assessment.

The PARCC is the assessment given to all DC public school students in ELA and math beginning with the third grade. Student academic achievement—the percentage of students scoring College and Career Ready on the PARCC in ELA or math—and student progress—as measured by the Median Growth Percentile (MGP), which assesses the relative year-to-year progress made by individual students at a school—are only part of the school’s PMF score if more than 10 students in the school took the state assessment.

Beginning on the following page, this report reviews each of these components in detail. This review includes proficiency tables that display PARCC results for subgroups as well as charts of the school’s environment measures. Many charts are color coded. Please use the following key:

KEY for Campus Rate Data Charts	
3+	<ul style="list-style-type: none"> • A PARCC score of 3 = Approaching College and Career Ready • 3+ denotes the percentage of students who obtained a 3, 4, or 5 on the PARCC
4+	<ul style="list-style-type: none"> • A PARCC score of 4 = College and Career Ready • 4+ denotes the percentage of students who obtained a 4 or 5 on the PARCC • 4+ is considered to be proficient
n-size	Number of students who took the state assessment at this school
Green	<ul style="list-style-type: none"> • Met the EC PMF floor in 2013-14 • Greater than or equal to the state average or charter sector average of the same grade band
Red	<ul style="list-style-type: none"> • Did not meet the EC PMF floor in 2013-14 • Less than the state average or charter sector average of the same grade band
No Shading	<ul style="list-style-type: none"> • Data from 2014-15, when the state transitioned to PARCC and the school performed below the state average. (Note – as stated above, if the school did better than the state average, this is colored green.) • PK – 2 “display only” data that does not factor into the PMF score or goal attainment.

English Language Arts (ELA)

ELA Proficiency

City Arts & Prep PCS's overall proficiency rates in ELA show below state-average performance. In SY 2014-15, the first year of PARCC testing, the school performed above the state average in overall scores and in all subgroups. The school's overall proficiency rates declined in SY 2015-16 and have not met the state average in any of the subsequent school years.

Both male and female students underperform the city, while Black Non-Hispanic students outperform the state average for Approaching College and Career Ready (3+). At-Risk students have outperformed the state average in both Approaching College and Career Ready (level 3+) and College and Career Ready (level 4+) in each year of available data.

These subgroups continue to outperform the state average even though the school's achievement scores on PARCC are more than five percentage points below the state average in both male and female subgroups for Approaching College and Career Ready (level 3+). This discrepancy is partially explained by the fact that the school has twice as many female test-takers as males. The state subgroup averages reflect a roughly even split between males and females. Because female students across the state outperform male students, having a disproportionately high number of female test-takers would push a school's proficiency rates above the state average in certain subgroups even if these test-takers generally did worse than other test-takers in the state of their own gender.

For two straight years, SY 2016-17 and SY 2017-18, zero students with disabilities have been College and Career Ready (level 4+), and the percent that scored at Approaching College and Career Ready (level 3+) was below the state average.

**City Arts & Prep PCS -
ELA Proficiency Grades 3-8**

	2013-2014 DC CAS			2014-2015 PARCC		2015-2016 PARCC		2016-2017 PARCC		2017-2018 PARCC	
	School	State		School	State	School	State	School	State	School	State
All	45.7	50.5	% 3 +	66.5	48.2	48.4	51.8	51.6	54.6	53.4	57.6
			% 4 +	33.0	24.8	20.3	27.5	21.2	30.9	26.5	33.9
	184		denominator	185		192		217		223	
Black Non-Hispanic	45.7	44.0	% 3 +	67.0	40.6	48.9	44.7	52.4	47.1	54.0	50.1
			% 4 +	33.0	16.6	20.2	19.6	21.2	22.1	26.3	25.0
	175		denominator	182		188		208		213	
English Learners	N/A	38.4	% 3 +	N/A	34.6	N/A	38.4	N/A	42.6	41.7	44.6
			% 4 +		11.7		14.7		17.6	33.3	20.1
	n < 10		denominator	n < 10		n < 10		n < 10		12	
Students with Disabilities	21.1	21.0	% 3 +	22.7	13.3	13.3	17.4	17.9	19.0	8.0	18.1
			% 4 +	4.5	4.2	6.7	5.6	0.0	6.4	0.0	5.9
	19		denominator	22		30		28		25	
Male	32.9	44.8	% 3 +	56.0	41.9	40.5	45.0	41.0	47.5	42.7	50.2
			% 4 +	29.3	20.4	15.2	22.7	7.7	25.1	14.6	27.8
	76		denominator	75		79		78		82	
Female	54.6	56.2	% 3 +	73.6	54.6	54.0	58.7	57.6	61.8	59.6	65.0
			% 4 +	35.5	29.2	23.9	32.4	28.8	36.7	33.3	40.0
	108		denominator	110		113		139		141	
At-Risk			% 3 +	N/A	N/A	42.0	36.8	45.1	39.9	50.0	43.6
			% 4 +	N/A	N/A	14.0	13.4	17.2	16.0	27.0	18.8
			denominator			100		122		126	

ELA Growth

A median growth percentile (MGP) of 50 indicates that a school's students have average year-to-year growth in ELA, as compared to other DC students in the same grades and with the same initial state assessment performance. An MGP above 50 indicates that the school's students have above-average year-to-year growth, while an MGP below 50 indicates below-average growth.

Overall, the school has had mixed results for student growth during the review period. In SY 2014-15, the first year of the PARCC assessment, the school was performing above average in nearly all subgroups. The school's ELA MGP declined significantly in SY 2016-17, falling 11.5 points from the previous year. In the most recent year of the review period, City Arts & Prep PCS continued to have below-average growth for every subgroup.

