

**CHARTER SCHOOL FACILITIES PROGRAM  
2011 LOTTERY FUNDING ROUND  
STAFF SUMMARY REPORT – MARCH 2016**

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| <b>Applicant/Obligor:</b>                      | Aspire Public Schools                        |
| <b>Project School:</b>                         | Aspire ERES Academy                          |
| <b>CDS (County – District – School) Code:</b>  | 0161259-0120188                              |
| <b>Project Location:</b>                       | High Street and Courtland Ave<br>Oakland, CA |
| <b>Type of Project:</b>                        | New Construction                             |
| <b>County:</b>                                 | Alameda County                               |
| <b>District in which Project is Located:</b>   | Oakland Unified School District              |
| <b>Charter Authorizer:</b>                     | Oakland Unified School District              |
| <b>Total OPSC Project Cost:</b>                | \$30,360,612                                 |
| <b>State Apportionment (50% Project Cost):</b> | \$15,180,306                                 |
| <b>Lump Sum Contribution:</b>                  | \$0  |
| <b>Total CSFP Financed Amount:</b>             | \$15,180,306                                 |
| <b>Length of CSFP Funding Agreement:</b>       | 30 years                                     |
| <b>Assumed Interest Rate:</b>                  | 3.00%  |
| <b>Estimated Annual CSFP Payment:</b>          | \$774,488                                    |
| <b>First Year of Occupancy of New Project:</b> | 2017-18                                      |

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Aspire Public Schools (Aspire), on behalf of Aspire ERES Academy (Aspire ERES) is financially sound for the Charter School Facilities Program (Program) Advance / Final Apportionment under the Program. This determination as it relates to an Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon Aspire agreeing to have its CSFP payments intercepted at the state level, pursuant to sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.

**Background:** In June 2007, Aspire received Final Apportionment of \$9,517,000 for its CSFP Proposition 47 financing of Aspire Rosa Parks Academy (Rosa Parks) in Stockton. Aspire matched 50% of this project cost through a signed funding agreement with CSFA. This agreement has a 30-year term to January 2037 with annual payments of \$231,795 based on a final interest rate of 2.202%. Additionally, Aspire has received a combined Advance and Final Apportionments under Proposition 55 of \$19,669,826 for Aspire Ollin University Preparatory Academy (formerly Aspire Centennial College Preparatory Academy), a Preliminary apportionment under Proposition 1D of \$31,073,722 for Aspire Clarendon (formerly Junior Collegiate Academy), and combined Advance and Final apportionment under Proposition 1D of \$21,195,282 for Antonio Maria Lugo Academy (AMLA). The AMLA Final apportionment was subsequently reduced to \$16,458,876. However, Aspire Clarendon has

since rescinded its award. On May 18, 2015, Aspire, on behalf of ERES, was found financially sound for Preliminary Apportionment in the amount of \$30,360,612, and on May 27, 2015, the State Allocation Board awarded Aspire ERES a Preliminary Apportionment in this amount. In addition, on January 7, 2016, OPSC issued Aspire ERES an Advance Apportionment for design in the amount of \$2,470,608. Aspire ERES is now seeking Advance Apportionment for site acquisition in the amount of \$4,941,774.

Not including Aspire Rosa Parks, staff's financial analysis of Aspire assumes that the organization's 50% local matching share of the combined funding amount of \$66,489,314 is documented through 30-year funding agreements with CSFA at an interest rate of 3.00%, resulting in annual payments of \$1,696,118 commencing in 2018-19. In accordance with the CSFP payment subordinate lien pledge, debt service coverage is calculated, including the \$231,795 CSFP lease payment associated with the Rosa Parks project, for a total lease payment of \$1,927,913. Below is a table depicting these costs:

| <b>Project Name</b>                            | <b>Reserved or Actual Costs</b> | <b>CSFP loan amount (Local Match)</b> | <b>Annual Amortized Loan Amount</b> |
|--|---------------------------------|---------------------------------------|-------------------------------------|
| Aspire Rosa Parks                              | \$9,517,000                     | \$4,758,500                           | \$231,795                           |
| Aspire Ollin University Preparatory Academy    | \$19,669,826                    | \$9,834,913                           | \$501,770                           |
| Aspire Antonio Maria Lugo Academy              | \$16,458,876                    | \$8,229,438                           | \$419,860                           |
| Aspire ERES Academy                            | \$30,360,612                    | \$15,180,306                          | \$774,488                           |
| <b>Total (not including Aspire Rosa Parks)</b> | <b>\$66,489,314</b>             | <b>\$33,244,657</b>                   | <b>\$1,696,118</b>                  |
| <b>Total</b>                                   | <b>\$76,006,314</b>             | <b>\$38,003,157</b>                   | <b>\$1,927,913</b>                  |

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting our financial soundness review of Aspire. Detailed information is contained in the body of the report.

| <b>Criteria</b>         | <b>Comments</b>   |
|-------------------------|---|
| <b>EMO Information</b>  |   |
| Demographic Information | <ol style="list-style-type: none"> <li>1. For the current 2015-16 fiscal year, Aspire operates 34 charter schools under twelve chartering authorities. For 2011-12 through 2015-16, Aspire achieved enrollment of 11, 978, 12,581, 12,958, 13,519, and 14,084, respectively, representing overall growth of 17% over four years, and average annual growth of 4.25%.</li> <li>2. Aspire's historical average daily attendance supports the assumption of 95% used in the multi-year projections.</li> </ol> |

|                           |  |
|---------------------------|--|
| Student Performance       | <ol style="list-style-type: none"> <li>1. The vast majority of Aspire schools achieved API growth scores of greater than 800, including more than 70% of the schools in 2012-13.</li> <li>2. In spite of the increasingly difficult task of meeting all AYP criteria over successive years, a large percentage of Aspire schools continued to meet such criteria during 2011-12. However, in 2012-13, only 3 of 30 schools (10%) met all AYP criteria</li> </ol> |
| Debt Service Coverage     | Based on Aspire’s financial projections, the projected debt service coverage levels for the anticipated combined CSFP lease payment in 2018-19 and 2019-20 are 571.6% and 559.6%, respectively. Aspire’s financial projections do not indicate a reliance on expected contributions in order to meet the debt service coverage requirements in 2018-19 and 2019-20.  |
| Other Financial Factors   | <ol style="list-style-type: none"> <li>1. Measured as a percentage of total revenues, contributions from 2018-19 and 2019-20 are projected to average 4.6% annually, which is below the 15.0% threshold level employed by staff.</li> <li>2. Aspire’s net working capital (NWC) at June 30, 2015 was \$54.5 million, or 35.3% of total expenses. Staff considers NWC in excess of 5.0% of total expenses to be a strong liquidity indicator.</li> </ol>          |
| <b>School Information</b> |  |
| Eligibility Criteria      | Aspire ERES has met all eligibility criteria: 1) Aspire ERES commenced operations in 2008-09; 2) Aspire ERES’s charter was renewed in 2014 with its chartering authorizer, OUSD, and is in place through June 2019; and 3) Aspire ERES is in good standing with its chartering authority, and in compliance with the terms of its charter.   |
| Student Performance       | <ol style="list-style-type: none"> <li>1. For 2009-10 through 2012-13, Aspire ERES’ API growth scores increased every year, finishing 2012-13 with an API growth score of 833.</li> <li>2. For two of the four most recent years for which data is available, Aspire ERES met all AYP criteria.</li> </ol>   |
| Demographic Information   | <ol style="list-style-type: none"> <li>1. Aspire ERES has shown stable student enrollment from 2010-11 through 2015-16 with enrollment of 215, 225, 222, 222, 223, and 222, respectively, in grades K-8.</li> <li>2. Based on the student capacity of the CSFP project, Aspire ERES is projecting student enrollment of 584 in 2017-18, the first year of student occupancy, and maintaining this level of enrollment in subsequent years.</li> </ol>            |

**Program Eligibility:** On January 11, 2016, verification was received from Oakland Unified School District (OUSD) confirming that ERES is (1) in compliance with the terms of its charter agreement, and (2) is in good standing with its chartering authority. ERES’s charter was renewed in 2014 with OUSD and is effective through 2019.

