

# Method High School LA

## Business Plan: Launch Through Year 5



February 2015

method  
high school

# Business Plan Components:

1. Vision & Goals
2. The Method High Solution
3. Key Differentiators
4. Marketing Summary
5. Financial Summary

# Section 1: Vision & Goals



# Vision: Be Remarkable & “Referrable.”

To build a charter school solution that meets unmet student needs. We'll build and grow in an efficient and scalable way, while always questioning the old way of doing things. We'll know we're on track when more than half of our students enroll due to word-of-mouth referrals.

# Method High Programmatic Expectations

## ✓ **1.5 Years of Annual Growth in Common Core Math & Reading**

- Monthly benchmark assessments
- Focused Direct Instruction using assessment data
- One/One tutoring
- Adaptive online curriculum

## ✓ **95% Average Daily Attendance**

- SIS Optimized for independent study
- Student/Teacher/Parent Attendance Conferences
- Right-sized attendance tracks for each student

## ✓ **92% Cohort Graduation Rate**

- One/one core subject tutoring
- Concurrent enrollment
- Flexible schedules

## ✓ **85% Four Year College Acceptance**

- Transitional College
- Concurrent enrollment
- Project Based Learning aligned to career paths
- WASC accreditation and UC-approved courses

✓ **Orange: Expectation**

• **White: Tactics to Achieve**

# Goal Monitoring & Reporting

Goals at Method High are expectations. To ensure success, each is measured and reported through:

- ✓ Student assessment dashboard from RenStar Learning – shows entrance, benchmark and current assessment position by student, grade, and teacher (outside vendor)
- ✓ Student attendance tracking through School Pathways SIS portal (outside vendor)
- ✓ One/ones with staff
- ✓ Student/Parent/Method conferencing
- ✓ Board reports
- ✓ State of CA reporting
- ✓ Longitudinal student tracking for college admittance (future)

# Section 2: The Method High Solution



# The Method High Solution

Method High, a tuition-free public charter school, is a unique option for Los Angeles area high school students. Method features:

- Blended format combined with project based learning
- Small class sizes in direct instruction settings
- Teachers experienced in alternative and innovative instruction
- Large onsite and online course catalog
- WASC accreditation and UC course approval to be completed in year 1
- Flexible schedules and tracks, including iRotate (1, 2, 3, or 4 days per week onsite) and iFlex (online option with onsite support as needed)



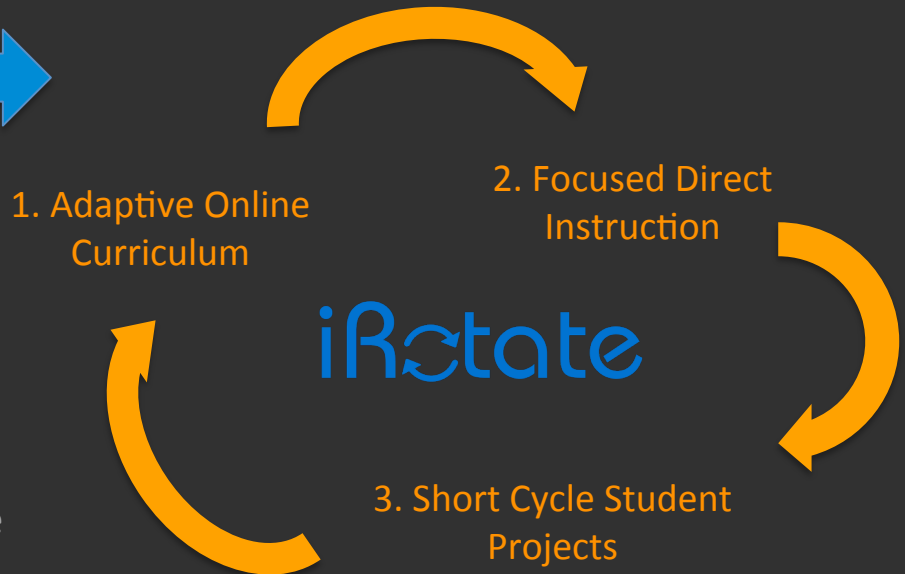
# The Method High Solution: iRotate Method

Method features a rotational model (we call it iRotate) that engages students and reduces class size in direct instruction settings.