**City Arts & Prep PCS -
ELA Growth Grades 3-8**

	2013-2014 DC CAS	2014-2015 PARCC	2015-2016 PARCC	2016-2017 PARCC	2017-2018 PARCC
All	44.4	60.3	51.0	39.5	47.9
Black Non-Hispanic	43.7	60.7	51.3	37.2	45.8
Students with Disabilities	38.8	49.6	44.7	30.5	35.3
Male	40.2	51.8	50.8	37.9	46.2
Female	49.6	65.2	50.8	39.1	47.3
At-Risk	N/A	N/A	22.5	41.8	47.6

Math

Math Proficiency

City Arts & Prep PCS's overall proficiency rates in math were below the state average during the past five years of the review period. The school's performance peaked during the first year of PARCC testing in SY 2014-15, with 47.6% of students Approaching College and Career Ready (level 3+), which was still below the state average. Performance has worsened overall since then, declining to 41.0% of students Approaching College and Career Ready (level 3+) in SY 2016-17 and then rebounding to 46.0% last year, which is still below the percent achieved in SY 2014-15. The percent of students scoring at Career and College Ready (level 4+) remained steady at 18.2 for two years, declined to 17.5, and then improved in SY 2017-18 to 23.7, still 7.0 percentage points below the state average. Meanwhile, the state has shown an increase every year in students scoring 3+ and 4+, with percentages improving from 49.1 to 55.3, and 23.4 to 30.7, respectively. Similar to ELA, the school has slightly outperformed the state average for students identified as At-Risk, but has shown consistently low performance for all subgroups, including male and female. No Students with Disabilities were proficient (level 4+) in SY 2016-17 and only one such student was proficient (level 4+) in SY 2017-18.

City Arts & Prep PCS - Math Proficiency Grades 3-8

	2013-2014 DC CAS			2014-2015 PARCC		2015-2016 PARCC		2016-2017 PARCC		2017-2018 PARCC	
	School	State		School	State	School	State	School	State	School	State
All	56.0	55.5	% 3 +	47.6	49.1	42.2	50.6	41.0	53.0	46.0	55.2
			% 4 +	18.2	23.4	18.2	26.7	17.5	28.3	23.7	30.7
	184		denominator	187		192		217		224	
Black Non-Hispanic	56.0	48.9	% 3 +	47.8	42.1	42.6	43.2	41.3	45.4	46.3	47.4
			% 4 +	18.5	16.6	18.1	19.3	16.8	20.0	23.8	22.2
	175		denominator	184		188		208		214	
English Learners	N/A	50.9	% 3 +	N/A	44.4	N/A	45.4	N/A	48.1	25.0	50.5
			% 4 +		16.9		21.3		23.2	8.3	23.0
	n < 10		denominator	n < 10		n < 10		n < 10		12	
Students with Disabilities	10.5	26.5	% 3 +	9.1	15.8	13.3	20.0	7.1	21.3	8.0	20.2
			% 4 +	4.5	4.3	3.3	7.1	0.0	7.6	4.0	7.1
	19		denominator	22		30		28		25	
Male	59.2	53.1	% 3 +	42.1	46.6	36.7	48.2	37.2	50.2	36.6	52.5
			% 4 +	17.1	22.6	12.7	25.4	15.4	26.9	14.6	29.3
	76		denominator	76		79		78		82	
Female	53.7	58.0	% 3 +	51.4	51.7	46.0	53.0	43.2	55.9	51.4	58.0
			% 4 +	18.9	24.2	22.1	28.1	18.7	29.7	28.9	32.2
	108		denominator	111		113		139		142	
At-Risk			% 3 +			36.0	36.9	39.3	38.9	44.1	41.3
			% 4 +			16.0	14.7	15.6	15.7	24.4	17.2
			denominator			100		122		127	

Math Growth

An MGP of 50 indicates that a school's students have average year-to-year growth in math proficiency, as compared to other DC students in the same grades and with the same initial state assessment performance. An MGP above 50 indicates that a school's students have above-average year-to-year growth, while an MGP below 50 indicates below-average growth.

City Arts & Prep PCS has shown below-average growth for the past two years of the review period. Male students were close to growing at the average rate in SY 2016-17, but those students make up a smaller portion of the school's population than female students. During the first three years of the review period, the school maintained above-average growth overall, but that growth slowed from SY 2015-16 to SY 2016-17 and has yet to recover.

City Arts & Prep PCS - Math Growth Grades 3-8					
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
All	55.6	61.9	54.4	48.1	41.8
Black Non-Hispanic	56.7	61.9	54.6	48.3	41.3
Students with Disabilities	35.3	48.2	47.6	40.0	37.3
Male	56.1	57.0	49.5	49.5	45.5
Female	54.7	66.0	59.3	45.7	38.6
At-Risk	N/A	N/A	50.0	46.0	44.1

Prekindergarten and Kindergarten-Second Grade Measures

DC PCSB allows schools to choose the assessments for math and literacy that best fit the academic program and philosophy of the early childhood environment at the school. For Sys 2014-15 and beyond, the scores on these assessments for PK-2 are not formally included in this school's PMF score; they are included as indicators of student academic progress and achievement in these grade bands and are included in the analysis when determining if the consistent improvement provision applies. For SY2013-14, the school had to meet the floor for each measure to be considered having met its early childhood goals, which it did. The results displayed below reflect the percent of students who met or exceeded the test publisher's expectations for achievement at the end of the year.

Overall, the school shows strong, but declining achievement in its self-reported K-2 scores in literacy. Notably, the school had an approximately 25-point decrease on its K-2 Math Student Outcomes from SY 2016-17 to SY 2017-18. For mCLASS Math, of the school's 53 second grade test takers, only two (3.7%) met the benchmark score set by the publisher.