**Legal Status Questionnaire:** CSFA staff and counsel reviewed responses to the questions contained in the Legal Status Questionnaire, signed and dated by the Chief Financial Officer and Chief Executive Officer, respectively, on January 22, 2016 and January 25, 2016. Aspire answered "Yes" to an LSQ question(s). CSFA staff and counsel have reviewed the facts surrounding the disclosure(s) and have determined that the potential liability does not impact the organization's ability to make its CSFP payments should Aspire be granted an apportionment nor a determination of financial soundness.

**Project Description:** Aspire has identified a site for the new CSFP project located at 2956 International Boulevard in Oakland, approximately 1.2 miles from the current campus, and is currently working through City of Oakland approvals. The new facility will be a 3-story, 44,000 square foot building with 10,500 square feet of outdoor space. The new campus will accommodate up to a maximum enrollment of 600 students in grades K-8 and will include 23 classrooms, 1 lab, a multi-purpose room/cafeteria, admin space, as well as other flexible spaces for small group work and private meetings. The opening date of the new facility is estimated for August 2017.

**Organizational Information:** Aspire ERES' charter was originally approved by OUSD on May 27, 2009, and the school began operations in 2009-10 with students in grades K-5. Aspire ERES' charter was most recently approved by OUSD for five years and is effective through June 30, 2019. Aspire ERES' 2015-16 enrollment is 219 students in grades K-8. However, enrollment is expected to increase to 584 students in 2019-20, when the new facility is opened.

**School Management:** Aspire ERES' current Principal is Courtney Walker. Ms. Walker has served as Principal since 2014. Prior to this position Ms. Walker served as the 4<sup>th</sup>/5<sup>th</sup> Grade teacher (2012-14). Ms. Walker holds a Master of Science in Teaching from Pace University, as well as a Bachelor of Arts from Colgate University. She maintains California Credentials for Childhood Education and English as a Second Language.

**Management Experience for Schools Open Less than Two Years:** Not applicable as Aspire ERES began operations in 2008-09, exceeding the two years of instruction requirement.

**EMO Organization and Management:** Aspire is a 501(c)(3) non-profit public benefit corporation, governed by a board of directors that creates, controls and operates its schools. Aspire's Board of Directors is responsible for: establishing broad policies that affect all Aspire's schools, advocating Aspire's mission, and providing strategic guidance to the organization. Aspire also has an Advisory Board that supports the Board of Directors and staff by providing expertise on specific issues that affect the organization's business and education strategies. The Advisory Board includes policy makers, education researchers, community leaders, and investors.

Aspire Public Schools was founded in 1998 to manage, guide, direct, and promote charter schools that provide quality education to youth in primary and secondary grades. Aspire operates charter schools in three clusters located in the San Francisco Bay Area, the Central

Valley, and Los Angeles County. Aspire’s mission is to open and operate small, high-quality charter schools in low-income neighborhoods in order to: (1) increase the academic performance of underserved students; (2) develop effective educators; (3) share successful practices with other forward-thinking educators; and (4) catalyze change in public schools. Aspire locates their charter schools in areas with academically underperforming traditional schools in order to provide an alternative learning experience within those communities. Geographic areas where at least 75% of the students qualify for free or reduced priced meals also are targeted by Aspire. Aspire grew its organization from one charter school, Aspire Vincent Shalvey Academy to nine schools by 2008-09. In 2009-10, Aspire opened four schools: Aspire ERES Academy, Aspire Vanguard College Preparatory Academy, Aspire Alexander Twilight College Preparatory Academy, and Aspire Titan Academy. In 2010-11 Aspire opened five additional schools: Aspire Firestone Academy, Aspire Gateway Academy, Aspire APEX Academy, Aspire Alexander Twilight Secondary Academy, and Aspire Pacific Academy. In 2011-12, Aspire opened four additional schools: Aspire Juanita Tate Academy, Aspire Slauson Academy, Aspire Inskeep Academy, and Aspire College Academy. In 2013-14, Aspire opened Aspire Centennial College Preparatory Academy<sup>1</sup>, and in 2014-15, Aspire opened Aspire Triumph Technology Academy. In 2015-16, Aspire closed Aspire Huntington Park Charter School and opened Aspire Richmond Technology Academy, resulting in Aspire’s operating 34 schools across California serving 14,084 students. Aspire recently opened three schools in Tennessee.

Aspire’s vision is to improve the achievement of all students. One of Aspire’s missions is to educate students that are not being well served in their current educational environment through their curriculum. According to information provided by Aspire representatives, Aspire implements curriculum packages created by other parties, complementary to the Aspire system and aligned to the California State standards. The school’s educational program, simultaneously rigorous and relevant to the students, emphasizes interdisciplinary thinking across subject areas.

**Board Experience:** The Board of Directors consists of 7 active members, as depicted in the table below.

| Name               | Occupation                                  | Term Ends |
|--------------------|---|-----------|
| Jim Boyd           | Executive Director, Pyramid Peak Foundation | 2021      |
| Warren Felson      | Private Investor                            | 2020      |
| Jonathan Garfinkel | Partner, TPG Capital                        | 2018      |
| Leslie Hume        | Historian                                   | 2021      |
| Beth Hunkapiller   | Educator and Administrator                  | 2018      |
| Steven Merrill     | Venture Capitalist                          | 2020      |
| James Quigley      | CEO Emeritus, Deloitte                      | 2021      |

<sup>1</sup> Aspire gave the name Aspire Centennial College Preparatory Academy to a new school in 2013-14, which was the same as the former name of Aspire Ollin University Preparatory Academy, even though they represent different charters.

The Board of Directors is responsible for establishing broad policies and overseeing high-level decisions that affect all Aspire schools. Those duties include, but are not limited to, the following:

1. Defining or refining the organization's mission, vision, and values;
2. Setting strategic direction;
3. Adopting policies to ensure that Aspire is managed effectively, ethically, and in compliance with governing laws and regulations;
4. Hiring, firing, overseeing, evaluating and supporting the Chief Executive Officer;
5. Monitoring the operating budget and finances to ensure long-term viability;
6. Ensuring that adequate funds are secured for purposes of Aspire's operating and capital budget; and
7. Approving and overseeing all fund-raising efforts.

**Staff Experience:** As previously mentioned, Aspire maintains executive positions at the corporate level.

Carolyn Hack was formerly the Chief Operating & Financial Officer at Uncommon Schools. She joined Uncommon Schools as Director of Finance in the summer of 2006 and began serving on the leadership team in 2009. In her role, Carolyn oversaw core school support services – finance, real estate, human resources, infrastructure, data management and application support, product solutions, legal and development. During Carolyn's tenure, Uncommon has expanded to 42 high quality schools in the Northeast and was awarded the 2013 Broad Prize for Public Charter Schools. Prior, she worked at Anchor, Inc. where she was responsible for the financial management of the organization, strategic planning, the development of a new evaluation model, the oversight of a capital renovation project, and fundraising. Carolyn taught high school mathematics and coached basketball and soccer for five years in Northern California. She received her B.A. in Economics from Johns Hopkins University, M.A. from Stanford University's Graduate School of Education, and M.B.A from Columbia Business School, where she was elected to Beta Gamma Sigma Honor Society and was awarded the faculty-bestowed prize for Nonprofit and Public Management. In addition, Carolyn was selected as a Broad Fellow in 2007 and a Pahara-Aspen Fellow in 2014.