Students enter rotation after taking **online assessment** and a **transcript/goal review** takes place. This ensures each student has a right-sized and customized experience.

## iRotate is Supported by:

- One/One Math and Reading tutoring
- Flexible schedules
- Highly trained staff
- Culture of innovation (e.g. Transitional College and breakthrough<sup>10</sup>)
- Common Core alignment



# The Method High Solution: iFlex Method

Some students might choose an online track – we call it iFlex. This virtual track provides maximum flexibility.



- ✓ Flexibility for students who work well independently
- ✓ Online content provided by respected vendors
- ✓ UC-approved course listing
- ✓ Method-built projects to supplement and replace some online objectives
- ✓ Face-to-face appointments at least twice per week with Method instructor
- ✓ Open invitation to attend any Method instruction or extra-curricular activity
- ✓ Family connect groups for group projects and socialization
- ✓ 24x7 tech support (outside vendor)

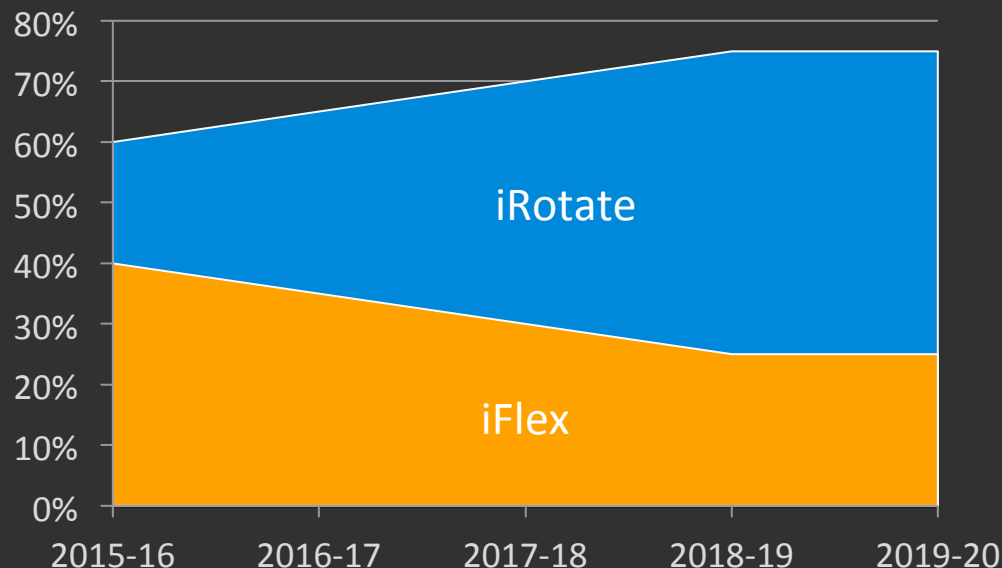
# Service Delivery (Method/Track Enrollment)

Over time, our goal is to transition a larger percentage of our student enrollment base into the iRotate track as we attract larger numbers of traditional students.

iFlex is easier to launch and scale initially, while iRotate allows Method to implement full core services to achieve maximum results.

Having both tracks allows for cost-effective scaling and a brings Method services to more students.

Projected Enrollment Breakdown by Track %



# Staffing Ratios

Method High staffing plan allows is cost-effective and **allows for efficient scaling / future growth.**

## *Instruction:*

**25:1** Student/Teacher

**8:1** Student/Teacher in Direct Instruction Settings<sup>1</sup>

**50:1** Instructional Aide/Student

**1:1** Math and Reading Tutoring – after school

<sup>1</sup>Rotational model allows for 8:1 student ratio during Focused Direct Instruction (FDI stage)