PK Literacy Student Outcomes		
Year	Measure	Result
2013-14	mCLASS: CIRCLE: Percentage of students at the achievement level at the end of the year Display Range: 60 to 100	78.7
2014-15		95.2
2015-16		90.4
2016-17		94.2
2017-18	Every Child Ready: Percentage of students who are at or above the proficiency goal or percentage of students making one year of growth (if not yet proficient). Display Range: 65 to 100	81.4

K-2 Reading Student Outcomes		
Year	Measure	Result
2013-14	mCLASS: Reading Percentage of students at the achievement level at the end of the year Display Range: 60 to 100	81.3
2014-15		83.2
2015-16		81.9
2016-17		71.4
2017-18		76.6

PK Math Student Outcomes		
Year	Measure	Result
2013-14	mCLASS: CIRCLE: Percentage of students at the achievement level at the end of the year Floor: 60 Target: 100	83.0
2014-15		98.8
2015-16		92.6
2016-17		95.1
2017-18	Every Child Ready: Percentage of students who are at or above the proficiency goal or percentage of students making one year of growth (if not yet proficient). Floor: 65 Target: 100	79.1

K-2 Math Student Outcomes		
Year	Measure	Result
2013-14	mCLASS: Math Percentage of students at the achievement level at the end of the year Display Range: 60 to 100	66.4
2014-15		69.2
2015-16		72.3
2016-17		71.4
2017-18		54.5

School Environment Measures

School environment measures—in-seat attendance, re-enrollment, and the Classroom Assessment Scoring System (CLASS) for pre-kindergarten—are designed to show the school’s climate and parent satisfaction.

In-Seat Attendance

DC PCSB measures In-Seat Attendance (ISA). City Arts & Prep PCS had lower ISA rates than the charter sector every year during the review period. The school’s lowest reported attendance for the review period was 90.5% in SY 2015-16 followed by 90.6% in SY 2017-18.

**City Arts & Prep PCS -
Grades PK3 - 8
In-Seat Attendance**

	2013-14		2014-15		2015-16		2016-17		2017-18	
	School	Charter Sector	School	Charter Sector	School	Charter Sector	School	Charter Sector	School	Charter Sector
All Students	92.3 ²⁸	93.2	91.2	93.2	90.5	92.8	92.1	93.1	90.6	92.8

Re-Enrollment

A school's re-enrollment rate assesses family satisfaction with a school by measuring the rate at which students who are eligible return from one year's official enrollment audit to the next year's official enrollment audit.²⁹ Students who move out-of-state or have other situations that would prevent them from re-enrolling are excluded from this rate.

City Arts & Prep PCS's re-enrollment rate was well below the charter sector average each year. During the review period, the school dropped as low as 63.3% in SY 2014-15 to 2015-16—meaning one-third of families did not return for the following school year. In SY 2016-17 to 2017-18, the most recent year of the review period, the school's re-enrollment rate was its highest at 74.7%. While an improvement from SY 2014-15 to 2015-16, this rate still indicates that nearly one in four families chose not to return for SY 2017-18.

City Arts & Prep PCS - Re-enrollment Rates

	2013-14 to 2014-15		2014-15 to 2015-16		2015-16 to 2016-17		2016-17 to 2017-18	
	School	Charter Sector	School	Charter Sector	School	Charter Sector	School	Charter Sector
All Students	69.	84.0	63.3	83.0	67.7	83.9	74.7	84.3
	400		401		439		475	

²⁹ The enrollment audit occurs in October of each school year.

CLASS³⁰

The table below shows City Arts & Prep PCS's CLASS performance. The school has an agreement with AppleTree Institute to coordinate its PK program. The school signed a memorandum of understanding in SY 2017-18. Under this agreement, AppleTree Institute provides curricular design, consulting, implementation, support, and related services for the use of the "Every Child Ready" curricular materials and instructional model.

The school's highest performing domain on the CLASS tool has consistently been Classroom Organization, outperforming the charter sector average nearly every year of the review period. Scores in Instructional Support have increased in recent years, and the school outperformed the charter sector for the first time in SY 2016-17 by 0.1%. For Emotional Support, the school has consistently improved until its score declined slightly in SY 2017-18. The school reached a publisher designated benchmark score of six in recent years, though its scores have never matched or outperformed the charter sector in this domain. In SY 2013-14, the school had to score above the floor for each of these measures to be considered meeting its goal, which it did.

CLASS Performance Targets			
Year	Domain	School	Charter Sector
2013-14	Classroom Organization	5.2	5.2
2014-15		5.8	5.5
2015-16		6.1	5.9
2016-17		6.1	5.8
2017-18		5.8	5.8
2013-14	Emotional Support	5.4	5.7
2014-15		5.8	5.9
2015-16		5.9	6.0
2016-17		6.0	6.1
2017-18		5.9	6.0
2013-14	Instructional Support	1.8	2.5
2014-15		2.5	2.8
2015-16		2.9	3.1
2016-17		3.1	3.0
2017-18		3.1	3.2

³⁰ All DC early childhood programs are assessed by independent reviewers using the CLASS tool, which focuses on classroom interactions that boost student learning. The CLASS tool measures Emotional Support, Classroom Organization, and Instructional Support on a scale from 1-7. The Emotional Support and Classroom Organization indicators have a floor of three and a target of six on the PMF. On a national level, pre-school programs score lower on the Instructional Support indicator. Accordingly, DC PCSB's floor for this indicator is one with a target of four.

Early Childhood Goals for School Year 2013-14

City Arts & Prep PCS committed to scoring at least at the floor of each of the measures on the Early Childhood (EC) PMF in School Year 2013-14, the only year of the EC PMF counted their review. The school met the floors on all nine measures, as detailed in Appendix Q.

