

**Charter School Facilities Program  
 Proposition 51 Funding Round  
 Staff Summary Report – December 2022  
 Item 9 Resolution 22-57**

<b>Applicant/Obligor:</b>	Leadership Public Schools
<b>Project School:</b>	LPS Oakland R & D
<b>CDS (County – District – School) Code:</b>	01-61259-0126748
<b>School Address/Proposed Site:</b>	8601 MacArthur Blvd. Oakland, CA 94605
<b>Type of Project:</b>	Rehabilitation and New Construction
<b>Type of Apportionment:</b>	Final
<b>County:</b>	Alameda
<b>District in which Project is Located:</b>	Oakland Unified
<b>Charter Authorizer:</b>	Oakland Unified
<b>Total OPSC Project Cost:</b>	\$20,570,136
<b>State Apportionment (50% Project Cost):</b>	\$10,285,068
<b>Total CSFP Financed Amount:</b>	\$10,285,068
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	2%
<b>Estimated Annual CSFP Payment:</b>	\$459,227
<b>Projected Occupancy of New Project:</b>	September 2024

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Leadership Public Schools (LPS) on behalf of LPS Oakland R & D (School or LPSO) is financially sound for the purposes of Charter School Facilities Program (Program or CSFP) Final Apportionment. This determination, as it relates to Final Apportionment, shall remain in effect for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon LPS 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 CSFA Board direct staff to immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

**Application Highlights:** Below staff highlighted key criteria evaluated when conducting the financial soundness review for LPS. Detailed information is contained in the body of the report:

<b>Criteria</b>	<b>Comments</b>
Demographic Information	In 2020-21: <ul style="list-style-type: none"> <li>• LPSO had a total enrollment of 492 students in grades 9-12, with an average daily attendance (ADA) rate of 93.5% and Unduplicated Pupil Percentage of ADA of 102.8%.</li> <li>• LPS had a total enrollment of 1,706 students in grades 9-12, with an average daily attendance (ADA) rate of 93.6% and Unduplicated Pupil Percentage of ADA of 81.2%.</li> </ul>
Debt Service Coverage	LPS's debt service coverage from adjusted net income on CSFP loans (Richmond, Hayward, Oakland) is projected to average 195.5% over the first three years that payments are due.
Eligibility Criteria	LPS has met all eligibility criteria: (1) LPSO commenced operations in 2012; (2) LPSO's charter was last renewed by Oakland Unified through June 2022 - Assembly Bill 130 [Approved by Governor on July 09, 2021] extends the terms of all charter schools whose terms expire on or between January 1, 2022, and June 30, 2025, inclusive, by two years.; (3) LPSO is in good standing with its chartering authority and in compliance with the terms of its charter.
Student Performance	LPSO students consistently perform as well or better on average than demographic peers in their local district based on California standardized testing (CAASPP).

**Program Eligibility:** Oakland Unified School District confirmed as of November 2, 2022, LPSO is in compliance with the terms of its Charter Agreement, has no pending or outstanding Notices of Violation, and has no unresolved or outstanding Notices of Intent to Revoke.

**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:** The Rehabilitation portion of the project includes 38,610 square feet (19 Classrooms) of standard modernization work and 4,552 square feet (2 Classrooms) of like-for-like replacement (with the demolition of 3 portable buildings/2 classrooms) (Buildings D & J). The rehabilitation includes upgrades to the AV, data and teaching stations; modernizing science classrooms, minor HVAC improvements; ADA improvements for the restrooms; upgrades to lighting fixtures and some panels; some door/hardware improvements; cabinetry in the science and administration spaces; site work related to path of travel accessibility.

The New Construction portion of the project includes the addition of 3,949 square feet (4 Classrooms), to be included in the new Building P, which will also include the replacement portion of the Rehabilitation. The added capacity of the new classrooms will total 108 9-12 students.

**School Organizational Information:** Leadership Public Schools is a network of three Bay Area charter high schools (Hayward, Oakland R&D, and Richmond) whose mission is to create inclusive, empowering, and college-preparatory learning experiences for students that equip them for success in college, career, and community leadership.

LPS is overseen by an eight-member board of trustees, which includes both staff members and volunteers. Dr. Will Dunford is the current LPSO Principal. Staff reviewed the credentials of school administrators and board members, and determined that collectively and individually, the management team demonstrates the required experience and educational background to effectively oversee the operations of LPSO.