**Overhead: 1 Principal, 1 data analyst, 1 student support manager**

# Blurring the Lines

Between High School and College

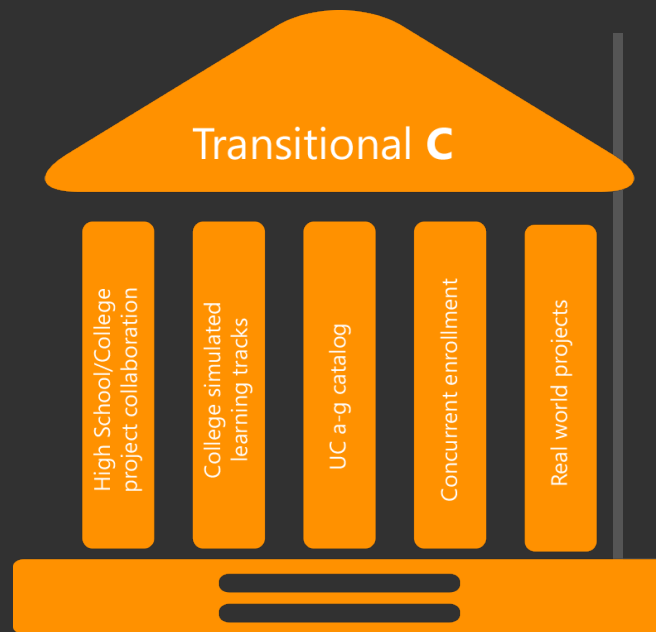
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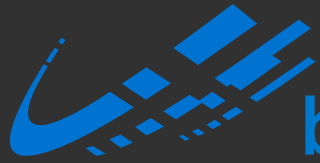
Transitional

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- ✓ College/Method project collaboration using fresh platforms
- ✓ iRotate and iFlex simulate college learning environment with group collaboration, mastery-based courses, and efficient transitions between online & offline learning
- ✓ Meaningful partnerships with colleges and universities
- ✓ Data-driven, student-driven, engine informs practice
- ✓ UC-approved courses in robust, rich course catalog

Finding from Method research: many students in PBL charter schools feel prepared for career success, but not for college success





## breakthrough<sup>10</sup> | Teachers need project time too

- ✓ Teachers devote 10% of their time to projects that they believe will disrupt education
- ✓ Quarterly “Breakthrough Project Fairs” to introduce projects and get advice from peers
- ✓ Focus on teaching breakthroughs that bring a private school experience at a public school price to disadvantaged students



breakthrough<sup>10</sup> is the foundation of the Method professional development plan

# Section 3: Key Differentiators



# Key Differentiators: How Method Stands Out

- **Small Class Sizes:** Method uses a 3 part rotational model featuring projects, online and offline curriculum. This allows average class sizes of 8 during direct instruction settings (1/3 of 25:1).
- **Space Efficiency:** less reliance on physical space means more money to instruction and R&D; aging infrastructure robs money from instruction.
- **Short Cycle Projects:** Method features short cycle student projects that integrate seamlessly with curriculum. We've seen this to be difficult for others to replicate, especially with math. Many Project Based Learning students struggle with math.
- **Project Based Learning Pros:** we're focused on hiring staff that understands how to combine projects with core curriculum, especially in math.
- **Breakthrough<sup>10</sup>:** Project Based Learning / professional development for teachers allows teachers to provide innovative and engaging student projects.
- **Marketing Experience:** Method founders have extensive K-12 industry marketing knowledge, which will allow for growth in a competitive charter school environment.
- **User-friendly Enrollment System:** Our enrollment system is simple, efficient and mobile-friendly. This helps eliminate drop-offs that occur from outdated systems.



# Section 4: Marketing Plan Summary



# California is the most competitive charter school market in the country

- New charter schools in So. Cal. add choice but often draw primarily other charter students, creating an unstable “transfer effect” and mitigating disruption
- This attrition makes it very difficult to scale and deliver services
- Many charter schools struggle to differentiate, deliver truly novel solutions, and breakthrough
- Insolvency dooms many charter schools before they can thrive, often due to rosy enrollment projections



Method needs to differentiate and provide unique solutions to grow in the LA market.

# Method High marketing can be characterized as an inbound strategy.

- Reliance on online content to draw traffic to website
- Optimized website for search
- Regular events / open houses
- *Limited* paid search (although some reliance in year 1)
- *Limited* traditional advertising (paid media ads, printed material, etc.)
- Percentage of students who come to Method through word of mouth increases annually

# Marketing Case Study Summary

This is actual ad performance for another school in the San Diego area. The ad was run on the Facebook Newsfeed network from 1/3/15 to 1/22/15. The ad generated substantial awareness and had resulted in 9 completed enrollments as of 2/10/2015.

From our experience, online advertising generates the highest ROI when compared to other paid advertising.