Qualitative Site Review (QSR) Outcomes

DC PCSB conducts QSRs of charter schools to observe qualitative evidence of the extent to which the school is meeting its mission and goals, as well as to assess the classroom environment and quality of instruction. In January 2018, in anticipation of this charter renewal analysis, DC PCSB conducted a QSR of City Arts & Prep PCS.³¹ DC PCSB reviewers noted an environment of respect and caring in some, but not all classes. The QSR team also found the overall level of instructional and academic quality to be uneven, with much lower scores in *Classroom Environment* and *Instruction* compared to other DC public charter schools that received a QSR within the past five years.

Per the school's 2018 QSR report, DC PCSB staff observed some instructional engagement—primarily in the early elementary grades. However, during other observations there was noticeable hostility between students and teachers, no clear classroom procedures, and little to no observable instruction. Likewise, during some observations students were cognitively challenged during well-designed learning tasks, while in other classroom observations no learning occurred.

In QSRs, each observed classroom is assigned an Unsatisfactory, Basic, Proficient, or Distinguished rating in classroom environment³² and instruction.³³ The following table details the percentage of classrooms that were rated proficient or distinguished in each domain.

Qualitative Site Review	Domain 2: Classroom Environment	Domain 3: Instruction
City Arts & Prep PCS	48%	41%
Average score for PK-8 DC public charter schools	78%	70%

³¹ To see City Arts & Prep PCS' report, attached to this report as Appendix R.

³² To assess classroom environment, DC PCSB observed whether teachers (a) create an environment of respect and rapport; (b) establish a culture for learning; (c) manage classroom procedures; and (d) manage student behavior.

³³ To assess instruction, DC PCSB observes how teachers (a) communicate with students; (b) use questioning/prompts and discussion techniques; (c) engage students in learning; and (d) use assessment in instruction.

SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS

The SRA requires DC PCSB to determine at renewal whether a school has “committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities.”³⁴ The SRA contains a non-exhaustive list of applicable laws, which DC PCSB monitors in its annual compliance reviews.

Since SY 2013-14, City Arts & Prep PCS has been compliant with **ALL** the following applicable laws.³⁵

- Fair Enrollment Process
(D.C. Code § 38-1802.06)
- Notice and Due Process for Suspensions and Expulsions
(D.C. Code § 38-1802.06(g))
- Student Health and Safety
(D.C. Code §§ 38-1802.04(c)(4), 4-1321.02, 38-651)
- Equal Employment
(D.C. Code § 38-1802.04(c)(5))
- Insurance
(As required by the school's charter)
- Facility Licenses
(D.C. Code § 47-2851.03(d); D.C. Mun. Regs., tit. 14, §§ 14-1401 *et seq.*)
- Proper Composition of Board of Trustees
(D.C. Code § 38-1802.05(a))
- Accreditation Status
(D.C. Code § 38-1802.02(16))

Procurement Contracts

D.C. Code § 38-1802.04(c)(1) requires DC charter schools to use a competitive bidding process for any procurement contract valued at \$25,000 or more, and within three days of awarding such a contract, to submit to DC PCSB all bids received, the contractor selected, and the rationale for which contractor was selected. To ensure compliance with this law, DC PCSB requires schools to submit a data form to detail any qualifying procurement contract that the school has executed.

³⁴ D.C. Code § 38.1802.12(c).

³⁵ Detailed compliance chart may be found in Appendix S.

DC PCSB began implementing a new Procurement Contract Submission and Conflicting Interest Policy on July 1, 2018. The statistics below capture City Arts & Prep PCS's submissions and corresponding compliance with the policy. The school has been substantially compliant with procurement submissions since July 1, 2018.

- **0 early warning notices** as of August 27, 2018.
- Submissions **Rejected** since July 1, 2017: **2/48**
- Submissions **Received** since July 1, 2017: **46/48**

During the FY 2016-17 reconciliation process, DC PCSB found that the school submitted two FY 2016-17 contracts late. A historical record of the school's procurement contract bidding submissions can be found here: <https://dcpcsb.egnyte.com/fl/9wHWIJKT4>.

Special Education Compliance

Charter schools are required to comply with all federal and local special education laws, including the Individuals with Disabilities Education Act³⁶ (IDEA) and Section 504 of the Rehabilitation Act of 1973.³⁷ The following section summarizes City Arts & Prep PCS's special education compliance from SY 2013-14 to the present.

The D.C. Office of the State Superintendent of Education (OSSE) Special Education Compliance Reviews

OSSE monitors charter schools' special education compliance and publishes three primary types of reports detailing these findings: (1) Annual Determinations; (2) On-Site Monitoring; and (3) Special Conditions Reports. OSSE's findings regarding special education compliance for City Arts & Prep PCS are summarized below.

Because of its dependent charter status prior to SY 2017-18, City Arts & Prep PCS's special education compliance performance, except for Special Conditions and On-Site reports, was reported by OSSE as part of District of Columbia Public Schools' (DCPS) overall compliance performance and is not a part of this report.

(1) Annual Determinations

As required by federal regulation, OSSE annually analyzes each LEA's adherence to various special education compliance indicators, and it publishes these findings in an Annual Determination report.³⁸ Each year's report is based on compliance data collected from the prior federal fiscal year. For example, in SY 2017-18, OSSE published its 2015 Annual Determination reports (based on the school's 2015-16 performance).

³⁶ 20 U.S.C. §§ 1400 *et seq.* See 20 U.S.C. § 1413(a)(5).

³⁷ 29 U.S.C. § 794.

³⁸ As required by federal regulation 34 CFR § 300.600(c).

As described in the table below, City Arts & Prep PCS’s Annual Determination performance is listed as Not Applicable (N/A) for the past three years given the school only became an independent LEA last year in SY 2017-18.

