

**Charter School Facilities Program  
 Proposition 51 Funding Round  
 Staff Summary Report – October 2018**

<b>Applicant/Obligor:</b>	Leadership Public Schools
<b>Project School:</b>	Leadership Public Schools - Hayward
<b>CDS (County – District – School) Code:</b>	01-61192-0108670
<b>School Address/Proposed Site:</b>	28000 Calaroga Ave. Hayward 94545-4600
<b>Type of Project:</b>	New Construction/Rehabilitation
<b>Type of Apportionment:</b>	Preliminary Apportionment
<b>County:</b>	Alameda
<b>District in which Project is Located:</b>	Hayward Unified School District
<b>Charter Authorizer:</b>	Hayward Unified School District
<b>Total OPSC Project Cost:*</b>	\$10,111,648 (New Construction) \$15,569,572 (Rehabilitation) \$25,681,220 (Total)
<b>State Apportionment (50% Project Cost):</b>	\$5,055,824 (New Construction) \$7,784,786 (Rehabilitation) \$12,840,610 (Total)
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Financed Amount:</b>	\$5,055,824 (New Construction) \$7,784,786 (Rehabilitation) \$12,840,610 (Total)
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$241,555 (New Construction) \$371,939 (Rehabilitation) \$613,494 (Total)
<b>First Year of Occupancy of New Project:</b>	2021-22

*\*The amount identified as total project costs represents an 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 Leadership Public Schools (“CMO” or “LPS”) on behalf of Leadership Public Schools - Hayward (“School” or “LPS Hayward”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance 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 Leadership Public Schools, on behalf of

Leadership Public Schools - Hayward, 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 LPS on behalf of LPS Hayward. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Obligor Information</b>	
Demographic Information	LPS currently serves 1,675 students in grades 9-12. Enrollment in 2019-20 is expected to be 1,715 students. ADA rates are projected to be 94.4%, which staff find reasonable.
Debt Service Coverage	Leadership Public Schools’ DSC is 149.6% for 2022-23 and 2023-24 respectively. Staff’s determination includes the 2 additional CSFP projects mentioned in <i>Long-Term Liabilities</i> section.
Other Financial Factors	<ul style="list-style-type: none"> <li>• Leadership Public Schools’ operating fund has a projected balance of \$10,072,374 as of the end of 2018-19.</li> <li>• Leadership Public Schools’ expected annual total of CSFP payments of \$1,273,799 is approximately 4.7% of projected operating revenue on average for 2022-23 and 2023-24.</li> </ul>
<b>School Information</b>	
Eligibility Criteria	LPS Hayward has met all eligibility criteria: (1) LPS Hayward began operation in 2005; (2) LPS Hayward’s charter was approved in February 2018 and is in place through June 2023; (3) LPS Hayward is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	LPS Hayward has performed much better than its authorizing district and local public high schools.
Demographic Information	LPS Hayward currently serves 595 students in grades 9-12. Enrollment in 2019-20 is expected to be 595 students. ADA rates are projected to be 95.0%, which staff find reasonable. 8% of the student body are English Language Learners. 62% qualify for Free and Reduced Price Meals.

**Program Eligibility:** On September 19, 2018, at CSFA staff’s request, verification was received from Hayward Unified School District (“District” or “HUSD”) confirming that LPS Hayward (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. LPS Hayward’s current charter is effective through June 2023.

**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:** LPS Hayward proposes to rehab existing District facilities at the former Eureka Site (aka the English Language Center), located at 28000 Calaroga Avenue in Hayward, 94545. The existing facilities to be renovated are the existing district facilities originally built in 1962 and two existing portable classrooms which are adjacent to the parking lot - see attached site map highlighted in orange.

These district facilities have not been modernized within the last fifteen years. The facilities include approximately 1,041 sf of toilet space and 27,367 sf of non-toilet area. LPS plans to renovate these existing facilities to update outdated building systems, make the buildings more environmentally sustainable, and improve security and access.