## Outbound Online Marketing - Actual Ad

• Amount Spent on Ad	\$531.01
• Reach (Number of people ad served to)	85,947
• Clicks to Landing Page	1,065
• Form Submissions	66
• Actual Enrollments	9

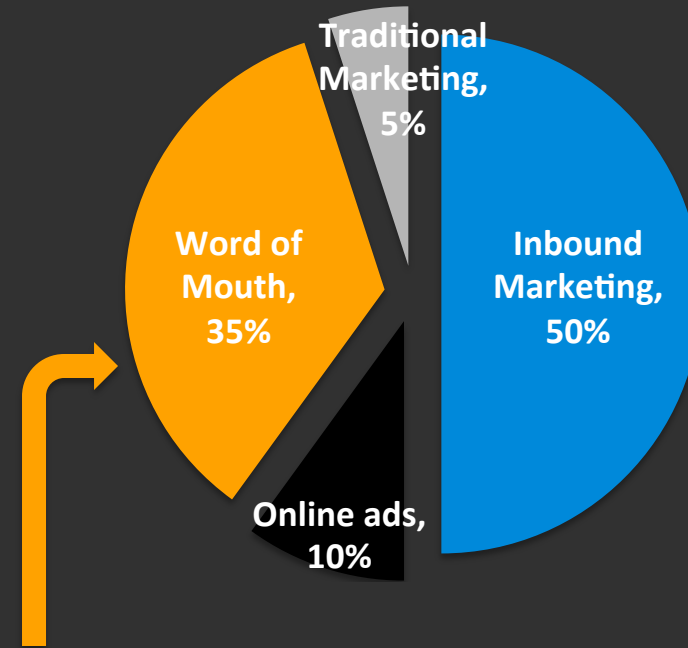
<b>Cost Per Enrollment</b>	<b>\$59.00</b>
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# Marketing by Activity

The \$59 Cost Per Enrollment figure from the Facebook ad is very reasonable, but the goal is an inbound approach, which will drive more traffic to the Method High website with less reliance on online advertising.

Method High has partnered with HubSpot, a vendor that provides an affordable inbound marketing platform that integrates with a student enrollment portal.

## Marketing Actions by Budget



*Our vision calls for this to grow to 50%*

# More on Inbound Marketing: What is it?

**Content Creation + Distribution:** Create targeted content that answers prospects' and customers' basic questions and needs, then share that content far and wide.

**Lifecycle Marketing:** Promoters don't just materialize out of thin air: they start off as strangers, visitors, contacts, and customers. Specific marketing actions and tools help to transform those strangers into promoters.

**Personalization:** Tailor your content to the wants and needs of the people who are viewing it. As you learn more about your leads over time, you can better personalize your messages to their specific needs.

**Multi-channel:** Inbound marketing is multi-channel by nature because it approaches people where they are, in the channel where they want to interact with you.

**Integration:** Content creation, publishing and analytics tools all work together like a well-oiled machine - allowing you to focus on publishing the right content in the right place at the right time.

Source: HubSpot.com

# Marketing: Enrollment System

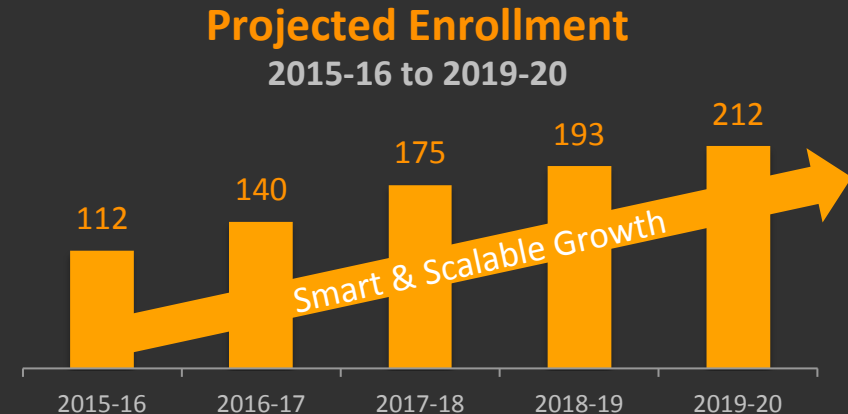
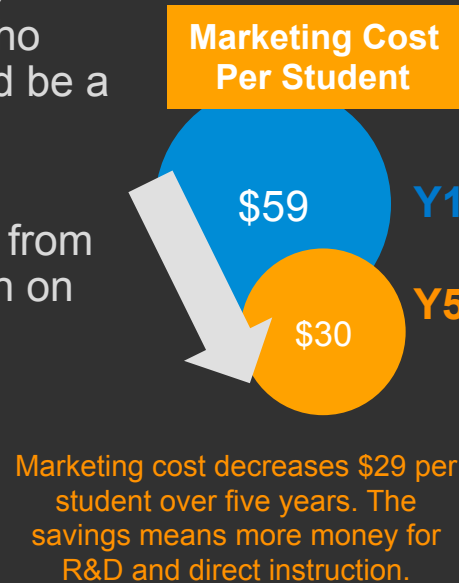
We've found that families struggle with outdated and inefficient enrollment systems, so we developed our own. Here are some features:

- ✓ Mobile-friendly online forms
- ✓ Ability to upload required documents (such as proof of residence, proof of age, etc.) using smartphone camera
- ✓ Workflow that automates the process
- ✓ Phone call and email follow up as needed
- ✓ Online, phone or in-person center tours
- ✓ Software from HubSpot (vendor) that tracks which leads convert to enrollments and which don't (optimizes future marketing)

# Summary of How we Reach Enrollment Targets

Southern California is the most competitive charter school market in the country – great for families, but challenging for charter schools to scale up and hit stride. In addition to having a breakthrough product that people can't wait to tell their friends about, effective and value-driven marketing is essential.

- ✓ Professional marketing plan to identify and attract students who would benefit from Method and be a good fit for the model
- ✓ Affordable marketing software from HubSpot that maximizes return on marketing investment
- ✓ Streamlined enrollment that decreases process time
- ✓ Ongoing research to ensure satisfaction and increase retention





# Scalability

Building a model that can effectively accommodate growth is at the core of the Method model. To that end, the school has been designed to scale efficiently.

- ✓ Multiple attendance tracks that allow for growth in multiple student demographics
- ✓ Online content that includes volume discounts and pro-rated pricing for mid-year entries
- ✓ Weeklong entry course that helps ensure the school is a good fit for students before they enter into mainline program
- ✓ Realistic enrollment projections and commensurate staffing ratios
- ✓ Maximized use of learning centers on a SF basis; relatively small footprint, combined with rotation model and multiple tracks, allows for a limited investment in facilities and less cost to open new centers to accommodate new growth

# Section 5: Financial Summary



# Fiscal Management Practices

- ✓ Method High has entered into an agreement with an experienced charter school financial services company to manage accounts payable, accounts receivable, and some financial reporting
- ✓ Method High is developing fiscal policies and procedures – a board study session is scheduled for March 2015
- ✓ Method High will use QuickBooks as financial software
- ✓ Method High will use modified accrual accounting

# Debt: Year One/Launch

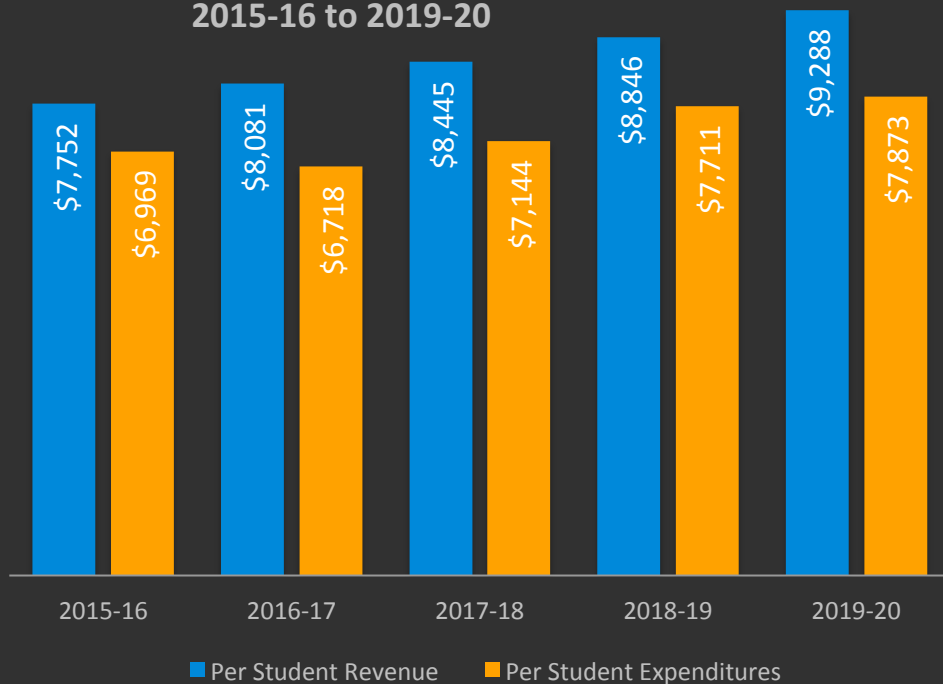
Launching without any debt isn't viable for Method, but limiting debt is essential for short and long-term solvency. Building a model that scales with limited reliance on debt is part of Method's growth plan.