Year	Percent Compliant with Audited Special Education Federal Requirements	Determination Level ³⁹
2014	N/A	N/A
2015	N/A	N/A
2016	N/A	N/A

(2) On-Site Monitoring Report

OSSE conducts an on-site assessment of an LEA’s special education compliance with student-level and LEA-level indicators in alignment with its coordinated Risk-Based Monitoring,⁴⁰ and publishes its findings in an On-Site Monitoring Report. Annually, OSSE assigns a risk designation to each LEA based on several criteria, including its IDEA Part B performance,⁴¹ which OSSE then uses to determine if an LEA will receive on-site monitoring.⁴² LEAs are responsible for being 100% compliant with student-level indicators and LEA-level indicators on On-Site Monitoring Reports.⁴³

In 2014, OSSE published an On-Site Compliance Monitoring Report of City Arts & Prep PCS based on the school’s performance in SY 2013-14.⁴⁴ As a dependent LEA, the school was reviewed at the time only for student-level indicators and was found in compliance with all applicable areas.

On-Site Monitoring Report – Student-Level Compliance			
Compliance Area	Compliant?	Noncompliant Indicators	Corrected?
Initial Evaluation and Reevaluation	8 of 8 indicators compliant	0	0

³⁹ IDEA requires OSSE as the State educational agency (SEA) to make determinations annually about the performance of LEAs. In making such determinations, OSSE will assign LEAs one of the following determination levels: Meets Requirements, Needs Assistance, Needs Intervention, Needs Substantial Intervention.

⁴⁰ See <https://osse.dc.gov/publication/risk-based-monitoring-guidance>.

⁴¹ Part B of IDEA applies to students ages 3-22.

⁴² The type of monitoring an LEA will receive varies depending on its designation as a “high,” “medium,” or “low risk” sub-grantee. An on-site monitoring visit will occur for LEAs classified as “high” risk.

⁴³ If OSSE determined an LEA was less than 100% compliant with a student-level indicator that could not be corrected retroactively, OSSE would identify the point of noncompliance as an LEA-level violation and give the LEA 365 days to correct the finding.

⁴⁴ See SY 2013-14 On-Site Monitoring Report Attachments, attached to this report as Appendix T.

On-Site Monitoring Report – Student-Level Compliance			
Compliance Area	Compliant?	Noncompliant Indicators	Corrected?
Individualized Education Plan	13 of 13 indicators compliant	0	0
Least Restrictive Environment	2 of 2 indicators compliant	0	0

(3) Special Conditions Reports

OSSE submits reports to the U.S. Department of Education's Office of Special Education Programs (OSEP) three times annually,⁴⁵ detailing statewide compliance in three areas: (1) Initial Evaluation timeliness;⁴⁶ (2) Reevaluation timeliness; and (3) Secondary Transition requirements (for students at age 16 and up). City Arts & Prep PCS is evaluated in adhering to Initial Evaluation timeliness and Reevaluation timeliness. The outcomes are detailed in the tables below. The school has since corrected all identified areas of noncompliance, except for noncompliance found during its Special Conditions April 2017-18 as it is not yet due for correction.

Special Conditions Reporting Period – April 2013 through March 2014				
	Quarter 1 (April 1 – June 30)	Quarter 2 (July 1 – September 30)	Quarter 3 (October 1 – December 31)	Quarter 4 (January 1 – March 31)
Initial Evaluation Timeliness	N/A ⁴⁷	N/A	N/A	N/A
Reevaluation Timeliness	Not compliant	N/A	N/A	N/A

⁴⁵ Prior to SY 2014-15, OSSE conducted reviews quarterly. The data for the special conditions from that timeframe is thus organized across four quarters.

⁴⁶ Starting with SY 2017-18, the District of Columbia is no longer under special conditions with OSEP for Initial Evaluations. Moving forward, OSSE will only be required by OSEP to submit Special Condition reporting on statewide Reevaluation and Secondary Transition. Initial evaluation data will still be periodically reviewed for compliance and included in Public Reporting for Annual Performance Reports (APRs). For the purposes of this report, Initial Evaluations are included since OSSE reported on this area of compliance in the past.

⁴⁷ Not applicable (N/A) indicates that OSSE did not conduct a review for the listed compliance area during the specified time-frame for the school.

Special Conditions Reporting Period – April 2014 through March 2015			
	August 1 Report (April 1 – June 30)	November 1 Report (July 1 – September 30)	May 1 Report (October 1 – December 31)
Initial Evaluation Timeliness	N/A	Not compliant	N/A
Reevaluation Timeliness	N/A	N/A	N/A

Special Conditions Reporting Period – April 2015 through March 2016			
	August 1 Report (April 1 – June 30)	November 1 Report (July 1 – September 30)	May 1 Report (October 1 – March 31)
Initial Evaluation Timeliness	N/A	N/A	N/A
Reevaluation Timeliness	N/A	N/A	Compliant

Special Conditions Reporting Period – April 2016 through March 2017			
	August 1 Report (April 1 – June 30)	November 1 Report (July 1 – September 30)	May 1 Report (October 1 – March 31)
Initial Evaluation Timeliness	N/A	N/A	N/A
Reevaluation Timeliness	Compliant	N/A	N/A

Special Conditions Reporting Period – April 2017 through March 2018			
	August 1 Report (April 1 – June 30)	November 1 Report (July 1 – September 30)	May 1 Report (October 1 – March 31)
Initial Evaluation Timeliness	N/A	N/A	N/A
Reevaluation Timeliness	N/A	N/A	Not compliant

Child Find Monitoring Report

“Child find” is a set of policies, procedures, and public awareness activities designed to locate, identify, and evaluate children who may require special education and related services. Each LEA must have policies and procedures in effect to ensure that all children with disabilities in need of special education and related services, regardless of severity of

disability, are identified, located, and evaluated. As a result of the *D.L. v. District of Columbia*⁴⁸ special education litigation, in SY 2017-18 OSSE audited every LEA's identification rate of enrolled students receiving special education services under IDEA against the 8.5% threshold established in the case. In the updated Child Find review process, OSSE reviews LEA identification rates of students eligible for special education and LEA Child Find policies during the Spring of each school year. Based on this review, OSSE determines whether the LEA is out of compliance due to a low identification rate, its Child Find policy and procedures, or both. OSSE states in its notification letter to the LEA the result of its review and, if needed, what actions the LEA is required to take to be deemed compliant.