Delphine Sherman has served as Vice President and Director of Finance since May 2009, and became the Chief Financial Officer in 2015. Ms. Sherman is responsible for the financial management of Aspire and oversees the finance and accounting teams. Prior to joining Aspire, Ms. Sherman was the Vice President of Client Services at EdTec, working with dozens of charter schools across the state in a financial and operational capacity. Before joining the educational finance field, Ms. Sherman was a Senior Consulting Associate at Cambridge Associates, consulting to foundations and endowments on their investment strategy and manager selection. Ms. Sherman is a graduate of Dartmouth College and has an M.B.A. from U.C. Berkeley. She has also served on several non-profit boards in the Bay Area, and is currently an advisory board member for the Center for Nonprofit and Public Leadership at the Haas School of Business at UC Berkeley.

**Student Performance:** Pursuant to SB X51 (2010), a designated California State Commission was given the authority to review the Common Core State Standards (Standards), as promulgated by the U.S. Department of Education, and make recommendations to the California Board of Education (Board). This resulted in the Board's adoption of the Standards for purposes of statewide accountability on academic performance. Although this adoption does not directly require all local educational agencies (LEAs) to adopt the standards, pursuant to Education Code, Sections 52060 through 52077, in order for districts to receive funding through LCFF, school districts must submit "Local Control and Accountability Plans" (LCAPs) to their respective county offices of education that address State and local educational priorities. Furthermore, pursuant to Education Code, Section 52060(d)(2), these priorities must include Common Core State Standards.

Assessments based on the Standards are derived from the "Smarter Balanced Assessment System," a test planned for initial implementation in spring 2015 for purposes of establishing a baseline for comparing academic performance between schools, and subsequent improvement. As such, the Standards do not currently provide metrics for comparing academic performance between schools.

It is noteworthy that since 2013, CDE's Accountability Progress Reporting has significantly changed in that Growth Academic Performance Index (API) and Base API reporting has been temporarily suspended and rankings are no longer being reported, and Adequate Yearly Progress (AYP) reporting pursuant the No Child Left Behind Act of 2001 has been limited to public high schools receiving Title 1 funding when they meet specific enrollment criteria.

Staff notes that the percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), has reflected increases each year up to 2012-13 when the percent-proficient requirement in both mathematics and English-language arts reached approximately 89%.<sup>[1]</sup> Therefore, with each successive year, charter schools have been increasingly challenged in "making AYP" (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school.

Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school's financial position. However, due to the recent changes to Common Core State Standards, student performance information for purposes of the financial soundness determination is limited to API up until 2012-13 and AYP up to 2012-13 with the exception of specific high schools receiving Title 1 funding.

Aspire ERES has more than four years of reported API scores and AYP results, allowing a review of progress and comparison to similar schools. The following table summarizes Aspire ERES' student performance for 2009-10 through 2012-13.

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<sup>[1]</sup> Information regarding AYP requirements are derived from the California Department of Education's "2013 Adequate Yearly Progress Report Information Guide."

| Aspire ERES Academy                       | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2013/14 |
|---|------------|------------|------------|------------|
| <b>ADEQUATE YEARLY PROGRESS (AYP)</b>     |            |            |            |            |
| Met All AYP Criteria?                     | No         | Yes        | Yes        | No         |
| Criteria Met / Required Criteria          | 9 / 17     | 17 / 17    | 17 / 17    | 16 / 17    |
| Met API Indicator for AYP?                | N/A        | N/A        | N/A        | N/A        |
| Met Graduation Rate?                      | N/A        | N/A        | N/A        | N/A        |
| <b>ACADEMIC PERFORMANCE INDEX (API)</b>   |            |            |            |            |
| Met Schoolwide Growth Target?             | N/A        | Yes        | Yes        | Yes        |
| Met Comparable Improvement Growth Target? | N/A        | Yes        | Yes        | Yes        |
| Met Both Schoolwide & CI Growth Targets?  | N/A        | Yes        | Yes        | Yes        |
| API Base Statewide Rank (10 = best)       | N/A        | 1          | 3          | 5          |
| API Base Similar Schools Rank (10 = best) | N/A        | 3          | 7          | 10         |
| School's Actual Growth                    | N/A        | 70         | 47         | 21         |
| Similar Schools Median of Actual Growth   | N/A        | 21         | 8          | N/A        |
| Did School's Growth Exceed Median?        | N/A        | Yes        | Yes        | N/A        |

For two of the four most recent years for which data is available, Aspire ERES met all AYP criteria. For each of these four years, 2009-10 through 2012-13, Aspire ERES increased its API growth scores in every year, ending with 833 in 2012-13. Aspire ERES' statewide and similar schools rankings showed positive trends with "1" and "3", "3" and "5", and "5" and "10" ("10"= best) rankings, respectively, for 2010-11 through 2012-13. API Base statewide and similar rankings increased again in 2013-14 to "7" and "10" (not shown in the table above), further demonstrating positive academic trends for ERES.

Staff also reviewed academic performance data that was available for 30 Aspire schools operating during 2009-10 and 2012-13, as shown in the tables below.

| <b>Aspire Public Schools - API Growth Scores</b>  |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>School</b>   | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Alexander Twilight College Preparatory Academy (K-5)                                 | 766            | 802            | 829            | 828            |
| Aspire Antonio Maria Lugo Academy (K-5)   | 847            | 847            | 825            | 835            |
| Aspire Benjamin Holt College Preparatory Academy (6-12)                                     | 886            | 891            | 890            | 892            |
| Aspire Berkley Maynard Academy (K-8)  | 825            | 841            | 851            | 833            |
| Aspire California College Preparatory Academy (K-12)  | 835            | 825            | 790            | 792            |
| Aspire Capitol Heights Academy (K-5)  | 825            | 836            | 870            | 860            |
| Aspire Ollin University Prep (formerly Aspire Centennial College Preparatory Academy) (6-8) | 794            | 789            | 809            | 807            |
| Aspire East Palo Alto Charter School (K-8)  | 882            | 866            | 825            | 822            |
| Aspire East Palo Alto Phoenix Academy (9-12)  | 791            | 764            | 779            | 819            |
| Aspire ERES Academy (K-8)   | 695            | 765            | 812            | 833            |
| Aspire Huntington Park Charter School (K-5)   | 833            | 830            | 853            | 826            |
| Aspire Junior Collegiate Academy (K-6)  | 844            | 868            | 841            | 852            |
| Aspire Langston Hughes Academy (6-11)   | 793            | 780            | 769            | 785            |
| Aspire Lionel Wilson College Preparatory Academy (6-12)                                     | 797            | 799            | 827            | 807            |
| Aspire Millsmont Academy (K-5)  | 757            | 749            | 737            | 732            |
| Aspire Golden State College Preparatory Academy (6-12)                                      | 661            | 736            | 699            | 676            |

| <b>Aspire Public Schools - API Growth Scores</b>   |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <b>School</b>                                      | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Monarch Academy (K-5)                       | 825            | 787            | 773            | 761            |
| Aspire Port City Academy (K-5)                     | 870            | 868            | 855            | 844            |
| Aspire River Oaks Charter School (K-5)             | 887            | 885            | 890            | 901            |
| Aspire Rosa Parks Academy (K-5)                    | 813            | 806            | 815            | 804            |
| Aspire Summit Charter Academy (K-5)                | 839            | 879            | 868            | 860            |
| Aspire Titan Academy (K-5)                         | 824            | 849            | 854            | 838            |
| Aspire University Charter School (K-5)             | 916            | 937            | 921            | 917            |
| Aspire Vanguard College Preparatory Academy (6-11) | 857            | 847            | 837            | 876            |
| Aspire Vincent Shalvey Academy (K-5)               | 927            | 936            | 931            | 917            |
| Aspire Apex Academy (K-5)                          | N/A            | 742            | 712            | 751            |
| Aspire Alexander Twilight Secondary Academy (6-10) | N/A            | 700            | 745            | 730            |
| Aspire Firestone Academy (K-6)                     | N/A            | 815            | 836            | 860            |
| Aspire Gateway Academy (K-6)                       | N/A            | 803            | 839            | 844            |
| Aspire Pacific Academy (9-11)                      | N/A            | 757            | 737            | 741            |

