

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – February 2023
Item 6 Resolution 23-07**

Applicant/Obligor:	Education for Change
Project School:	Achieve Academy
CDS (County – District – School) Code:	01-61259-0111476
School Address/Proposed Site:	1700 28th Avenue Oakland, 94621
Type of Project:	Rehabilitation
Type of Apportionment:	Final
County:	Alameda
District in which Project is Located:	Oakland Unified
Charter Authorizer:	Oakland Unified
Total OPSC Project Cost:	\$27,557,324
State Apportionment (50% Project Cost):	\$13,778,662
Total CSFP Financed Amount:	\$13,778,662
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.00%
Estimated Annual CSFP Payment:	\$615,216
First Year of Occupancy of New Project:	2024-25

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Education for Change (EFC) on behalf of Achieve Academy (School or AA) 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 EFC 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 EFC/CA. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2021-22, EFC had a total enrollment of 2632 students across all network schools; the average daily attendance (ADA) rate was 90%, and the Unduplicated Pupil Percentage (UPP) of ADA was 97.8%.
Debt Service Coverage	EFC's debt service coverage from adjusted net income on this CSFP loan is projected to average 409.1% over the first three years that payments are due, inclusive of EFC's other two projected CSFP loans: Lazear and Cox Academy.
Eligibility Criteria	AA has met all eligibility criteria: (1) AA commenced operations in 2006; (2) CA's charter is in place through June 2026; (3) CA is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	AA 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 has confirmed that as of February 7, 2023, AA 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 project contains a total of 50,765 square feet of scope, including alterations to existing facilities and like kind replacement. Aging portable classrooms will be demolished and/or salvaged to make room for a new two-story classroom building which will include an elevator and added restroom space to provide equivalent access for people with disabilities. The project also includes HVAC upgrades, and demolition and construction of a new playspace and parking area.

School Organizational Information: Achieve Academy is a TK-5 school in East Oakland providing rigorous instruction in the core content areas while fostering critical thinking, problem solving and application of learning to prepare students for success in higher education. AA is committed to creating student leaders who are stewards of the greater community. AA focuses on the whole child by providing a systemic wrap-around program focused with a comprehensive system of supports and interventions for children and families.

Education for Change is a charter management organization (CMO) which operates a portfolio of neighborhood schools in Oakland, California. EFC schools each have unique programming and grade configurations but share resources and best practices to ensure all schools are positioned to engage students meaningfully and accelerate their academic development.

AA is governed by the EFC Board of Directors, a policy-making board that oversees the fundamental aspects of the Charter School. The Board of Directors consists of members from a variety of professional and academic backgrounds to ensure that AA has the necessary supporting expertise to maintain a high-quality program.

Larissa Adam is the current Superintendent of Schools for EFC; Sundar Chari is the current Chief Business Officer (CSO). Shawna Myers is the current Principal of AA. Staff reviewed the credentials of EFC and AA key leaders, concluding the management team demonstrates the required experience and educational background to effectively oversee the operations of EFC and, by extension, AA.

2021-22 Education for Change Board of Directors

Name	Role(s)	Term
Nick Driver	Board Chair, Executive Committee Chair	2022-2025
Eva Camp	Board VP, Student Outcomes Committee, Executive Committee	2022-2025
Damon Grant	Student Outcomes Committee	2021-2024
Mike Barr	Finance Committee Chair	2020-2023
Leroy Gaines	Student Outcomes Committee	2021-2024
Lauren Weston	Finance Committee	2020-2023
Valia Almendarez	Student Outcomes Committee	2022-2023
Erika Cicernos	Family Leadership Council representative	2022-2023
Doreen Ardayfio	Family Leadership Council representative	2022-2023

School Academic Performance: The following tables represent the recent academic performance of AA, a similar local K-5 school, Garfield Elementary, and Oakland Unified. Results are provided through CDE’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 data was suppressed to protect student privacy.*

English Language Arts Achievement

	FY17	FY18	FY19	FY20	FY21	FY22
AA	16%	24%	25%	*	**	26%
Garfield	21%	21%	26%	*	**	16%
District	32%	33%	33%	*	**	35%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	
AA	24%	31%	32%	*	**	25%
Garfield	19%	20%	28%	*	**	15%
District	26%	27%	27%	*	**	26%

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for EFC schools collectively, and AA individually, from FY 2020 through FY 2028. Projects reflecting declining attendance are based on recent trends heavily influenced by the Corona virus pandemic conditions. These projections do not constitute a belief or prediction that school enrollment will continue to decline. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

EFC Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	2901	2737	2632	2655	2598	2564	2504	2455	2413
ADA	94%	94%	90%	92%	92%	92%	92%	92%	92%

AA Student Enrollment and Average Daily Attendance

Year (FY)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Enrollment	649	607	545	557	532	505	490	486	469
ADA	95%	95%	92%	92%	92%	92%	92%	92%	92%

Financial Analysis

While this report’s academic analysis and project narrative describe local conditions at Achieve Academy, staff’s enrollment and financial analysis were primarily focused on EFC schools which will be acting as Obligor for the proposed CSFP loan.

Financial Data Sources: This financial analysis is based on the consideration and review of the following for EFC: (1) audited financial statements for FYs 2019-20 through 2020-21; (2) unaudited actuals for FY 2021-22; and (3) projections for FYs 2022-23 through 2027-28 along with assumptions.