During SY 2017-18, OSSE found that City Arts & Prep PCS identified 8.6% of its students eligible for special education, which is close to the District's 2017-18 identification rate of 8.5%. Further, OSSE reviewed City Arts & Prep PCS's Child Find policy, practices, and procedures. The results of the focused monitoring activities were sent to the LEA's leader.⁴⁹ Upon review, OSSE determined that the LEA is compliant with Child Find requirements and no further action is required.

Hearing Officer Determination (HOD) Implementation Review

OSSE manages and oversees compliance through the HOD Tracker (formerly called the Blackman Jones database) that tracks the timely implementation of actions required by HODs. As of August 2018, no HODs have been issued against City Arts & Prep PCS since it became an independent LEA.⁵⁰

⁴⁸ *D.L. v. The District of Columbia* (Case No. 1:05-cv-01437), 860 F.3d 713 (DC Cir. 2017)

⁴⁹ Please find the Child Find Focused Monitoring Report for City Arts & Prep PCS attached as Appendix U.

⁵⁰ HODs are the written decision issued as a result of a due process complaint that resulted in a hearing. Most complaints are withdrawn for any number of reasons, including settlement. Not all outcomes are required to be tracked. For the purpose charter reviews and renewals, DC PCSB reports only on HODs that resulted in a finding of noncompliance against the LEA.

SECTION THREE: FISCAL MANAGEMENT AND ECONOMIC VIABILITY

INTRODUCTION

The SRA requires DC PCSB to revoke a school's charter if DC PCSB determines that the school:

- Has engaged in a pattern of nonadherence to generally accepted accounting principles (GAAP);
- Has engaged in a pattern of fiscal mismanagement; and/or
- Is no longer economically viable.⁵¹

DC PCSB has assessed City Arts & Prep PCS's financial performance by reviewing the previous five years of audited financials and DC PCSB's Financial Analysis Review (FAR) reports, dating from FY 2013 through FY 2017. DC PCSB also reviewed the school's unaudited financials for FY 2018 and incorporated this data when relevant. For the purpose of this report, DC PCSB used the FY 2017 FAR Report's "meets expectation" ranges to compare the financial strength of individual measures. The ranges were established where the upper end of the range was the "target" for financial performance and the lower end was the "floor." Schools performing at or above the established targets are determined to be in a strong financial position for the specific metric being assessed. When schools' metrics fall below the established floors, they are further reviewed to determine whether this poses financial concerns. DC PCSB assesses the school's financial condition holistically in order to determine whether operations are adequately managed, sustainable, and economically viable.

KEY for Fiscal Management and Economic Viability Charts	
No Shading	<ul style="list-style-type: none">• Within an average, financially healthy range based on the FAR and general finance principles.
Red	<ul style="list-style-type: none">• Falling within a range which is cause for concern based on the FAR and general finance principles. Though this does not necessarily show fiscal mismanagement on the part of the school, it indicates that this specific measure fell below the targets that DC PCSB considers financially sound.

SUMMARY OF FINDINGS

City Arts & Prep PCS has demonstrated adequate fiscal performance. Its financial audits confirm the school has adhered to GAAP and has adequate internal controls. The school has not engaged in a pattern of fiscal mismanagement, and it is economically viable.

At the beginning of the review period the school had negative net assets, meaning its liabilities exceeded its assets, which was a source of concern to DC PCSB. Since then, the school has generated surpluses each year as its enrollment has grown. This has allowed it

⁵¹ D.C. Code § 38-1802.13(b).

to grow its net assets from (\$73k) in FY 2013 to \$1.9mm in FY 2017. As a result, the school's "Primary Reserve Ratio,"⁵² once another source of concern, is 22%, slightly below the target of 25%. Enrollment declined slightly in FY 2018, but still remains up 18% from the school's enrollment of 422 students in 2013. According to the unaudited FY 2018 financial statements, total revenues continued to grow despite the single year decline in enrollment, and the school has continued to operate at a surplus to grow net assets to \$2.2M.

FINANCIAL OVERVIEW

Overall, the school has exhibited adequate financial performance as it has grown in a fiscally responsible manner. The following table provides an overview of City Arts & Prep PCS's financial information between FY 2013 and FY 2017. City Arts & Prep PCS has steadily grown both enrollment and revenue through 2017 (growth of 24% and 25%, respectively) but experienced a single-year decline in FY 2018. At the end of FY 2018, unaudited financial results show that total revenues and enrollment are both up from FY 2013, 27% and 18% respectively. Lastly, City Arts & Prep PCS has built a Net Asset Position of \$1.9 million, which is indicative of a significantly stronger financial position than in 2013.

Financial Highlights (\$ in 000s)						
	2013	2014	2015	2016	2017	2018*
Maximum Enrollment⁵³	494	494	494	494	494	494
Audited Enrollment	422	435	439	467	522	499
Total Revenue	\$7,544	\$7,711	\$8,207	\$8,548	\$9,403	\$9,573
Surplus/(Deficit)⁵⁴	\$811	\$890	\$630	\$91	\$395	\$224
Unrestricted Cash Balances	\$1,313	\$2,164	\$1,893	\$2,097	\$1,991	\$1,853
Number of Days of Cash on Hand⁵⁵	82	122	95	94	83	74
Net Asset Position⁵⁶	(\$74)	\$817	\$1,447	\$1,538	\$1,933	\$2,157
Primary Reserve Ratio⁵⁷	(1%)	12%	19%	18%	22%	21%

*Based on unaudited financials

FISCAL MANAGEMENT

Based on DC PCSB's assessment of the school's liquidity, debt burden, and cost management, the school has shown evidence of adequate fiscal management. Specifically, liquidity is strong; the school has adequate ability to service new debt; costs are effectively

⁵² Primary reserve ratio divides a school's net tangible assets by its expenses.