With respect to API growth scores, the above table shows that the vast majority of Aspire schools achieved API growth scores of greater than 800, including more than 70% of the schools in 2012-13.

| <b>Aspire – Base API Score Statewide Ranking / Similar School Ranking (10 = best)</b> |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>School</b>   | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Alexander Twilight College Preparatory Academy (K-5)                           | N/A            | 4/4            | 5/5            | 6/7            |
| Aspire Antonio Maria Lugo Academy (K-5)   | 7/10           | 8/10           | 7/10           | 6/9            |
| Aspire Benjamin Holt College Preparatory Academy (6-12)                               | 9/10           | 10/10          | 10/9           | 10/10          |
| Aspire Berkley Maynard Academy (K-8)  | 7/10           | 7/10           | 7/10           | 7/10           |
| Aspire California College Preparatory Academy (K-12)                                  | 9/10           | 9/10           | 9/10           | 7/10           |
| Aspire Capitol Heights Academy (K-5)  | 7/10           | 7/10           | 7/10           | 8/10           |
| Aspire Ollin University Prep (formerly Centennial College Preparatory Academy) (6-8)  | 7/10           | 6/10           | 6/10           | 6/9            |
| Aspire East Palo Alto Charter School (K-8)  | 8/10           | 9/10           | 8/10           | 6/10           |
| Aspire East Palo Alto Phoenix Academy (9-12)  | N/A            | N/A            | 6/N/A          | 6/10           |
| Aspire ERES Academy (K-8)   | N/A            | 1/3            | 3/7            | 5/10           |
| Aspire Huntington Park Charter School (K-5)   | 7/10           | 7/10           | 6/10           | 7/10           |
| Aspire Junior Collegiate Academy (K-6)  | 6/10           | 7/10           | 8/10           | 7/10           |
| Aspire Langston Hughes Academy (6-11)   | 5/9            | 6/10           | 5/9            | 4/5            |
| Aspire Lionel Wilson College Preparatory Academy (6-12)                               | 8/10           | 8/10           | 8/10           | 8/10           |
| Aspire Millsmont Academy (K-5)  | 5/9            | 3/4            | 2/4            | 2/2            |
| Aspire Golden State College Preparatory Academy (6-12)                                | 2/7            | 1/6            | 4/9            | 3/7            |
| Aspire Monarch Academy (K-5)  | 5/10           | 7/10           | 4/7            | 3/4            |
| Aspire Port City Academy (K-5)  | 7/10           | 8/10           | 8/10           | 7/8            |
| Aspire River Oaks Charter School (K-5)  | 8/9            | 9/10           | 9/10           | 9/9            |
| Aspire Rosa Parks Academy (K-5)   | 5/7            | 6/8            | 5/8            | 5/7            |
| Aspire Summit Charter Academy (K-5)   | 8/10           | 7/8            | 8/9            | 8/7            |

| <b>Aspire – Base API Score Statewide Ranking / Similar School Ranking (10 = best)</b> |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>School</b>   | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Titan Academy (K-5)  | N/A            | 6/10           | 7/9            | 7/10           |
| Aspire University Charter School (K-5)  | 9/10           | 10/10          | 10/10          | 9/7            |
| Aspire Vanguard College Preparatory Academy (6-11)                                    | N/A            | 9/10           | 8/10           | 7/7            |
| Aspire Vincent Shalvey Academy (K-5)  | 10/10          | 10/10          | 10/10          | 10/9           |
| Aspire Apex Academy (K-5)   | N/A            | N/A            | 2/N/A          | 1/1            |
| Aspire Alexander Twilight Secondary Academy (6-10)                                    | N/A            | N/A            | 2/2            | 3/3            |
| Aspire Firestone Academy (K-6)  | N/A            | N/A            | 6/8            | 6/9            |
| Aspire Gateway Academy (K-6)  | N/A            | N/A            | 5/6            | 7/8            |
| Aspire Pacific Academy (9-11)   | N/A            | N/A            | 6/10           | 4/8            |

As shown in the table above regarding Aspire’s statewide and similar schools rankings (base API scores), during the past three reported years, 2010-11 through 2012-13, the majority of schools had statewide and similar schools rankings of “5” or greater. During 2011-12 and 2012-13, 23 of 30 schools (77%) had both rankings of greater than “5”, and a large number of schools had both statewide and similar schools rankings of “8” or better.

| <b>Aspire Public Schools – Met All AYP Targets</b>  |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>School</b>   | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Alexander Twilight College Preparatory Academy (K-5)                                 | No             | No             | No             | No             |
| Aspire Antonio Maria Lugo Academy (K-5)   | Yes            | Yes            | No             | Yes            |
| Aspire Benjamin Holt College Preparatory Academy (6-12)                                     | Yes            | No             | No             | No             |
| Aspire Berkley Maynard Academy (K-8)  | No             | Yes            | No             | No             |
| Aspire California College Preparatory Academy (K-12)  | Yes            | Yes            | No             | Yes            |
| Aspire Capitol Heights Academy (K-5)  | Yes            | Yes            | Yes            | No             |
| Aspire Ollin University Prep (formerly Aspire Centennial College Preparatory Academy) (6-8) | Yes            | No             | No             | No             |
| Aspire East Palo Alto Charter School (K-8)  | Yes            | Yes            | No             | No             |
| Aspire East Palo Alto Phoenix Academy (9-12)  | Yes            | No             | Yes            | Yes            |
| Aspire ERES Academy (K-8)   | No             | Yes            | Yes            | No             |
| Aspire Huntington Park Charter School (K-5)   | Yes            | No             | Yes            | No             |
| Aspire Junior Collegiate Academy (K-6)  | Yes            | Yes            | No             | No             |
| Aspire Langston Hughes Academy (6-11)   | Yes            | No             | No             | No             |
| Aspire Lionel Wilson College Preparatory Academy (6-12)                                     | No             | No             | No             | No             |
| Aspire Millsmont Academy (K-5)  | No             | No             | No             | No             |
| Aspire Golden State College Preparatory Academy (6-12)                                      | No             | Yes            | No             | No             |
| Aspire Monarch Academy (K-5)  | Yes            | No             | No             | No             |
| Aspire Port City Academy (K-5)  | Yes            | No             | No             | No             |
| Aspire River Oaks Charter School (K-5)  | Yes            | No             | No             | No             |

| <b>Aspire Public Schools – Met All AYP Targets</b> |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <b>School</b>                                      | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
| Aspire Rosa Parks Academy (K-5)                    | Yes            | No             | No             | No             |
| Aspire Summit Charter Academy (K-5)                | No             | Yes            | No             | No             |
| Aspire Titan Academy (K-5)                         | No             | Yes            | Yes            | No             |
| Aspire University Charter School (K-5)             | Yes            | Yes            | Yes            | No             |
| Aspire Vanguard College Preparatory Academy (6-11) | No             | No             | No             | No             |
| Aspire Vincent Shalvey Academy (K-5)               | Yes            | Yes            | Yes            | No             |
| Aspire Apex Academy (K-5)                          | N/A            | No             | No             | No             |
| Aspire Alexander Twilight Secondary Academy (6-10) | N/A            | No             | Yes            | No             |
| Aspire Firestone Academy (K-6)                     | N/A            | No             | No             | No             |
| Aspire Gateway Academy (K-6)                       | N/A            | No             | Yes            | No             |
| Aspire Pacific Academy (9-11)                      | N/A            | No             | No             | No             |

As shown in the above table, in spite of the increasingly difficult task of meeting all AYP criteria over successive years, a large percentage of Aspire schools continued to meet such criteria during 2011-12. However, in 2012-13, only 3 of 30 schools (10%) met all AYP criteria. Staff acknowledges the challenge for schools in meeting the percent-proficient requirement of approximately 90% in 2012-13 in both mathematics and English-language arts, and does not consider results for this year to be indicative of general performance.