The two portables adjacent to the parking lot and the multi-purpose room (Unit 3) will be demolished and reconstructed as a “like-in-kind replacement”. This will allow the multi-purpose room to more efficiently and effectively serve as a gym, cafeteria and auditorium. This new facility will be multi-level to maximize the available site acreage.

The joint New Construction application will fund the addition of 6 new classrooms which will be wrapped into the design of the new multi-purpose building. The combination rehab and new construction project will include a minimum 33,927sf. The project is anticipated to be permanent construction consisting of 21 classrooms (15 rehab classrooms and 6 new construction classrooms), multi-purpose room, administration offices, teacher workroom/copy room, boys and girls bathrooms, unisex bathroom, staff bathrooms, elevator, storage, MEP/utility room and server room, janitor’s closets to serve 600 LPS students at full enrollment.

LPS anticipates 18 months for design and DSA approval, and 18 months of construction. LPS Hayward plans to occupy the new construction facility in the Fall of 2021.

**Obligor Organizational Information:** LPS was founded in 2002 by the first CEO, Mark Kushner, supported by Board Chair, Scott Pearson. With strong backing by New Schools Venture Fund, it was one of the early charters in California. The founding mission of LPS was to provide high-quality college-prep education in underserved communities with the aim of preparing students to return as leaders to those communities. Student leadership was a strong component of the initial model, drawing on the successful practices of Leadership High School in San Francisco (unaffiliated with LPS) where Mark Kushner had been the founding principal. Five schools were opened over the next years in Richmond, San Jose, Hayward, Oakland and Campbell.

The 2018-19 LPS Board of Trustees is a seventeen (17) person board current considering of President Louise Waters, Chair Luis Chavez, Vice-Chair Kelley Gulley, Treasurer Sandra Becker, Secretary Amy Slater, Parent Representative Tana Monteiro, Parent Representative Sophia Thomas, Sheliagh Andujar, Treasurer Sandra Becker, Chuck Bowes, Brentt Brown, Lynn Dantzker, Jesuscita Fishel, Brigitte Lowe, Prasad Ram, David Schiffman, Robert Shoffner, and Christopher Whitmore serving as trustees.

Dr. Louise Bay Waters is the Chief Executive Officer, who holds a B.A. and M.A. from Stanford University and a Ph.D. from Pennsylvania State University. Soo Zee Park, the Chief Business

Officer, holds a B.A. in architecture from North Carolina State University and an M.B.A. from John E. Anderson Graduate School of Management at UCLA. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the CMO.

**School Organizational Information:** LPS Hayward is a public charter school located within the boundaries of the Hayward Unified School District and is authorized by the Hayward Unified School District. LPS Hayward's most recent charter was approved by the Hayward Unified School District in February 2018 and is active through June 30 2023. The school is a direct-funded independent charter school and is operated by Leadership Public Schools, a California public benefit corporation with IRS approved 501(c)(3) status.

LPS Hayward was founded in 2003. Their mission is to serve diverse and traditionally underserved urban students, their teachers, and the public by sending 100% of their graduates to and through college. LPS Hayward believes that all students, regardless of SES, ethnicity, or neighborhood, have the right to an education that prepares them for admission to and success in college. The majority of LPS Hayward's students enter ninth grade scoring below grade level across multiple subjects. A key component of fulfilling their mission consists in bringing their students up to or above grade level as rapidly as possible. Further, LPS Hayward collectively aims to narrow the achievement and opportunity gaps between the highest and lowest performing students; eliminating the predictability of which student groups (race, gender, language profile, learning designation) occupy the highest and lowest achievement categories.

Grounded in their commitment to excellence and equity, LPS Hayward envision a school where LPS Hayward has an integrated view of College, Career and Community Leadership. LPS Hayward places an emphasis on fostering deeper learning within instruction and curriculum to align with the new common core standards and college readiness expectations, while ensuring all students, particularly English Language Learner and RSP students, make the necessary growth in these critical college-ready areas.