⁵³ Maximum Enrollment represents the largest possible number of students for which the school may receive public funding. It may be higher than the school's targeted or budgeted enrollment but provides a good proxy for the school's enrollment expectations over time.

⁵⁴ Surplus / (Deficit) is total revenue minus total expenses.

⁵⁵ Number of Days of Cash on Hand equals unrestricted cash and cash equivalents divided by daily operating expenses (which equals annual operating expenses divided by 365 days). It is a measure of the school's ability to pay debts and claims as they come due.

⁵⁶ Net Asset Position equals total assets minus total liabilities.

⁵⁷ Primary Reserve Ratio equals total net assets, less intangible assets, divided by total annual expenses.

managed; and the internal control environment appears to be strong. These areas are discussed further below.

Liquidity

Liquidity								
	Floor	Target range	2013	2014	2015	2016	2017	2018*
Current Ratio	0.7	1.0	1.3	1.7	2.3	1.9	1.6	2.4
Number of Days of Cash on Hand	15	45	82	122	95	94	83	74

* Based on unaudited financials

Liquidity refers to the school’s ability to convert assets to cash in order to meet its immediate financial obligations, particularly in the short-term. DC PCSB measures liquidity by assessing two metrics—the Current Ratio⁵⁸ and Days of Cash on Hand⁵⁹—as well as considering the school’s solvency.

Current Ratio: The current ratio divides a school’s current assets by its current liabilities. “Current” means being available or coming due within the next year. The school’s current ratio has consistently been above the target of 1.0, meaning the school has the means to meet obligations that will come due in the next year.

Days of Cash on Hand: This measure determines how many days of expenses a school can meet with the cash it has in the bank. Similar to current ratio, this measure has consistently been well above DC PCSB’s target.

Solvency: The final measure of liquidity is solvency,⁶⁰ which considers the school’s overall ability to pay outstanding obligations, including amounts due to vendors, employees, and lenders if the school’s charter were to be revoked. DC PCSB reviewed City Arts & Prep PCS’s 2017 audited financial statements to determine the risk to third parties in the event of school closure. Should the DC PCSB Board vote to close City Arts & Prep PCS, staff expects that the school would be able to meet its operating obligations, including estimated closure costs, and the school would not have a shortfall in meeting obligations due to vendors and employees. Given the overall financial health of the school, City Arts & Prep PCS’s solvency is not an area of concern.

⁵⁸ A school’s current ratio is its current assets divided by current liabilities.

⁵⁹ Days of Cash on Hand is the amount of unrestricted cash and cash equivalents divided by daily operating expenses, excluding depreciation & amortization.

⁶⁰ Except when the school owns a facility, solvency equals unrestricted cash plus receivables with a high probability of collection, minus liabilities and closure expenses.

Debt Burden

Debt Burden								
	Floor	Target	2013	2014	2015	2016	2017	2018*
Debt Ratio	0.9	0.5	1.0	0.8	0.6	0.6	0.4	0.4
Debt Service Coverage Ratio	1.0	1.2	N/A – metric introduced in FY 2016			0.8	1.4	1.1

* Based on unaudited financials

Based on DC PCSB’s assessment, there are no current concerns related to City Arts & Prep PCS’s debt burden; this represents a considerable improvement from the school’s debt burden five years ago. DC PCSB reviews two ratios related to debt management—the debt ratio⁶¹ and the debt service coverage ratio (DSC).⁶²

Debt Ratio: In 2013, the school was highly leveraged, with liabilities equal to total assets (e.g., a debt ratio of 1.0, which is beyond the established floor of 0.9). Since then, the debt ratio has consistently improved to 0.4 in 2017, with the unaudited financials for FY 2018 reflecting similar performance.

Debt Service Coverage Ratio: The debt service coverage ratio compares a school’s current year operating surplus with the interest and principal due on its debt. A high ratio implies sufficient resources were available for debt service, while a low ratio indicates a school’s inability to service its debt. In 2017, the school’s DSC was 1.4, above the target, and indicative of a strong ability to service its upcoming debt principal and interest; the unaudited 2018 financials show the school’s continued ability to service its debt.

Cost Management

Components of Expenses (\$ in 000s)					
	2013	2014	2015	2016	2017
Salaries and Benefits	\$3,680	\$3,779	\$4,644	\$5,170	\$5,233
Direct Student Costs	\$1,101	\$864	\$685	\$641	\$904
Occupancy Expenses	\$1,343	\$1,632	\$1,632	\$1,976	\$1,944
General Expenses⁶³	\$610	\$547	\$616	\$670	\$926

⁶¹ Debt Ratio equals the total liabilities divided by the total assets.

⁶² Debt Service Coverage (DSC) Ratio equals Earnings Before Interest, Depreciation, and Amortization divided by the sum of scheduled principal payments and interest paid (not including balloon payments).

⁶³ DC PCSB has worked with the Financial Oversight Task Force to revise definitions of cost categories, including combining Office Expenses and General Expenses beginning in FY 2016. Other category definitions have also changed over time.

