

**Charter School Facilities Program
2014 (Prop 1D) Funding Round
Staff Summary Report – August 2018**

Applicant/Obligor:	Aspire Public Schools
Project School:	Aspire ERES Academy
OPSC Application Number:	54/61259-13-002
CDS (County – District – School) Code:	01-61259-0120188
School Address/Proposed Site:	1936 Courtland Ave., Oakland, CA 94601
Type of Project:	New Construction
Type of Apportionment:	Final Apportionment
County:	Alameda
District in which Project is Located:	Oakland Unified School District
Charter Authorizer:	Oakland Unified School District
Total OPSC Project Cost:*	\$33,725,000
State Apportionment (50% Project Cost):	\$16,862,500
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$16,862,500
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$860,312
First Year of Occupancy of New Project:	2019-20

**The amount identified as total project costs represents the highest estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Aspire Public Schools (“CMO” or “APS”) on behalf of Aspire ERES Academy (“School” or “ERES”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Final Apportionment. This determination is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Aspire Public Schools, on behalf of Aspire ERES Academy, electing 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 Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of APS on behalf of ERES. Detailed information is contained in the body of the report.

Criteria	Comments
Obligor Information	
Demographic Information	Aspire Public Schools will serve 17,008 students in grades K-8 in 2018-19. Enrollment in 2019-20 is expected to be 17,471 students. ADA rates are projected to be 95.7%, which staff find reasonable. For 2018-19, the unduplicated pupil count percentage for Aspire Public Schools is 84.0%.
Debt Service Coverage	Aspire Public Schools' DSC is 139.9% and 113.8% for 2021-22 and 2022-23 respectively. Staff's determination includes the four (4) additional CSFP projects described in the Long-Term Liabilities section.
Other Financial Factors	<ul style="list-style-type: none"> Aspire Public Schools' net working capital has averaged 26.7% of Operating Expenses. In 2022-23 with all CSFP projects in repayment, Aspire Public Schools' expected total annual CSFP payments of \$2,444,170 represents only 0.93% of projected operating revenue.
School Information	
Eligibility Criteria	Aspire ERES Academy has met all eligibility criteria: (1) Aspire ERES Academy began operation in August 2009; (2) Aspire ERES Academy's most recent charter was approved in July 2014 and is in place through June 2019; (3) Aspire ERES Academy is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Aspire ERES Academy has performed comparably or better than its authorizing district, CMO network schools, and local public K-8 schools.
Demographic Information	Aspire ERES Academy will serve 251 students in grades K-8 in 2018-19. Enrollment in 2019-20 is expected to be 253 students. ADA rates are projected to be 96%, which staff find reasonable. For 2018-19, the unduplicated pupil count of at Aspire ERES Academy as a percentage of ADA is 95.4%

Program Eligibility: On June 18, 2018 at CSFA staff's request, verification was received from Oakland Unified School District confirming that ERES is: (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. ERES' current charter is effective through June 2019.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

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.

Obligor Organizational Information: APS began operations in 1998 under the organization/leadership of public school educator Don Shavley and Silicon Valley entrepreneur Reed Hastings (founder of Netflix), with the intention of opening schools in low-income neighborhoods and preparing the students from those neighborhoods for college. The Aspire system now serves over 15,000 students at 40 schools in California and Tennessee. APS serves three primary geographical regions in California, the Bay Area, Central Valley and Los Angeles, specifically targeting low-income cities in those areas, including Oakland, East Palo Alto, Huntington Park and Stockton.

APS's mission is to open and operate small, high-quality charter schools in low-income neighborhoods, in order to: increase the academic performance of underserved students; develop effective educators; share successful practices with forward-thinking educators, and catalyze change in public schools

Presently APS's growth mission is also focused on Memphis, Tennessee, in partnership with that state and Shelby County. APS currently has four (4) schools in the Memphis area. APS also plans to establish three (3) new schools in California by 2021-22, bringing the total to 39 California schools.

The Aspire network is run by CEO Carolyn Hack, who has degrees from Johns Hopkins, Stanford, and Columbia Business School. Their CFO is Delphine Sherman, former VP of Client Services at EdTec, and an advisory board member of the Center for Nonprofit and Public Leadership at UC Berkley's Haas School of Business.

The APS' board members consist of Chair Jonathan Garfinkel and seven (7) other members: Jim Boyd, Warren Felson, Leslie P. Hume, Beth Hunkapiller, Nisa Frank, Kay Hong, Joaquin Torres and Jim Quigley.