Overall, staff considers Aspire’s consistently high academic performance across all schools, as well as ERES’ performance individually, to be supportive of a recommendation for financial soundness.

**Enrollment Trends and Projections:** Aspire ERES has shown stable student enrollment over the past six years with enrollment of 215, 225, 222, 222, 223, and 222 for 2010-11 through 2015-16, respectively, all in grades K-8. Aspire is projecting that Aspire ERES’s student enrollment will grow from 219 students in 2016-17 to 584 in 2017-18, the first year of project occupancy, representing growth of about 160%, and remain at that level through 2019-20. Aspire ERES has a current wait list of 117 students. For 2014-15 and 2015-16, Aspire ERES achieved year-to-year retention rates of 94% and 91%, respectively. For 2015-16, Aspire ERES achieved an average daily attendance rate of 96.6%.

For the current 2015-16 fiscal year, Aspire operates 34 charter schools under twelve chartering authorities. For 2011-12 through 2015-16, Aspire achieved enrollment of 11, 978, 12,581, 12,775, 13,508, and 14,084, respectively, representing overall growth of 17% over four years, and average annual growth of 4.25%. For 2014-15, Aspire achieved an average daily attendance of 96.1%, and Aspire’s average ADA over the past four years was 96.5%. Aspire is projecting overall conservative enrollment growth through 2019-20, with enrollment projections of 14,258, 15,820, 15,088, and 15,033 for 2016-17 through 2019-20, respectively, which are well supported by the historical trend in growth.

The table below depicts school and enrollment information through 2015-16 for Aspire’s current schools and schools previously in operations.

Overall, staff considers the consistency in enrollment trends for Aspire ERES and Aspire at-large as supportive of a recommendation for financial soundness. In addition, staff considers Aspire's historical student enrollment performance and ADA as supportive of the assumed growth and ADA in the multi-year budget projections. While staff considers Aspire's projected growth for Aspire ERES to be relatively aggressive, growing about 160% during the first year of project occupancy, staff considers such an assumption to be reasonable, given the demand that would be expected from the new facility with the student capacity of 600 along with Aspire's ERES 's history of having a sizable student wait list and high year-to-year retention rates. Aspire ERES's growth is further supported by the growth at other Aspire schools upon CSFP project occupancy, including Aspire Antonio Maria Lugo Academy, which grew from 190 students in 2014-15 to 425 students in 2015-16, the first year of project occupancy, based on additional student capacity.

Item #7 – Aspire Public Schools  
Aspire ERES Academy

| ASPIRE PUBLIC SCHOOLS: CHARTER HISTORY                 |             |                      |                       |                        |   | 2013-2014 P2        |        |            | 2014-2015 P2 |            |            | 2015-2016 P1 |         |            |  |
|--|-------------|----------------------|-----------------------|------------------------|---|---------------------|--------|------------|--------------|------------|------------|--------------|---------|------------|--|
| Name of School   | Year Opened | Current Charter Term | Next Renewal Deadline | Charter Renewal Status | Chartered By                              | County              | Grades | Enrollment | ADA          | Grades     | Enrollment | ADA          | Grades  | Enrollment | Notes  |
| Aspire Vincent Shalvey Academy                         | 1999-00     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Lodi Unified School District              | San Joaquin County  | K-5    | 389        | 378          | K-5        | 389        | 375          | K-5     | 387        |  |
| Aspire River Oaks Charter School                       | 2001-02     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | Lodi Unified School District              | San Joaquin County  | K-5    | 382        | 371          | K-5        | 388        | 375          | K-5     | 391        |  |
| Aspire Benjamin Holt College Preparatory Academy       | 2003-04     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Lodi Unified School District              | San Joaquin County  | 6-12   | 707        | 689          | 6-12       | 722        | 699          | 6-12    | 731        |  |
| Aspire Capitol Heights Academy                         | 2003-04     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Sacramento City Unified School District   | Sacramento County   | K-5    | 297        | 286          | K-5        | 303        | 289          | K-5     | 292        |  |
| Aspire Rosa Parks Academy                              | 2005-06     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | Stockton Unified School District          | San Joaquin County  | K-5    | 381        | 370          | K-5        | 377        | 364          | K-5     | 383        |  |
| Aspire Summit Charter Academy                          | 2006-07     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | Ceres Unified School District             | Stanislaus County   | K-5    | 406        | 392          | K-5        | 405        | 389          | K-5     | 407        |  |
| Aspire Langston Hughes Academy                         | 2008-09     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Stockton Unified School District          | San Joaquin County  | 6-12   | 650        | 629          | 6-12       | 687        | 662          | 6-12    | 714        |  |
| Aspire Port City Academy                               | 2007-08     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Stockton Unified School District          | San Joaquin County  | K-5    | 407        | 393          | K-5        | 408        | 389          | K-5     | 400        |  |
| Aspire University Charter School                       | 2008-09     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Sylvan Union Elementary School District   | Stanislaus County   | K-5    | 263        | 255          | K-5        | 265        | 257          | K-5     | 267        |  |
| Aspire Vanguard College Preparatory Academy            | 2009-10     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Modesto City Schools (High)               | Stanislaus County   | 6-12   | 323        | 309          | 6-12       | 309        | 295          | 6-12    | 335        | Switched in 14-15 to be chartered through Modesto City Schools |
| Aspire Alexander Twilight College Preparatory Academy  | 2009-10     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | San Juan Unified School District          | Sacramento County   | K-5    | 418        | 402          | K-5        | 425        | 408          | K-5     | 429        |  |
| Aspire Alexander Twilight Secondary Academy            | 2010-11     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | San Juan Unified School District          | Sacramento County   | 6-12   | 315        | 302          | 6-12       | 362        | 347          | 6-12    | 393        |  |
| Aspire APEX Academy                                    | 2010-11     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Stockton Unified School District          | San Joaquin County  | K-5    | 281        | 272          | K-5        | 309        | 298          | K-5     | 305        |  |
| Aspire Monarch Academy                                 | 2000-01     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Oakland Unified School District           | Alameda County      | K-5    | 392        | 381          | K-5        | 394        | 381          | K-5     | 390        |  |
| Aspire Lionel Wilson College Preparatory Academy       | 2002-03     | 2012-13 to 2016-17   | 6/30/2017             | n/a                    | Oakland Unified School District           | Alameda County      | 6-12   | 498        | 487          | 6-12       | 485        | 471          | 6-12    | 531        |  |
| Aspire East Palo Alto Charter School                   | 2003-04     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Ravenswood School District                | San Mateo County    | K-8    | 534        | 519          | K-12       | 757        | 731          | K-12    | 774        | EPAPA merged with EPACS starting in 2014-15                    |
| Aspire Berkley Maynard Academy                         | 2005-06     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | Oakland Unified School District           | Alameda County      | K-8    | 560        | 539          | K-8        | 562        | 539          | K-8     | 530        |  |
| Aspire Millsmont Academy                               | 2005-06     | n/a                  | n/a                   | n/a                    | Oakland Unified School District           | Alameda County      | K-5    | 265        | 251          |            |            |              |         |            | Closed after 13-14   |
| Aspire Richmond California College Preparatory Academy | 2008-09     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | West Contra Costa Unified School District | Contra Costa County | 9-12   | 229        | 223          | 9-12       | 241        | 231          | 8-12    | 231        | Formerly Aspire California College Preparatory Academy         |
| Aspire Richmond Technology Academy                     | 2015-16     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | West Contra Costa Unified School District | Contra Costa County |        |            |              |            |            |              | K-5     | 251        |  |
| Aspire Golden State College Preparatory                | 2009-10     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Oakland Unified School District           | Alameda County      | 6-12   | 515        | 493          | 6-12       | 556        | 531          | 6-12    | 580        |  |
| Aspire ERES Academy                                    | 2008-09     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Oakland Unified School District           | Alameda County      | K-8    | 222        | 216          | K-8        | 222        | 214          | K-8     | 218        |  |
| Aspire College Academy                                 | 2011-12     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Oakland Unified School District           | Alameda County      | K-5    | 256        | 244          | K-5        | 276        | 264          | K-5     | 286        |  |
| Aspire Triumph Technology Academy                      | 2013-14     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Oakland Unified School District           | Alameda County      |        |            |              | K-5        | 277        | 261          | K-5     | 279        |  |
| Aspire Antonio Maria Lugo Academy                      | 2005-06     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Los Angeles County Office of Education    | Los Angeles County  | K-5    | 184        | 179          | K-5        | 190        | 184          | K-5     | 430        | Switched in 14-15 to be chartered through LACOE                |
| Aspire Olin University Preparatory Academy             | 2006-07     | 2014-15 to 2018-19   | 6/30/2019             | n/a                    | Los Angeles County Office of Education    | Los Angeles County  | 7-9    | 544        | 528          | 7-10       | 565        | 545          | 7-11    | 580        | Switched in 14-15 to be chartered through LACOE                |
| Aspire Junior Collegiate Academy                       | 2007-08     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | K-5    | 296        | 290          | K-5        | 296        | 287          | K-5     | 309        |  |
| Aspire Huntington Park Charter School                  | 2008-09     | N/A                  | N/A                   | N/A                    | Los Angeles Unified School District       | Los Angeles County  | K-5    | 233        | 227          | K-5        | 236        | 229          |         |            | Closed after 2014-15   |
| Aspire Titan Academy                                   | 2009-10     | 2013-14 to 2017-18   | 6/30/2018             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | K-5    | 324        | 316          | K-5        | 328        | 319          | K-5     | 328        |  |
| Aspire Pacific Academy                                 | 2010-11     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | 10-12  | 438        | 417          | 6-7, 11-12 | 456        | 440          | 6-9, 12 | 493        |  |
| Aspire Firestone Academy                               | 2010-11     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | K-5    | 391        | 376          | K-5        | 414        | 400          | K-5     | 421        |  |
| Aspire Gateway Academy                                 | 2010-11     | 2015-16 to 2019-20   | 6/30/2020             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | K-5    | 387        | 372          | K-5        | 402        | 387          | K-5     | 416        |  |
| Aspire Tate Academy (K - 6, Public School Choice)      | 2011-12     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | Los Angeles Unified School District       | Los Angeles County  | K-6    | 312        | 300          | K-6        | 330        | 318          | K-6     | 369        |  |
| Aspire Inskip Academy (K - 6, Public School Choice)    | 2011-12     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | Los Angeles Unified School District       | Los Angeles County  | K-6    | 339        | 327          | K-6        | 359        | 344          | K-6     | 345        |  |
| Aspire Slauson Academy (K - 6, Public School Choice)   | 2011-12     | 2011-12 to 2015-16   | 6/30/2016             | Approved               | Los Angeles Unified School District       | Los Angeles County  | K-6    | 313        | 303          | K-6        | 327        | 315          | K-6     | 342        |  |
| Aspire Centennial College Preparatory Academy          | 2013-14     | 2012-13 to 2016-17   | 6/30/2017             | n/a                    | Los Angeles Unified School District       | Los Angeles County  | 6-7    | 304        | 296          | 6-8        | 487        | 475          | 6-8     | 547        |  |
| Totals   |             |                      |                       |                        |   |                     |        | 12755      | 12332        |            | 13508      | 13013.9      |         | 14084      |  |