A core tenant of the program rests on being a school where students use technology to practice new concepts, accelerate their learning in a manner that is personalized to their needs, freeing teachers to create and lead rich, rigorous, engaging lessons that extend students' learning. When technology is supporting students in their individualized work, teachers provide on-the-spot intervention so that no student falls behind. LPS Hayward calls this approached personalized teaching and learning.

LPS Educational Philosophy and Approach to Instruction is aligned to and in support of their mission to create educational equity, prepare students for college, career and community leadership and share practices at a national scale.

LPS Hayward has an integrated view of College, Career and Community Leadership. This includes rigor (the transition to the Common Core), personal relevancy (community embedded, culturally relevant, and development of personal passion), and a personal vision and plan for the future (vision of self in college, career and community, with specific skills and strategies to achieve this). As such, the overall academic program design and approach to

instruction supports the fulfillment of this vision. Specifically, LPS Hayward believes will prepare all students to be college and career ready community leaders by: 1) Building a school culture focused on equity; 2) Providing a rigorous and responsive academic program; and 3) Making connections between academics and real world lives of their students. By doing so, LPS Hayward’s approach prepares students for success in college, careers and community leadership by accelerating their academic preparation, building their vision for their futures and supporting their transition to and persistence in college.

LPS Hayward is governed by LPS’s board as listed in the section above. LPS Hayward’s principal is Ernest Peterson, who, most recently served as the Chief Schools Officer for Caliber Public Schools. Mr. Peterson has a B.A. in Sociology from California State University, East Bay, and a M.A. in Elementary Education from the City University of New York – City College. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the School.

**School Academic Performance:** The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of LPS Hayward, combined averages of LPS’s other schools which consist of Leadership Public Schools – Richmond and LPS Oakland R & D Campus (“LPS Schools”), combined averages of Hayward High, Mt. Eden High, Silver Oak Public Montessori Charter, and Tennyson High (“Local Schools”) and HUSD. The four local schools selected serve the same grade span as LPS Hayward. The results are provided through CDE’s CAASPP Smarter Balanced testing data.

**English Language Arts – Comparison**

	<u>% of Students Meeting or Exceeding Avg. Performance</u>		
	2014-15	2015-16	2016-17
LPS Hayward	77%	86%	84%
LPS Schools	54%	76%	73%
Local Schools	48%	46%	53%
HUSD	32%	36%	32%

**Mathematics– Comparison**

	<u>% of Students Meeting or Exceeding Avg. Performance</u>		
	2014-15	2015-16	2016-17
LPS Hayward	57%	55%	58%
LPS Schools	31%	36%	35%
Local Schools	21%	17%	20%
HUSD	21%	23%	21%

**Enrollment Trends and Projections:** The tables below present enrollment information for LPS and LPS Hayward from 2014-15 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**CMO-wide Student Enrollment and Average Daily Attendance**

**LPS**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment	1,508	1,381	1,479	1,587	1,675	1,715	1,890	2,065	2,235	2,235
ADA	95.0%	94.5%	94.2%	94.4%	94.4%	94.4%	94.4%	94.4%	94.4%	94.4%

**School Student Enrollment and Average Daily Attendance**

**LPS Hayward**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Enrollment	507	533	578	595	595	595	595	595	595	595
ADA	97.5%	96.6%	95.8%	95.6%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%

**District Financial Analysis:**

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for LPS, the financial obligor and Applicant, on behalf of LPS Hayward: (1) audited financial statements for 2013-14 through 2016-17; (2) unaudited actuals for 2017-18; (3) adopted budget for 2018-19; and (4) budget projections for 2019-20 through 2023-24 along with assumptions.

**Assumptions:** LPS’s financial projections are based upon the following assumptions: (1) occupancy of the project in 2022-23; (2) CMO-wide enrollment projections as provided above under “Enrollment Trends and Projections”; (3) Projected CMO-wide ADA rates of at least 94.4%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$11,446 for 2018-19; (5) Increased salary growth of 3% annually; and (6) A growth rate for expenses between 2-3%.

**Long Term Liabilities:** LPS Hayward entered into an unsecured loan agreement with 28000 Calaroga LLC in the amount of \$500,000. Payments are monthly in the amount of \$8,763 with an interest rate of 2%. The loan term is 5 years and matures in August 2019.