School Organizational Information: ERES is a public charter school located within the boundaries of the Oakland Unified School District and is authorized by the Oakland Unified School District. ERES's most recent charter was approved by the Oakland Unified School District on July 1, 2014 and is active through June 30, 2019. ERES original charter petition was approved by Oakland Unified School District from July 1, 2009 through June 30, 2014. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status, APS, which oversees 40 public schools in California and Tennessee.

The School's mission is to provide all students with an exceptional education that will allow them to excel inside and outside the classroom. The School seeks to achieve this mission by offering students a rigorous core curriculum, an outstanding staff, high standards and expectations, extended instructional hours, and personalized learning opportunities. The School will strive to ensure that students are prepared for college and for the 21st Century world and workplace by helping them develop important basic skills, thinking skills, and life skills.

ERES targets the following students: students who are not currently successful in their core academic subjects; students whose academic or English language learning needs necessitate a small school environment with personalized attention; students whose academic or English language learning needs are not being met in a traditional school environment; students who live in low-income neighborhoods; and students whose racial and ethnic diversities represent their respective communities (communities where the schools are located).

The School's educational program is designed to give students the content knowledge and habits of mind necessary to face the challenges of the 21st century. The Common Core State Standards ("CCSS") drive the instruction of all Aspire charter schools. ERES uses a combination of adopted programs and curriculum developed in-house to meet APS standards and build basic skills, higher-order thinking skills, and life-skills. The curriculum is clearly articulated as a K-12 system and based on the CCSS. All elements of the curriculum are research-based and have been proven effective in schools. The specific CCSS curriculum materials will be determined through an organization-wide adoption process.

ERES's principal is Jenna Ogier-Marangella, who has worked with APS as an Elementary Dean since June 2014. Ms. Ogier-Marangella has an M.A. in Educational Leadership and Administration from University of California, Berkley.

The school is governed by the same Board of Directors as APS.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of ERES, combined averages of APS' Bay Area Schools which consist of Aspire Monarch, Aspire Lionel Wilson College Prep, Aspire East Palo Alto Charter, Aspire Triumph Tech, Aspire Berkley Maynard, Aspire Richmond Tech, Aspire Golden State College Prep, and Aspire College Academy (Local Schools), combined averages of Aspire Berkley Maynard, ASCEND, Greenleaf Elementary, Melrose Leadership Academy, Parker Elementary, Roses in Concrete (Local Schools) and Oakland Unified (OUSD). The six local schools selected serve the same grade span as ERES. The results are provided through CDE's CAASPP Smarter Balanced testing data. The percentage of student groups performing below average is based on the number of student groups serve, e.g. a school with one of four student groups performed below average would have a percentage of 25%. Student groups, as determined in Ed. Code Section 52052 (a)(2), are ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities, foster youth, and homeless youth.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
ERES	23%	28%	31%
APS Bay Area	21%	29%	37%
Local Schools	23%	26%	30%

OUSD	29%	30%	32%
------	-----	-----	-----

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
ERES	N/A	Average	Average	N/A	0%	67%
APS Bay Area	N/A	Average	Average	N/A	24%	29%
Local Schools	N/A	Average	Average	N/A	25%	65%
OUSD	N/A	Average	Low	N/A	55%	69%

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
ERES	22%	26%	27%
APS Bay Area	16%	22%	28%
Local Schools	17%	21%	22%
OUSD	23%	25%	26%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
ERES	N/A	Average	Low	N/A	0%	100%
APS Bay Area	N/A	Average	Average	N/A	35%	49%
Local Schools	N/A	Average	Low	N/A	43%	63%
OUSD	N/A	Average	Low	N/A	36%	69%

Enrollment Trends and Projections: The tables below present enrollment information for APS and ERES from 2015-16 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

APS Student Enrollment and Average Daily Attendance

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	14,005	15,902	16,322	17,008	17,471	17,833	18,203	18,582
ADA	96.3%	96.0%	95.6%	95.7%	95.7%	95.6%	95.6%	95.6%

ERES Student Enrollment and Average Daily Attendance

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	218	216	220	251	253	420	498	554
ADA	96.0%	96.0%	95.9%	96.0%	96.0%	96.0%	96.0%	96.0%

Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for APS, the financial obligor and Applicant, on behalf of ERES: (1) audited financial statements for 2015-16 and 2016-17; (2) unaudited actuals for 2017-18, (3) budget projections for 2018-19 through 2023-24 along with assumptions.