Debt Instrument	Total Amount	Annual Amount	Rate	Maturity Date
Revolving Loan from California School Finance Authority	250,000	50,383	Varies based on current CA PMIA yield; set at 0.22% assumption (current as of 2/2015)	43,891
Contingency Receivables loan – lowest rate currently through Charter Asset Management (CAM)	163,425 <i>(funded amount 150,000)</i>	163,425	Program fee of approximately \$3,000; Discount rate at approx. 6.95%, \$10,425	42,309

# A Launch Plan With a Focus on Solvency

## Per Student Revenues and Expenditures

2015-16 to 2019-20



### Launch Plan:

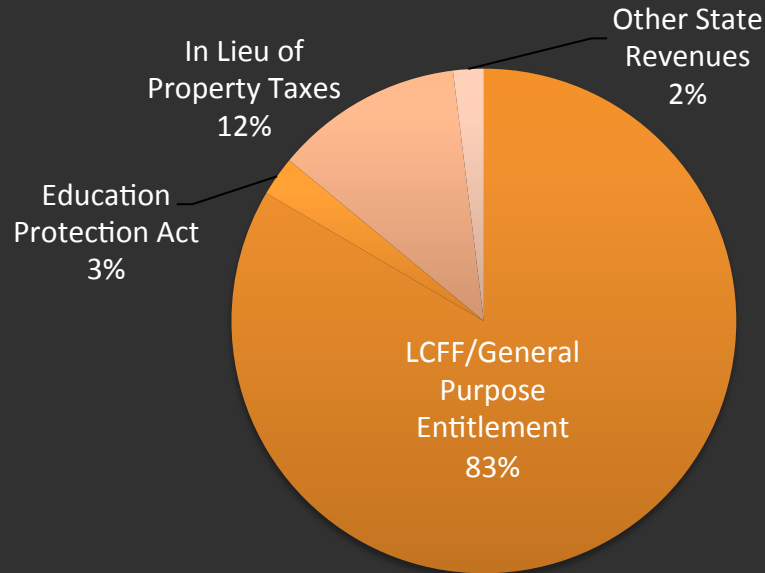
- ✓ Start Up Grant (split up between Y0-Y2): \$250,000
- ✓ CA Revolving Loan (Y1): \$250,000
- ✓ CA PENSEC Apportionment: Approx. \$320,000
- ✓ *Receivables loan (contingency): \$150,000*

This launch plan focuses on launching in a conservative way, but without our customers feeling like they need to endure growing pains with us. Key goals of launch:

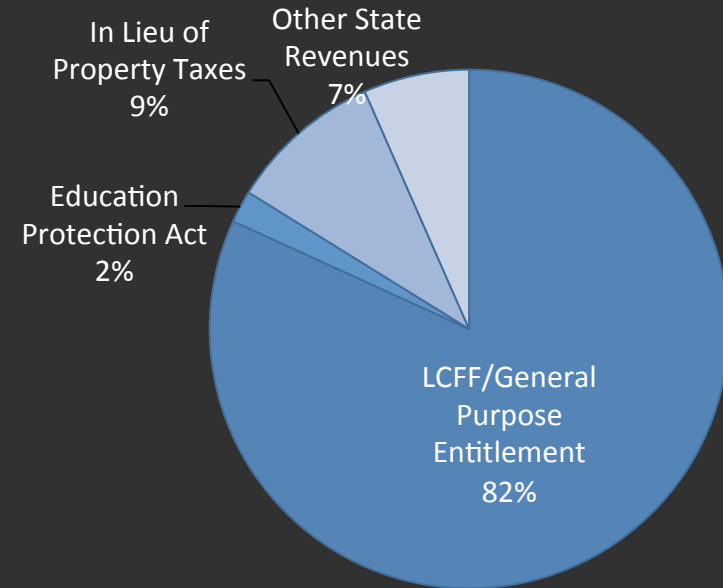
- ✓ Implement our tech plan, including loaner devices for low income students
- ✓ Begin PBL curriculum development
- ✓ Open our iRotate center early enough for walk-throughs and public events
- ✓ Enhanced marketing to ensure enrollment goals are met
- ✓ Launch without being saddled with debt

# Revenue Breakdown: Year 1 Compared to Year 5

2015-16



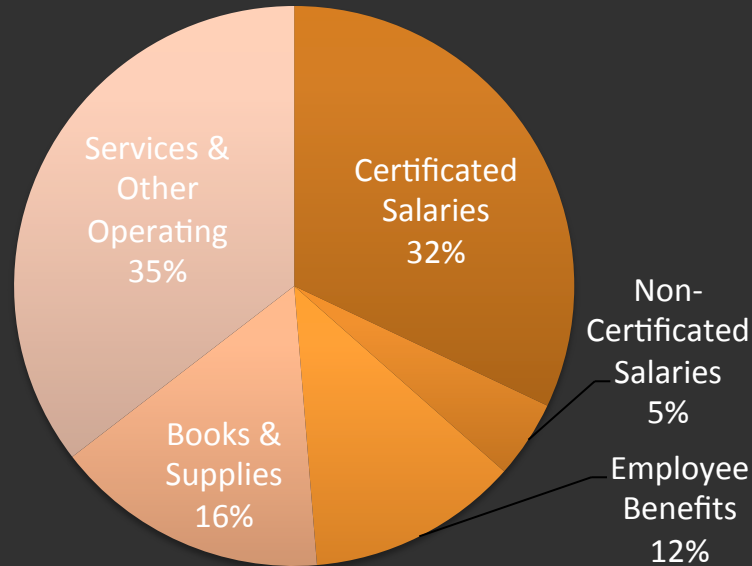
2015-16



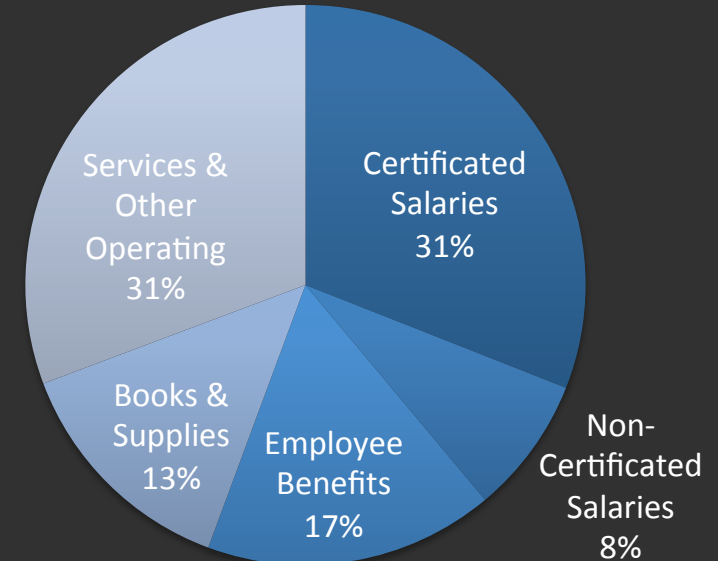
In the first year of operations, some state funding sources won't be available to Method. By year 5, other state revenues make up a more sizable component of Method's revenue structure.

# Expenditure Breakdown: Year 1 Compared to Year 5

2015-16



2015-16



Inflationary pressure on employee benefits will impact discretionary spending over the next five years. Method High is looking at a defined contribution plan rather than pension to help offset expected increases to medical insurance.