As previously mentioned, LPS currently has two campus with facilities funded by the Program. The LPS Richmond campus was approved for its final apportionment in May 2013 and occupied in September 2015. LPS has begun payments on a loan agreement under the Program for its local match in the amount of \$3,000,000. Payments are semi-annually in a total amount of \$144,879 with an interest rate of 2%. The loan term is 29.16 years. The loan is secured by the facility in that title of the building of the District and it could be reclaimed if LPS defaulted on the agreement.

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 Leadership Public Schools on behalf of Leadership Public Schools - Hayward  
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<b>CSFP Project Name</b>	<b>CSFP loan amount (Local Match)*</b>
LPS Richmond*	\$2,828,544 <sup>1</sup>
LPS Oakland R & D Campus**	\$14,995,960 <sup>2</sup>
<b>Total</b>	<b>\$17,824,504</b>

- + - Amount Remaining as of June 30, 2018
- \* - Final Apportionment
- \*\* - Preliminary Apportionment
- <sup>1</sup> – Repayment began in 2016 on \$3,000,000
- <sup>2</sup> – Repayment expected to begin in 2020-21

**Private Contributions:** LPS uses very conservative projections when it comes to private contributions and fundraising as compared to their historical figures. LPS averaged \$861,995 in private contributions and fundraising from 2014-15 through 2017-18. LPS projects an average of about \$285,331 from 2018-19 and 2022-23 and averages 1.1% 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 LPS’s 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 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
<b>OPERATIONAL &amp; FINANCIAL</b>										
Enrollment	1,508	1,381	1,479	1,587	1,675	1,715	1,890	2,065	2,235	2,235
Average Daily Attendance (ADA)	1,432	1,306	1,393	1,498	1,581	1,619	1,784	1,949	2,110	2,110
Average Daily Attendance (%)	95.0%	94.5%	94.2%	94.4%	94.4%	94.4%	94.4%	94.4%	94.4%	94.4%
Retention Rate	96.3%	97.1%	96.6%	96.1%						
FTE Teachers	79	70	77	78	81	84	94	102	109	109
Pupil-Teacher Ratio	19.1	19.7	19.2	20.3	20.7	20.4	20.1	20.2	20.5	20.5
LCFF Sources/ADA	\$ 8,703	\$ 11,452	\$ 10,501	\$ 12,061	\$ 11,446	\$ 11,743	\$ 12,076	\$ 12,497	\$ 12,811	\$ 12,810
% Change		31.6%	-8.3%	14.8%	-5.1%	2.6%	2.8%	3.5%	2.5%	0.0%
Operating Revenues/ADA	\$ 11,691	\$ 15,127	\$ 13,807	\$ 14,015	\$ 14,701	\$ 14,357	\$ 14,736	\$ 15,193	\$ 15,417	\$ 15,416
% Change		29.4%	-8.7%	1.5%	4.9%	-2.3%	2.6%	3.1%	1.5%	0.0%
Operating Expenses plus CSFP Loan/ADA	\$ 10,845	\$ 14,342	\$ 14,243	\$ 13,631	\$ 13,845	\$ 14,047	\$ 14,626	\$ 15,224	\$ 15,247	\$ 15,246
% Change		32.2%	-0.7%	-4.3%	1.6%	1.5%	4.1%	4.1%	0.2%	0.0%
Free Cash Flow/ADA	\$ 846	\$ 786	\$ (435)	\$ 384	\$ 856	\$ 310	\$ 110	\$ (32)	\$ 170	\$ 170
	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
<b>DEBT SERVICE COVERAGE</b>										
Total Operating Revenues	\$ 16,741,651	\$ 19,750,485	\$ 19,238,816	\$ 20,995,803	\$ 23,244,880	\$ 23,243,769	\$ 26,291,805	\$ 29,616,159	\$ 32,528,063	\$ 32,528,063
Total Operating Expenses	15,530,857	18,587,824	19,708,613	20,283,534	21,754,440	22,604,620	25,193,021	28,162,616	30,654,065	30,654,065