**Financial Analysis:** Staff's review of Aspire's financial performance is based on three years of audited financial statements (2012-13 through 2014-15), and financial projections from 2015-16 through 2019-20 as provided by Aspire.

Highlighted in this section are financial data and credit indicators used to evaluate Aspire's ability to meet its CSFP obligations for its projects funded by Proposition 1D. Staff's financial analysis is based on information for Aspire as an organization and not for each applicant school on a stand-alone basis. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in Aspire's financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation.

**Long-Term Liabilities** – At June 30, 2015, Aspire had outstanding long-term liabilities of \$129.4 million. However, Aspire recently refunded a large portion of outstanding debt with a refunding bond issue that closed in February 2016. As of March 9, 2016, Aspire's outstanding debt obligations of \$127.7 million took the forms of two series of revenue bonds Series 2015 and Series 2016 (\$103.7 million); four CSFP funding agreements (\$22.6 million) under Propositions 47, 55, and 1D; and Charter Fund Inc. loan (\$1.4 million). Annual payments due under these various obligations will be paid before annual payments are made on the CSFP funding agreements. Details regarding these long-term liabilities are provided below.

The four CSFP funding agreements are for: 50% of the project costs for the Proposition 47 financing of Rosa Parks in Stockton (30-year term to January 2037 with annual payments of \$231,795 based on a final interest rate of 2.202%) and 50% of the Advance Apportionment for the Prop 55 and 1D financing (Ollin, AMLA, and ERES).

Charter Fund Inc. provided one loan to Aspire in 2012 for a total of \$3.5 million (1.4 million outstanding). Loans bear interest at 1.0%. The loan principal is repaid in 2018 and 2022 but the loan has the potential to be forgiven if certain milestones are met.

The Series 2015 revenue bonds were sold in December 2015 in the amount of \$20.5 million and carries interest rates that range from 2.00% to 5.00% through the 2045 final maturity. The bond proceeds were used to refund the 2005 Certificates and generate \$5 million in project proceeds. Associated lease payments for 3 Aspire schools (the 2015 bonds obligated group) are pledged to the repayment of the bonds. Principal payments are due annually on July 1.

The Series 2016 revenue bonds were sold in February 2016 in the amount of \$83.2 million and carries interest rates that range from 2.00% to 5.00% through the 2046 final maturity. The bond proceeds were used to refund various outstanding Aspire debt including the Series 2010 bonds. Associated lease payments for 10 Aspire schools (the 2016 bonds obligated group) are pledged to the repayment of the bonds. Principal payments are due annually on July 1.

Aspire received credit ratings on both the Series 2015 and 2016 bonds from Standard & Poor's (S&P). S&P rated each transaction with an investment grade rating of 'BBB' with stable

outlook. Noted strengths indicated in the January 2016 rating report are provided:

- *Our rating reflects the obligated group's strong enterprise profile with good demand and strong academic performance. Its financial profile also supports the rating with strong and consistent margins, managing well through the significant delays in California state funding in the past. Its pro forma debt service coverage is strong and does not require growth to meet coverage, even though additional growth is expected. Cash levels are also robust and expected to remain so. Strong connectivity with its charter management organization, Aspire Public Schools, and highly strategic link further supports the rating*

The January 2016 rating report also noted potential risks for the bonds as well:

- *Construction and expansion risk as the obligated group plans to open a new school building using proceeds of the 2015 bonds and cash reserves in fiscal 2016*
- *Demonstrated appetite for expansion, which inherently presents some uncertainties and risks*

School Facilities – Aspire anticipates operating charter schools with a projected enrollment of 15,033 students in 2019-20. The facility costs consist of operating leases, revenue bond debt service, and expected payments to CSFA for the funding agreements pursuant to Propositions 47, 55, and 1D. Aspire's CSFP payments will account for the facility costs of four schools: ERES - \$774,488; Aspire Ollin University Prep - \$501,770; AMLA - \$419,860; Rosa Parks - \$231,795. Aspire's rent costs for East Palo Alto Charter School (EPACS) are not funded through debt or leases but rather take the form of the 3.0% oversight fee paid to Ravenswood City Elementary District for the use of its facilities.