Assumptions: APS's financial projections are based upon the following assumptions: (1) occupancy of the project in 2020-21; (2) CMO-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected CMO-wide ADA rates of at least 95%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,222 for 2018-19, as included with APS's adopted budget document for 2018-19, (5) Projected average of 84% unduplicated pupils CMO-wide from 2018-19 through 2023-24, (6) the addition of seven (7) more schools by 2021-22 for a total of 47 schools, (7) a COLA adjustment of 3.7% for 2018-19, (8) a COLA adjustment of 4% for 2019-20, and (9) an average COLA adjustment of 3% for 2020-21 through 2022-23.

Long-Term Liabilities: As provided by the 2016-17 audited financial statements and confirmed by APS's Director of Finance, APS has \$138,632,574 in long-term debt. The long-term liabilities are from the following: \$110,305,704 payable in bonds issued through CSFA; \$33,497,899 payable in CSFP project loans (listed below); \$500,000 payable in a loan provided by the California Department of Education; \$4,478,962 payable in a private loan.

<u>CSFP Project Name</u>	<u>CSFP loan amount (Local Match)⁺</u>
Stockton Charter (Aspire Rosa Parks)*	\$3,567,390 ¹
Aspire Olin University Preparatory*	\$8,263,249 ²
Aspire Antonio Maria Lugo Academy*	\$7,811,078 ³
Aspire Berkley Maynard Academy***	\$10,205,543 ⁴
Aspire ERES Academy**	\$3,706,191 ⁵
Total	<u>\$33,553,451</u>