Assumptions: Staff’s financial analysis of EFC is based upon the following assumptions: (1) final occupancy of the new facilities by FY 2024-25; (2) the repayment of EFC’s CSFP matching share loan in the amount of \$13,778,662 at 2% interest commencing in FY 2025-26; (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 AA’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 2020	Actual FY 2021	Unaudited FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL											
Enrollment	2,901	2,737	2,632	2,655	2,598	2,564	2,504	2,455	2,413		
Average Daily Attendance (ADA)	2,727	2,573	2,369	2,446	2,394	2,394	2,362	2,307	2,222		
Average Daily Attendance (%)	94.0%	94.0%	90.0%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%	92.3%	< 94.0%
FTE Teachers	170	161	181	191	190	175	170	163	158	173	
Pupil-Teacher Ratio	17.1	17.0	14.6	13.9	13.7	14.7	14.7	15.1	15.3	15.1	> 25.0
LCFF Sources/ADA	\$ 10,687	\$ 10,774	\$ 11,810	\$ 13,228	\$ 14,317	\$ 14,921	\$ 15,440	\$ 15,998	\$ 16,700	\$ 13,764	
% Change		0.8%	9.6%	12.0%	8.2%	4.2%	3.5%	3.6%	4.4%	5.8%	
Operating Revenues/ADA	\$ 17,029	\$ 17,250	\$ 24,911	\$ 22,970	\$ 23,838	\$ 22,274	\$ 22,648	\$ 23,019	\$ 23,192	\$ 21,903	
% Change		1.3%	44.4%	-7.8%	3.8%	-6.6%	1.7%	1.6%	0.8%	4.9%	
Operating Expenses plus CSFP Lease/ADA	\$ 14,569	\$ 15,833	\$ 20,500	\$ 22,945	\$ 23,154	\$ 21,922	\$ 22,421	\$ 22,504	\$ 22,548	\$ 20,711	
% Change		8.7%	29.5%	11.9%	0.9%	-5.3%	2.3%	0.4%	0.2%	6.1%	
Free Cash Flow/ADA	\$ 2,461	\$ 1,417	\$ 4,411	\$ 26	\$ 684	\$ 352	\$ 227	\$ 515	\$ 644	\$ 1,193	< 0
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 46,433,213	\$ 44,379,557	\$ 59,008,919	\$ 56,194,867	\$ 57,056,583	\$ 52,602,872	\$ 52,237,616	\$ 52,047,641	\$ 51,536,326		
Total Operating Expenses	39,723,775	40,735,015	48,560,093	55,828,534	55,116,032	51,468,222	50,795,365	49,964,591	48,455,031		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	6,709,438	3,644,542	10,448,826	366,333	1,940,551	1,134,650	1,442,251	2,083,050	3,081,295		
Add Back Capital Outlay	-	-	-	593,813	593,813	593,813	593,813	593,813	593,813		
Add Back Depreciation	-	-	593,813	-	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt.	6,709,438	3,644,542	11,042,638	960,146	2,534,364	1,728,463	2,036,064	2,676,863	3,675,108		
CSFP Lease Payments	-	-	-	303,786	303,786	303,786	303,786	303,786	303,786	1,651,000	
Free Cash Flow	\$ 6,709,438	\$ 3,644,542	\$ 11,042,638	\$ 656,360	\$ 2,230,578	\$ 1,424,677	\$ 1,117,062	\$ 1,757,861	\$ 2,024,108	\$ 3,400,807	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	316.1%	834.3%	569.0%	221.6%	291.3%	222.6%	409.1%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept								3195.4%	1835.4%	2515.4%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	0.5%	0.5%	0.6%	1.8%	1.8%	3.2%	1.4%	> 15.0%
FUNDRAISING											
Fundraising for Operations	\$ 5,882,338	\$ 2,882,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 973,890	
Fundraising/Oper. Revenues	12.7%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%	> 15.0%
LIQUIDITY											
Current Assets	\$ 20,947,544	\$ 14,655,680	\$ 10,931,245								
Current Liabilities	6,241,250	16,465,774	15,656,905								
Net Working Capital	\$ 14,706,294	\$ (1,810,094)	\$ (4,725,660)								
Net Working Capital/Oper. Expenses	37.0%	-4.4%	-9.7%							7.6%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 13,789,707	\$ 3,753,275	\$ 1,118,303								
Unrest. Cash & CE/Oper. Expenses (Days)	127	34	8								
Unrest. Cash & CE/All Expenses (Days)	127	34	8							56	< 90

Benchmark Summary:

- Enrollment – ADA nearly meets target threshold of 94%. EFC schools experienced a decline in attendance rates in FY 2021-22 consistent with state-wide trends associated with the COVID-19 pandemic. EFC does not assume a return to 94% ADA over the period projected for this analysis. Staff find these projections conservative, and acceptable given that other factors are projected congruently.
- FTE Teachers – Pupil-teacher ratio consistently resides below maximum target of 25.
- Free Cash Flow and/or per ADA – EFC operates with historically positive cash flow; records reflect a surplus in FY 2021-22, and corresponding decline in FY 2022-23 related to the injection of one-time grants related to COVID-19 pandemic relief efforts.
- Debt Service Coverage – Projected 409.1% average debt service coverage spans FY23 through FY28 due to inclusion of two additional CSFP projects (Lazear and Cox

Academy); combined lease payments total 1.4% of operational revenues on average; fundraising was not presumed in projections despite representing a healthy source of revenue in audited years. Overall projections account for possible future adjustments to staff and services expenditures commensurate with enrollment.

- Net Working Capital relative to Operating Expenses – EFC liquidity metrics meet program targets with ratio of Net Working Capital to Operational Expenses at 7.6%. Unrestricted Cash and Equivalents on hand equate to approximately 56 days worth of expenses—below the ideal target of 90 days, but within reason for a non-profit CMO.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Education for Change (EFC) on behalf of Achieve Academy (AA) is financially sound for the purposes of this 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 EFC 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.