As a Percent of Expenses						
	2013	2014	2015	2016	2017	FY 2017 Sector Average
Salaries and Benefits	55%	55%	61%	52%	58%	62%
Direct Student Costs	16%	13%	9%	17%	10%	10%
Occupancy Expenses	20%	24%	22%	23%	22%	16%
General Expenses	9%	8%	8%	8%	10%	10%

The tables above provide an overview of the school's spending decisions over the past five years. With the exception of occupancy costs being above the sector average, it appears that City Arts & Prep PCS's expenses are in line with sector averages.

Internal Controls

At the highest level, internal controls are processes assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies.

Audits of City Arts & Prep PCS establish that the school has adhered to GAAP. The school's auditors issued unmodified audit opinions for all years and there were no material weaknesses identified in internal controls over financial reporting. In 2014, the auditors did identify a material weakness in internal control over compliance, relating to the National School Lunch Program; as of 2017, all deficiencies had been remediated. Based on this assessment, City Arts & Prep PCS appears to have an adequate internal control environment.

Internal Controls					
	2013	2014	2015	2016	2017
Modified Statement Opinion. The auditor issues an opinion letter on the basic financial statements. An <i>unmodified</i> opinion means the auditor is satisfied professionally that the statements present fairly the financial position of the school and the results of operations. Should there be areas of doubt, the opinion may be <i>modified, adverse, or disclaimed</i> .	No	No	No	No	No
Material Weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the school's financial statements will not be prevented or detected and corrected in a timely manner.	No	No	No	No	No
Statement Non-Compliance. The auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements. Non-compliance could have a direct and material effect on the determination of financial statement amounts.	No	No	No	No	No

Internal Controls					
	2013	2014	2015	2016	2017
Modified Program Opinion (Uniform Guidance). When expenditures of federal funds are greater than \$750,000, the auditor performs an extended review and issues an opinion letter on compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the school's major federal programs. A <i>modified opinion</i> indicates instances of non-compliance.	No	Yes	No	No	No
Program Material Weakness (Uniform Guidance). In planning and performing the audit of major federal programs, the auditor considers internal control over compliance with the requirements of applicable laws, regulations, contracts, and grants. A material weakness in internal control indicates that there is a reasonable possibility of material non-compliance with a requirement of a federal program that will not be prevented, or detected and corrected, on a timely basis.	No	Yes	No	No	No
Findings & Questioned Costs. The auditor discloses audit findings that are important enough to merit attention by those charged with governance, with documentation of corrective action plans noting the responsible party.	0	1	0	0	0
Unresolved Prior Year Findings. The auditor discloses prior year audit findings that have not been corrected.	No	No	No	No	No
Going-Concern Issue. The auditor indicates that the financial strength of the school is questioned.	No	No	No	No	No
Debt-Compliance Issue. The audit discloses that the school was not in compliance with certain debt covenants. A debt-compliance issue may prelude insolvency.	No	No	No	No	No

ECONOMIC VIABILITY

Considering earnings, cash flows, reserves, and trends in both enrollment and revenue, DC PCSB staff has no concerns about City Arts & Prep PCS's economic viability. The school has generated operating surpluses and positive cash flow each year of the review period.

(\$ in 000s)	Floor	2013	2014	2015	2016	2017	2018*
Surplus/(Deficit)	<0	\$811	\$890	\$630	\$91	\$395	\$224
Earnings before Depreciation and Amortization	<0	\$1,084	\$1,217	\$940	\$393	\$687	\$468

*Based on unaudited financials

Earnings and Operating Cash Flow

One measure of economic viability is whether a school runs a surplus—put simply, whether revenues exceed expenditures. While healthy schools can occasionally run deficits, in most years they do not. Earnings before Depreciation and Amortization (EBDA) removes major non-cash items from the earnings calculation and is an indicator of whether the school has generated positive cash for the year.⁶⁴

City Arts & Prep PCS had positive earnings and positive EBDA in every year of the review period.

(\$ in 000s)	Floor	Target	2013	2014	2015	2016	2017	2018*
Net Asset Position	\$ 0	N/A	(\$74)	\$817	\$1,447	\$1,538	\$1,933	2,157
Primary Reserve Ratio	0%	25 %	(1%)	12%	19%	18%	22%	21%

* Based on unaudited financials

Net Asset Position

Net Asset Position measures a school's assets less its liabilities. DC PCSB would be concerned with net asset reserves below zero, which was the school's financial position in FY 2013. As described above, the school's net assets have grown considerably since then as the school has generated operating surpluses, adding to its reserves.

Primary Reserve Ratio

The Primary Reserve Ratio divides net assets by a school's total expenses to measure net assets relative to the size of the school. The Primary Reserve ratio has grown commensurately with net assets, from -1% in 2013 to 22% in 2017; this is adequate and approaches the established target of 25%. Based on the unaudited 2018 financials, the Primary Reserve ratio declined slightly to 21%, however, this slight decrease has not changed DC PCSB's assessment of the Primary Reserve ratio from 2017.

Enrollment and Revenue Trends

The final measures of economic viability are trends in enrollment and revenues. Enrollment trends provide information about a school's ability to attract students and receive DC and Federal funds for operations. Stable or increasing enrollment and revenue indicate that a school is likely to remain financially stable, barring extraordinary circumstances.

As noted above, City Arts & Prep PCS has steadily grown both enrollment and revenue through 2017 (growth of 24% and 25%, respectively) but experienced a single-year decline in 2018. At the end of 2018, unaudited financial results show that total revenues and enrollment are both up from 2013, 27% and 18% respectively.

⁶⁴ EBIDA is the change in net assets plus depreciation and amortization.

Enrollment over Time						
	2013	2014	2015	2016	2017	2018
Enrollment	422	435	439	467	522	499
Growth in Enrollment	-	3%	1%	7%	12%	(5%)
Total Revenue	\$7,544	\$7,711	\$8,207	\$8,548	\$9,403	\$9,572
Growth in Revenues	-	2%	6%	4%	10%	2%