⁺ - Amount Remaining

* - Final Apportionment

** - Advance Apportionment

*** - Preliminary Apportionment

¹ – Repayment began in 2010 on \$4,758,509

² – Repayment began in 2015 on \$9,834,913

³ – Repayment began in 2017 on \$8,229,438

⁴ – Repayment expected to begin in 2023-24

⁵ – Amount will included in Final Apportionment total

Private Contributions: Private contributions for APS average about \$5.5 MM from 2016-17 through 2017-18 which averages 3.5% of operating revenues over the same time. Projected private contributions for APS average about \$6.75 MM from 2018-19 through 2022-23 and averages 2.9% of operating revenues over the same time which is below the program threshold of 15%.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding APS' financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS									
	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	AVERAGE
OPERATIONAL & FINANCIAL									
Enrollment	14,005	15,902	16,322	17,008	17,471	17,833	18,203	18,582	
Average Daily Attendance (ADA)	13,492	15,270	15,604	16,277	16,720	17,048	17,402	17,764	
Average Daily Attendance (%)	96.3%	96.0%	95.6%	95.7%	95.7%	95.6%	95.6%	95.6%	95.8%
Retention Rate	89.0%	90.0%	89.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.8%
FTE Teachers	623	675	727	760	778	786	801	818	663
Pupil-Teacher Ratio	22.5	23.6	22.5	22.4	22.5	22.7	22.7	22.7	22.7
LCFF Sources/ADA	\$ 8,729	\$ 8,199	\$ 9,750	\$ 10,222	\$ 10,607	\$ 10,920	\$ 11,247	\$ 11,583	\$ 10,157
% Change		-6.1%	18.9%	4.8%	3.8%	3.0%	3.0%	3.0%	4.3%
Operating Revenues/ADA	\$ 11,777	\$ 11,020	\$ 13,349	\$ 13,827	\$ 13,765	\$ 13,966	\$ 14,354	\$ 14,752	\$ 13,351
% Change		-6.4%	21.1%	3.6%	-0.4%	1.5%	2.8%	2.8%	3.5%
Operating Expenses plus CSFP Loan/ADA	\$ 14,614	\$ 13,630	\$ 13,820	\$ 14,192	\$ 14,172	\$ 14,306	\$ 14,713	\$ 15,127	\$ 14,322
% Change		-6.7%	1.4%	2.7%	-0.1%	0.9%	2.8%	2.8%	0.5%
Free Cash Flow/ADA	\$ (2,837)	\$ (2,609)	\$ (470)	\$ (365)	\$ (407)	\$ (340)	\$ (359)	\$ (375)	\$ (970)
	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	AVERAGE
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 158,898,574	\$ 168,275,366	\$ 208,302,095	\$ 225,062,254	\$ 230,153,880	\$ 238,093,827	\$ 249,787,890	\$ 262,060,539	
Total Operating Expenses	196,499,850	207,082,592	214,603,407	229,960,118	235,920,019	242,859,514	254,131,566	266,281,989	
Total Other Sources/Uses	46,835,801	39,673,491	-	-	-	-	-	-	
Net Income Available for CSFP Loan Payment	9,234,525	866,265	(6,301,312)	(4,897,864)	(5,766,139)	(4,765,687)	(4,343,676)	(4,221,450)	
Add Back Capital Outlay	-	-	-	-	-	-	-	-	
Add Back Depreciation	6,330,000	6,754,586	7,049,884	6,989,000	6,992,700	6,996,474	7,000,250	7,004,028	
Adjusted Net Income Available for CSFP Loan Pymt.	15,564,525	7,620,851	748,572	2,091,136	1,226,561	2,230,787	2,656,574	2,782,578	
CSFP Loan Payments	669,337	1,039,225	1,039,225	1,039,225	1,039,225	1,039,225	1,899,537	2,444,170	
Free Cash Flow	\$ 14,895,188	\$ 6,581,626	\$ (290,653)	\$ 1,051,911	\$ 187,336	\$ 1,191,562	\$ 757,037	\$ 338,408	\$ 3,089,052
DSC from Adj. Net Income	2325.4%	733.3%	72.0%	201.2%	118.0%	214.7%	139.9%	113.8%	156.1%
DSC from LCFF Sources subject to CSFA Intercept	11732.0%	8282.3%	14640.2%	16010.3%	17064.5%	17913.6%	10303.6%	8418.8%	12212.0%
CSFP Loan Payment/Oper. Revenues	0.4%	0.6%	0.5%	0.5%	0.5%	0.4%	0.8%	0.9%	0.7%
FUNDRAISING									
Fundraising for Operations	\$ 4,539,710	\$ 6,318,506	\$ 6,620,435	\$ 7,865,303	\$ 7,025,009	\$ 6,104,909	\$ 6,356,031	\$ 6,617,483	\$ 5,716,376
Fundraising/Oper. Revenues	2.9%	3.8%	3.2%	3.5%	3.1%	2.6%	2.5%	2.5%	3.0%
DSC without Fundraising	1647.1%	125.3%	-565.0%	-555.6%	-558.0%	-372.8%	-194.8%	-156.9%	-78.8%
% of Fundraising Required for 100% DSC	-228.1%	-4.2%	104.4%	86.6%	97.3%	80.5%	88.1%	94.9%	39.9%
LIQUIDITY									
Current Assets	\$ 83,365,078	\$ 69,041,404	\$ 70,625,916						
Current Liabilities	18,673,559	19,958,456	20,148,418						
Net Working Capital	\$ 64,691,519	\$ 49,082,948	\$ 50,477,498						
Net Working Capital/Oper. Expenses	32.9%	23.7%	23.5%						26.7%
Unrestricted Cash & Cash Equivalents	\$ 49,191,017	\$ 39,121,852	\$ 40,734,203						
Unrest. Cash & CE/Oper. Expenses (Days)	91	69	69						
Unrest. Cash & CE/All Expenses (Days)	91	69	69						76

Benchmark Summary:

- Actual and Projected Annual Free Cash Flow – Met: \$3,089,052 avg. (>\$0)
- Projected Debt Service Coverage from Adjusted Net Income – Met: 139.9% & 113.8%
- Actual Net Working Capital as Portion of Operating Expenses – Met: 26.7% (>5%)
- Actual Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 76 days (> 90 days)

Strengths, Weaknesses and Mitigants:

- + Aspire Public Schools' projected DSC is 139.9% and 113.8% for 2021-22 and 2022-23, respectively. Staff's determination includes the four (4) additional CSFP projects described in the Long-Term Liabilities section.
- + APS's net working capital is 26.7% of Operating Expenses, which greatly exceeds the prescribed benchmark of 5%.
- +/- APS projects its operating fund performing at a deficit from 2018-19 through 2023-24, but adjusted net income with depreciation added back is positive for those same years.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Aspire Public Schools ("CMO" or "APS") on behalf of Aspire ERES Academy ("School" or "ERES") is financially sound for the purposes of Charter School Facilities Program ("Program" or "CSFP") for Final Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Final Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Aspire Public Schools, on behalf of Aspire ERES Academy, electing 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 Authority Board direct staff to notify the Office of Public School Construction ("OPSC") and the State Allocation Board regarding this determination.