**Leadership Public Schools Board of Trustees 2022-2023**

Name	Position	Term Ends
Brentt Brown	Chair	2024
Kimberle Sanders	Vice Chair	2024
Emmanuel Barrera	Secretary	2025
Dawn River	Treasurer	2024
Vaile Fujikawa	Trustee	2025
Carey Hawkins Ash	Trustee	2024
Gigi Patrick	Trustee	2024
Jennifer Pellegrine	Trustee	2025

**LPSO Academic Performance:** The following tables represent the recent academic performance of LPSO; a similar local high school, Castlemont High; and Oakland Unified School District (OUSD). Results are provided through the California Department of Education’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards. Staff would note that the schools compared below have **significantly** higher UPP than the Oakland Unified average.

*\*2019–20 results are not available due to the suspension of testing as a result of the novel coronavirus disease 2019 (COVID-19).*

*\*\*2020-2021 testing participation varied due to factors surrounding the novel coronavirus (COVID-19) pandemic.*

**English Language Arts Achievement**

	FY17	FY18	FY19	FY22
LPSO	62%	47%	49%	34%
Castlemont	1%	2%	9%	12%
OUSD	32%	33%	33%	35%

**Mathematics Achievement**

	FY17	FY18	FY19	FY22
LPSO	27%	6%	11%	5%

Castlemont	1%	0%	0%	2%
OUSD	26%	27%	27%	26%

**Enrollment Trends and Projections:** The table below presents enrollment and ADA information for LPS and LPSO from fiscal year 2019 through fiscal year (FY) 2028. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**LPSO Student Enrollment and Average Daily Attendance**

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
LPSO Enrollment	483	498	492	436	438	440	461	506	521	521
LPSO ADA (%)	91.3	92.4	93.5	83.3	90	90.9	92	91.9	93.1	93.1
LPS Enrollment	1675	1698	1706	1570	1634	1640	1661	1706	1721	1721
LPS ADA (%)	92.4	94	93.6	88.9	90.8	91.6	92.4	92.8	93.6	93.6

**Financial Analysis**

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for LPS: (1) audited and unaudited financial statements for FYs 2018-19 through 2021-22; (2) adopted budget for FY 2022-23; and (3) budget projections for FYs 2023-24 through 2027-28 along with assumptions.

**Assumptions:** Staff’s financial analysis of LPS is based upon the following assumptions: (1) occupancy of the new facility in September 2024; (2) the repayment of LPS’s CSFP matching share loan in the amount of \$10,285,068 at 2% interest commencing in FY 2025-26 concurrent with other pre-existing CSFP loan agreements; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

**Long-Term Liabilities:** Staff do not foresee any significant long-term liabilities. Additionally, applicants are required to notify the Authority before taking on additional debt that exceeds certain thresholds.