Aspire leases land and buildings for an administrative office in Oakland and leases land and buildings in Berkley, Empire, Modesto, Stockton, Oakland, Modesto, East Palo Alto, Los Angeles and Sacramento under various operating leases. The financial audit notes that it is unlikely that Aspire will cancel any of these operating leases before they expire. The aggregate rental payments required under the terms of their operating leases were \$3.48 million in 2014-15 and \$3.16 million expected in 2015-16.

Non-Operating Revenues from Contributions - Over the last two years, Aspire received the following total amounts of private grants and contributions, averaging \$17.18 million per year: \$14.60 million in 2013-14 (of which \$3.35 million was unrestricted) and \$19.75 million in 2014-15 (of which \$3.52 million was unrestricted). It is important to note that, although, for accounting purposes, these sizable contributions are shown donated in a particular year, a large portion of these contributions will be given to Aspire over a multiple year period. The financial projections estimate the following donations averaging \$8.69 million per year from 2015-16 through 2019-20. Contributions are projected to represent 4.6% of total revenues in 2018-19 and 2019-20, respectively. The projected percentage of contributions to revenues is below the 15.0% threshold level employed by staff.

Aspire’s projected contribution revenues are supported by listings of both “committed donations” and “anticipated donations” by donor. The following table presents these details. Of the \$43.5 million in fundraising receipts included in Aspire’s financial projections, roughly 14.4% is committed and 78.7% is anticipated with the remainder of 6.9% to come from start-up site donations. Aspire’s strong contribution history supports their ability to raise a large percentage of expected contributions.

|                                     | 2015-16             | 2016-17             | 2017-18             | 2018-19             | 2019-20             | TOTAL                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Committed Donations</b>          |                     |                     |                     |                     |                     |                      |
| Gates - TCRP                        | \$ 2,759,999        | \$ -                | \$ -                | \$ -                | \$ -                | \$ 2,759,999         |
| CSGF - Operating Support            | \$ 500,000          | \$ -                | \$ -                | \$ -                | \$ -                | \$ 500,000           |
| Charter School Growth Fund          | \$ 700,000          | \$ 700,000          | \$ 700,000          | \$ -                | \$ -                | \$ 2,100,000         |
| Gates - STEP Grant                  | \$ 200,000          | \$ 185,000          | \$ -                | \$ -                | \$ -                | \$ 385,000           |
| Koshland                            | \$ 100,000          | \$ 100,000          | \$ -                | \$ -                | \$ -                | \$ 200,000           |
| Silicon Schools                     | \$ 50,000           | \$ 50,000           | \$ -                | \$ -                | \$ -                | \$ 100,000           |
| Tipping Point - Pre-School Bus      | \$ 200,000          | \$ -                | \$ -                | \$ -                | \$ -                | \$ 200,000           |
| Sub-total                           | \$ 4,509,999        | \$ 1,035,000        | \$ 700,000          | \$ -                | \$ -                | \$ 6,244,999         |
| % of Total Donations                | 46.4%               | 13.0%               | 8.2%                | 0.0%                | 0.0%                | 14.4%                |
| <b>Anticipated Donations</b>        |                     |                     |                     |                     |                     |                      |
| General fundraising                 | \$ 4,000,000        | \$ 5,000,000        | \$ 5,500,000        | \$ 5,500,000        | \$ 5,500,000        | \$ 25,500,000        |
| Other Local Fundraising             | \$ 639,420          | \$ 649,630          | \$ 686,728          | \$ 724,268          | \$ 733,771          | \$ 3,433,818         |
| Restricted grants                   | \$ -                | \$ 715,000          | \$ 1,050,000        | \$ 1,750,000        | \$ 1,750,000        | \$ 5,265,000         |
| Sub-total                           | \$ 4,639,420        | \$ 6,364,630        | \$ 7,236,728        | \$ 7,974,268        | \$ 7,983,771        | \$ 34,198,818        |
| % of Total Donations                | 47.7%               | 79.6%               | 84.7%               | 92.8%               | 92.7%               | 78.7%                |
| <b>Additional Donations - Sites</b> | \$ 580,245          | \$ 591,849          | \$ 603,686          | \$ 615,760          | \$ 628,075          | \$ 3,019,616         |
| % of Total Donations                | 6.0%                | 7.4%                | 7.1%                | 7.2%                | 7.3%                | 6.9%                 |
| <b>Total Donations</b>              | <b>\$ 9,729,664</b> | <b>\$ 7,991,480</b> | <b>\$ 8,540,414</b> | <b>\$ 8,590,029</b> | <b>\$ 8,611,847</b> | <b>\$ 43,463,433</b> |

In September 2012, Aspire was awarded \$27,851,000 over five years, as part of the US Department of Education’s Teacher Incentive Fund. The award provides better pay structures and professional opportunities to teachers in high poverty schools. Aspire began receiving the funding in 2012-13.

Staff Adjusted Changes in Net Assets - Aspire’s historical and projected financial operations incorporate the aforementioned described enrollment trends, facility costs and non-operating revenues from contributions.

Staff notes that Aspire has been able to maintain positive ending fund balances due to receipt of sizeable donations. As Aspire endeavors to reach full scale with their projected number of schools and student enrollment, they project less reliance on donations in projected years. Factoring in their contribution revenues, Aspire experienced an increase to net assets for 2012-13 and 2013-14 of \$10.49 million and \$23.25 million, respectively. The marked increase in net revenue in 2013-14 is due to increases in LCFF funding and further releases of restricted funds for use by Aspire, approximately \$11.5 million higher in 2013-14 than in 2012-13. Aspire generated another sizable increase in net assets of \$20.70 million in 2014-15 based on \$169.7 million in revenue and \$154.4 million in expenditures. Aspire continues to project increases to net assets in the amounts of \$14.94 million in 2015-16. From 2016-17

through 2019-20, Aspire projects net revenues available prior to the CSFP lease payments to be \$13.27 million, \$9.67 million, \$11.02 million, and \$10.79 million, respectively.

Staff’s assessment of Aspire’s financial status is based on the following assumptions: (1) projected ADA rates of 96% for 2015-16 through 2019-20; (2) 2015-16 LCFF Entitlement funding rate of \$11,502 for grades K-12; (3) average LCFF per ADA rates of \$12,339, \$12,917, \$13,290 , \$13,652 for 2016-17 through 2019-20, incorporating COLA’s of 0.47% in 2015-16 and 2.00% thereafter. The projections also assume GAP funding increases of 49.08%, 27.56%, 32.25%, and 33.05% in 2016-17 through 2019-20, respectively, in non-cumulative gap funding. The total LCFF per ADA funding rates as shown above are projected to increase by 7.3%, 4.7%, 2.9%, and 2.7% in 2016-17 through 2019-20. (4) Expense categories including salaries and benefits show annual increases between 2-4%.

Projected Debt Service Coverage – Staff calculates Net Revenues Available for CSFP Payments by adding back capital outlay expenses to the projected change in net assets on the presumption that these costs would be deferred if the obligor was unable to make its CSFP payments, and thus these funds would be accessible for CSFP payments.