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Loan Payment	1,210,794	1,162,661	(469,797)	712,269	1,490,440	639,149	1,098,784	1,453,543	1,873,998	1,873,998
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	-	532,128	442,308	408,258	416,820	386,567	392,537	392,537
Adjusted Net Income Available for CSFP Loan Pymt.	1,210,794	1,162,661	(469,797)	1,244,397	1,932,748	1,047,407	1,515,604	1,840,110	2,266,535	2,266,535
CSFP Loan Payments	-	136,777	136,777	136,777	136,777	136,777	901,860	1,515,354	1,515,354	1,515,354
Free Cash Flow	\$ 1,210,794	\$ 1,025,884	\$ (606,574)	\$ 1,107,620	\$ 1,795,971	\$ 910,630	\$ 613,744	\$ 324,756	\$ 751,181	\$ 751,181
DSC from Adj. Net Income	N/A	850.0%	-343.5%	909.8%	1413.1%	765.8%	168.1%	121.4%	149.6%	149.6%
DSC from LCFF Sources subject to CSFA Intercept	N/A	8230.4%	8074.3%	13210.1%	10250.4%	10854.8%	1878.0%	1274.8%	1425.5%	1425.5%
CSFP Loan Payment/Oper. Revenues	N/A	0.69%	0.71%	0.65%	0.59%	0.59%	3.43%	5.12%	4.7%	4.7%
<b>FUNDRAISING</b>										
Fundraising for Operations	\$ 1,125,288	\$ 837,617	\$ 824,288	\$ 660,785	\$ 404,733	\$ 214,317	\$ 242,231	\$ 266,977	\$ 298,396	\$ 298,396
Fundraising/Oper. Revenues	6.7%	4.2%	4.3%	3.1%	1.7%	0.9%	0.9%	0.9%	0.9%	0.9%
DSC without Fundraising	N/A	237.6%	-946.1%	426.7%	1117.2%	609.1%	141.2%	103.8%	129.9%	129.9%
% of Fundraising Required for 100% DSC	N/A	-22.5%	173.6%	-67.6%	-343.7%	-324.9%	-153.4%	-21.6%	-151.7%	-151.7%
<b>LIQUIDITY</b>										
Current Assets	\$ 8,344,546	\$ 9,736,429	\$ 9,196,499	\$ 10,407,805						
Current Liabilities	1,868,701	1,986,466	1,861,493	1,933,806						
Net Working Capital	\$ 6,475,845	\$ 7,749,963	\$ 7,335,006	\$ 8,473,999						
Net Working Capital/Oper. Expenses	41.7%	41.7%	37.2%	41.8%						
Unrestricted Cash & Cash Equivalents	\$ 5,342,654	\$ 6,912,444	\$ 6,578,907	\$ 6,972,463						
Unrest. Cash & CE/Oper. Expenses (Days)	126	136	122	125						
Unrest. Cash & CE/All Expenses (Days)	126	135	121	125						

**Benchmark Summary:**

- Free Cash Flow/ADA – Met: \$317 avg. (>\$0)
- Free Cash Flow – Met: \$788,519 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income – Met: 149.6%
- Net Working Capital as Portion of Operating Expenses – Met: 40.6% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Met: 126 days (> 90 days)

**Strengths, Weaknesses and Mitigants:**

- + LPS's DSC from adjusted net income is 149.6% for 2022-23 and 2023-24, the first two years of repayment.
- + LPS Hayward has academically outperformed other LPS schools, local schools, and the district as a whole by a sizeable margin.
- + As of June 30, 2018, LPS has \$8,473,999 in net working capital, approximately 42% of operating expenses.

**Staff Recommendation:** Staff recommends that the California School Finance Authority Board determine that Leadership Public Schools on behalf of Leadership Public Schools - Hayward is financially sound for the purposes of Charter School Facilities Program Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance 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 Leadership Public Schools, on behalf of Leadership Public Schools - Hayward, 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 and the State Allocation Board regarding this determination.