**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 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
<b>OPERATIONAL &amp; FINANCIAL</b>												
Enrollment	1,675	1,698	1,706	1,570	1,634	1,640	1,661	1,706	1,721	1,721		
Average Daily Attendance (ADA)	1,547	1,597	1,597	1,396	1,484	1,502	1,534	1,583	1,610	1,610		
Average Daily Attendance (%)	92.4%	94.0%	93.6%	88.9%	90.8%	91.6%	92.4%	92.8%	93.6%	93.6%	92.4%	< 94.0%
FTE Teachers	76	80	84	88	88	87	86	85	85	85	84	
Pupil-Teacher Ratio	22.0	21.2	20.4	17.9	18.6	18.9	19.4	20.1	20.3	20.3	19.9	> 25.0
LCFF Sources/ADA	\$ 11,780	\$ 11,995	\$ 11,725	\$ 12,570	\$ 13,041	\$ 14,274	\$ 14,737	\$ 15,205	\$ 15,663	\$ 15,918	\$ 13,691	
% Change		1.8%	-2.3%	7.2%	3.8%	9.5%	3.2%	3.0%	2.9%	1.6%	3.4%	
Operating Revenues/ADA	\$ 14,977	\$ 14,971	\$ 18,827	\$ 20,267	\$ 17,756	\$ 18,775	\$ 18,106	\$ 18,530	\$ 18,604	\$ 18,752	\$ 17,956	
% Change		0.0%	25.8%	7.6%	-12.4%	5.7%	-3.6%	2.3%	0.4%	0.8%	3.0%	
Operating Expenses plus CSFP Lease/ADA	\$ 14,239	\$ 14,649	\$ 14,792	\$ 16,929	\$ 16,744	\$ 16,960	\$ 16,745	\$ 17,563	\$ 17,858	\$ 18,516	\$ 16,499	
% Change		2.9%	1.0%	14.5%	-1.1%	1.3%	-1.3%	4.9%	1.7%	3.7%	3.1%	
Free Cash Flow/ADA	\$ 739	\$ 322	\$ 4,036	\$ 3,338	\$ 1,012	\$ 1,814	\$ 1,360	\$ 967	\$ 746	\$ 236	\$ 1,457	< 0
	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
<b>DEBT SERVICE COVERAGE</b>												
Total Operating Revenues	\$ 23,176,977	\$ 23,907,301	\$ 30,064,781	\$ 28,296,028	\$ 26,350,471	\$ 28,199,373	\$ 27,773,930	\$ 29,332,368	\$ 29,952,528	\$ 30,190,236		
Total Operating Expenses	22,034,008	23,393,242	23,620,334	23,636,052	24,848,550	25,474,140	25,687,405	26,567,213	27,516,444	28,575,736		
Total Other Sources/Uses	2,442	141,343	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	1,145,411	655,402	6,444,447	4,659,976	1,501,921	2,725,233	2,086,525	2,765,155	2,436,084	1,614,500		
Add Back Capital Outlay	-	-	-	-	94,000	-	-	-	-	-		
Add Back Depreciation	-	-	-	380,783	364,942	273,569	157,646	145,780	144,815	134,734		
Adjusted Net Income Available for CSFP Lease Pymt.	1,145,411	655,402	6,444,447	5,040,759	1,966,863	2,998,802	2,244,171	2,910,935	2,580,899	1,749,234		
CSFP Lease Payments	-	-	-	-	-	-	-	1,234,834	1,234,834	1,234,834		
Free Cash Flow	\$ 1,145,411	\$ 655,402	\$ 6,444,447	\$ 5,040,759	\$ 1,966,863	\$ 2,998,802	\$ 2,244,171	\$ 1,676,101	\$ 1,346,065	\$ 514,400	\$ 2,402,642	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	235.7%	209.0%	141.7%	195.5%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								1569.4%	1662.5%	1695.7%	1642.5%	> 15.0%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.2%	4.1%	4.1%	4.1%	> 15.0%
<b>FUNDRAISING</b>												
Fundraising for Operations	\$ 727,230	\$ 552,284	\$ 583,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,268	
Fundraising/Oper. Revenues	3.1%	2.3%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	> 15.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	235.7%	209.0%	141.7%	195.5%	< 100.0%
<b>LIQUIDITY</b>												
Current Assets	\$ 11,444,156	\$ 21,619,542	\$ 24,547,692									
Current Liabilities	1,678,646	7,920,935	7,846,628									
Net Working Capital	\$ 9,765,510	\$ 13,698,607	\$ 16,701,064									
Net Working Capital/Oper. Expenses	44.3%	58.6%	70.7%								57.9%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 7,957,587	\$ 17,879,404	\$ 17,384,816									
Unrest. Cash & CE/Oper. Expenses (Days)	132	279	269									
Unrest. Cash & CE/All Expenses (Days)	132	279	269								226	< 90

**Benchmark Summary:**

- Enrollment – Average ADA rate over the period reviewed falls short of 94% threshold largely due to decline following the novel coronavirus (COVID-19) pandemic which affected FY 2022. Staff find the projections of a gradual return to pre-pandemic levels reasonable and in keeping with state-wide enrollment trends.
- Full-time equivalent (FTE) Teachers – Pupil-teacher ratio consistently resides well below the maximum target of 25.
- Free Cash Flow and/or per ADA – LPS operates with historically positive cash flow; Staff find projections reasonable and within tolerance given the length of period examined.
- Debt Service Coverage from Adj. Net Income – Staff finds estimated 195.5% average debt service coverage exceeds required threshold and projection factors used are conservative.
- CSP Lease Payment relative to Operational Revenues: Representing an estimated 4.1% of annual operating revenues, estimated CSFP lease payment(s) are well under the 15% threshold—unlikely to create a hardship for the LPS organization.
- Fundraising: Historically LPS fundraising provides 2%-3% of operational revenues. Even with projections conservatively assuming 0% future fundraising revenues debt service coverage is not substantially affected.
- Net Working Capital relative to Operating Expenses – LPS liquidity metrics are strong with ratio of Net Working Capital to Operational Expenses at nearly 58%, and Unrestricted Cash and Equivalents on hand equal to 226 days worth of expenses.

**Staff Recommendation:** Staff recommends that the California School Finance Authority (CSFA) Board determine that Leadership Public Schools (LPS) on behalf of LPS Oakland R & D is financially sound for the purposes of Charter School Facilities Program (CSFP) Final 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 LPS electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4. 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.