Assuming a 3.00% interest rate and 30-year repayment period, Aspire’s annual CSFP payments for ERES, AMLA, and Ollin would total to \$1,696,118, commencing in 2018-19. In addition, Aspire’s CSFP payment of \$231,795 for Rosa Parks is included in the calculation of debt service coverage with the combined CSFP payment totaling \$1,927,913. The following table presents detail on the CSFP payments for each of Aspire’s four projects. With CSFP payments expected to commence one year after the project’s occupancy date, Aspire’s net revenues available for CSFP Payments in 2018-19 and 2019-20 are projected to provide debt service coverage of 571.6% and 559.6%, respectively. Aspire’s financial projections do not indicate a reliance on expected contributions in order to meet the debt service coverage requirements in 2018-19 and 2019-20.

| <b>School (Project)</b>                   | <b>Project Cost</b>  | <b>50% of Project Cost (Local Match)</b> | <b>Estimated Annual Payment*</b> |
|---|----------------------|--|----------------------------------|
| Prop 1D: Antonio Maria Lugo Academy (K-5) | \$ 16,458,876        | \$ 8,229,438                             | \$ 419,860                       |
| Prop 1D: ERES Academy                     | \$ 30,360,612        | \$ 15,180,306                            | \$ 774,488                       |
| Prop 55: Ollin University Prep**          | \$ 19,669,826        | \$ 9,834,913                             | \$ 501,770                       |
| Prop 47: Rosa Parks Academy               | \$ 9,517,000         | \$ 4,758,500                             | \$ 231,795                       |
| <b>Total</b>                              | <b>\$ 76,006,314</b> | <b>\$ 38,003,157</b>                     | <b>\$ 1,927,913</b>              |

\*CSFP payments for Rosa Parks represent actual amounts

\*\* Formerly named Centennial College Prep

*Item #7 – Aspire Public Schools  
Aspire ERES Academy*

| Aspire Public Schools                                       | Actual<br>FY 2013/14 | Actual<br>FY 2014/15 | Projected<br>FY 2015/16 | Projected<br>FY 2016/17 | Projected<br>FY 2017/18 | Projected<br>FY 2018/19 | Projected<br>FY 2019/20 |
|---|----------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>ENROLLMENT PROJECTIONS</b>                               |                      |                      |                         |                         |                         |                         |                         |
| Enrollment  | 12,755               | 13,508               | 14,084                  | 14,258                  | 14,820                  | 15,088                  | 15,033                  |
| Average Daily Attendance                                    | 12,332               | 13,014               | 13,507                  | 13,746                  | 14,287                  | 14,546                  | 14,492                  |
| Average Daily Attendance (%)                                | 97%                  | 96%                  | 96%                     | 96%                     | 96%                     | 96%                     | 96%                     |
| <b>FINANCIAL PROJECTIONS</b>                                |                      |                      |                         |                         |                         |                         |                         |
| Total Revenues Available for CSFP Payment                   | \$ 151,177,778       | \$ 169,749,011       | \$ 176,802,763          | \$ 176,344,081          | \$ 180,053,925          | \$ 184,807,551          | \$ 188,050,422          |
| Total Expenses Paid Before CSFP Payment                     | 132,698,360          | 154,403,659          | 163,260,513             | 164,498,993             | 171,827,214             | 175,263,758             | 178,769,034             |
| Accounting Adjustments                                      | 4,765,660            | 5,351,027            | 1,401,679               | 1,424,602               | 1,447,983               | 1,476,943               | 1,506,481               |
| Net Revenues Available for CSFP Payment                     | \$ 23,245,078        | \$ 20,696,379        | \$ 14,943,929           | \$ 13,269,690           | \$ 9,674,693            | \$ 11,020,735           | \$ 10,787,870           |
| CSFP Payment  | \$ -                 | \$ 231,795           | \$ 231,795              | \$ 231,795              | \$ 231,795              | \$ 1,927,913            | \$ 1,927,913            |
| Net Revenues After CSFP Payment                             | \$ 23,245,078        | \$ 20,464,584        | \$ 14,712,134           | \$ 13,037,895           | \$ 9,442,898            | \$ 9,092,822            | \$ 8,859,957            |
| <b>FINANCIAL INDICATORS</b>                                 |                      |                      |                         |                         |                         |                         |                         |
| Net Revenues Available for CSFP Payment                     | \$ 23,245,078        | \$ 20,696,379        | \$ 14,943,929           | \$ 13,269,690           | \$ 9,674,693            | \$ 11,020,735           | \$ 10,787,870           |
| Debt Service Coverage by Net Revenues                       | N/A                  | 8928.7%              | 6447.0%                 | 5724.8%                 | 4173.8%                 | 571.6%                  | 559.6%                  |
| Contributions   | \$ 3,520,253         | \$ 3,346,918         | \$ 9,729,664            | \$ 7,991,480            | \$ 8,540,414            | \$ 8,590,029            | \$ 8,611,847            |
| Debt Service Coverage by Net Revenues (w/out Contributions) | N/A                  | 7484.8%              | 2249.5%                 | 2277.1%                 | 489.3%                  | 126.1%                  | 112.9%                  |
| CSFP Lease Payment / Revenues                               | N/A                  | 0.1%                 | 0.1%                    | 0.1%                    | 0.1%                    | 1.0%                    | 1.0%                    |
| Contributions / Revenues                                    | 2.3%                 | 2.0%                 | 5.5%                    | 4.5%                    | 4.7%                    | 4.6%                    | 4.6%                    |
| Net Revenues After CSFP Payment / Revenues                  | 15.4%                | 12.1%                | 8.3%                    | 7.4%                    | 5.2%                    | 4.9%                    | 4.7%                    |
| Revenues / ADA  | \$ 12,259            | \$ 13,044            | \$ 13,090               | \$ 12,829               | \$ 12,603               | \$ 12,705               | \$ 12,976               |
| Expenses / ADA  | \$ 10,760            | \$ 11,882            | \$ 12,104               | \$ 11,984               | \$ 12,043               | \$ 12,181               | \$ 12,469               |
| Surplus (Deficit) / ADA                                     | \$ 1,498             | \$ 1,161             | \$ 985                  | \$ 845                  | \$ 560                  | \$ 524                  | \$ 507                  |
| Net Working Capital   | \$ 51,011,830        | \$ 54,485,343        |                         |                         |                         |                         |                         |
| Net Working Capital / Expenses                              | 38.4%                | 35.3%                |                         |                         |                         |                         |                         |

**Liquidity** – For the fiscal year ending June 30, 2015, Aspire’s maintained a cash balance of \$39.6 million. Cash balances increased markedly in 2013-14 to \$33.9 million from \$19.7 million in 2012-13. Liquidity is also measured in terms of net working capital (NWC). NWC is calculated by subtracting current liabilities from current assets. Aspire’s NWC at June 30, 2014 was \$51.0 million, or 38.4% of total expenses, and increased to \$54.5 million as of June 30, 2015, or 35.3% of total expenses. Aspire’s 2014-15 NWC and cash balances indicate a strengthening of Aspire’s liquidity position compared to Staff’s most recent financial soundness review.

**Strengths, Weaknesses and Mitigants**

- + Aspire’s schools have demonstrated consistently strong academic performance. With respect to API growth scores, the vast majority of Aspire schools achieved API growth scores of greater than 800, including more than 70% of the schools in 2012-13
- + Aspire schools have shown consistent student enrollment growth. For the current 2015-16 year, Aspire operates 34 schools across California serving 14,084 students, representing growth of 17% over the past four years. Aspire ERES has shown consistent student enrollment from 2010-11 to the current year.
- + Staff projects debt service coverage ratios for 2018-19 and 2019-20 of 571.6% and 559.6%, respectively. Aspire’s financial projections do not indicate a reliance on expected contributions in order to meet the debt service coverage requirements in 2018-19 and 2019-20.
- + Strong management and leadership with support of local districts

- + Demonstrated history of sizable donations and contributions
- Outstanding long-term liabilities of \$127.7 million as of March 9, 2016

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Aspire Public Schools (Aspire), on behalf of Aspire ERES Academy (ERES) is financially sound for the Charter School Facilities Program (Program) Advance / Final Apportionment under the Program. This determination as it relates to an Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This determination of financial soundness also is contingent upon Aspire agreeing to have its CSFP payments intercepted at the state level, pursuant to sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.