

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

Applicant/Obligor:	Caliber Schools
Project School:	Caliber – Beta Academy
CDS (County – District – School) Code:	07-10074-0129528
School Address/Proposed Site:	2465 Dolan Way, San Pablo, CA 94806
Type of Project:	New Construction and Rehabilitation
Type of Apportionment:	Preliminary / Advance Apportionment
County:	Contra Costa
District in which Project is Located:	Contra Costa County Office of Education
Charter Authorizer:	Contra Costa County Office of Education
Total OPSC Project Cost (Rehab):*	\$14,798,595
Total OPSC Project Cost (NC):*	<u>\$11,196,715</u>
Total OPSC Project Cost (Rehab & NC):*	\$25,995,310
State Apportionment (50% Project Cost):	\$12,997,655
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$12,997,655
Length of CSFP Funding Agreement:	30 Years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment (NC):	\$285,624
Estimated Annual CSFP Payment (Rehab):	\$377,507
Total Estimated Annual CSFP Payment:	\$663,131
First Year of Occupancy (Rehab Project):	2022-23
First Year of Occupancy (NC Project):	2022-23

**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 Caliber Schools on behalf of Caliber - Beta Academy (“Caliber”), is financially sound for the purposes of the Charter School Facilities Program (“Program” or “CSFP”) Preliminary/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 also contingent upon Caliber Schools 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 for Caliber Schools and Caliber – Beta Academy. Detailed information is contained in the body of the report.

Criteria	Comments
School Information	
Demographic Information	<ol style="list-style-type: none"> 1. In 2016-17, Caliber had a total enrollment of 755 students in grades K - 8 (the ADA rate was 93.4%). 2. By 2022-23 (1st Full Year of Expected Project Occupancy), Caliber projects an enrollment of 864 students.
Debt Service Coverage	The projected debt service coverage ratios are 129.2% and 152.6% for 2023-24 and 2024-25, respectively. Caliber Schools will rely on fundraising in order to meet the debt service coverage requirement. However, fundraising only accounts for 2.8% of operating revenues on average from 2017-18 through 2024-25, which is less than the 15% threshold considered to be material by CSFA staff.
Other Financial Factors	<ol style="list-style-type: none"> 1. Projected ratios of CSFP payments to total revenues are 3.0% and 2.9% for 2023-24 and 2024-25, respectively, which are below the preferred maximum range of 10-15%. 2. Net working capital of \$3,963,969 for 2016-17 represented 31.0% of operating expenses, which exceeds the preferred minimum of 5.0%.
School Information	
Eligibility Criteria	Caliber has met all eligibility criteria: (1) Caliber commenced operations in 2014; (2) Caliber’s charter is in place through June 2019; (3) Caliber is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Caliber students have outperformed both comparable schools and the district as a whole in English Language Arts and Mathematics per the “Smarter Balanced” assessment provided through CDE. In 2015-16, 33.00% of Caliber students met or exceeded the new English Language Arts/Literacy standard set by the California Assessment of Student Performance and Progress’ (CAASPP) Smarter Balanced Assessment. That same year 28.00% of students met or exceeded the Mathematics standard under CAASPP’s Smarter Balance Assessment. In 2016-17, 39.56% of Caliber students met or exceeded the new English Language Arts/Literacy standard; and 25.94% of students met or exceeded the Mathematics standard.

Program Eligibility: On September 7, 2017, at CSFA staff's request, verification was received from Contra Costa County Office of Education confirming that Caliber is (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. Caliber's current charter is effective through June 30, 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: This description is most detailed description that Caliber Schools could provide. The rehabilitation project will consist of modernizing and renovating existing buildings to 1) upgrade and replace core building infrastructure, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), roofs, ceilings, floors, windows, doors, plate glass, skylights, etc. 2) restore, repair, and/or upgrade the exterior landscaping, ball fields, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the premises, and/or 3) remove or relocate existing modular/portable units and replace them with permanent modular facilities. The project will transform 20 classrooms for grades 4-8 and it is expected to be completed by August 2022.

The new construction project will expand the square footage and number of classrooms on the premises in order to accommodate the growing charter school student body. Such new construction may take the form of an expansion of the existing facilities and/or construction of additional building(s) on the premises and may include multilevel construction. For preliminary planning purposes, buildings are proposed to be of modular construction, but construction type may change as more detailed plans are developed. The project will include 16 classrooms for grades K-3 and it is expected to be completed by August 2022.

Organizational Information: Caliber is a K-8 grade charter school with 501(c)(3) non-profit public benefit status as Caliber Schools. The school received its first charter in 2014 and began instructional operations in the 2014-15 school year and currently serves 755 students. The school projects enrollment to increase to 864 by 2022-23, first year of project occupancy. The school has a current waitlist of 302 students.

The school describes itself as a K-8 charter school whose mission is to provide students with challenging, engaging, and personalized education that equips them with the knowledge, character, and skills they will need to succeed in competitive colleges, careers, and communities.

Caliber Schools acts as its own fiscal agent and is governed by its own board. The Board of Directors is ultimately responsible for the operation and activities of the school. According to the school's charter, the Board's primary methods for executing its responsibilities are to create, adopt and monitor a long-term strategic plan and associated budget, and to employ and evaluate the leadership of Caliber Schools.

The 2017-18 Board of Directors consists of Anthony Adams, Jennifer Moses, Ron Beller, Dan Katzir, Pete Briger, Jose A. Lopez, Vivian Wu, Margaret Harris, and Jonathan Mariner.

Staff has reviewed the list of board members and determined them to have the proper background and experience to govern.

Jennifer Moses is a Co-founder, Board member and current Chief Executive Officer of Caliber Schools, which includes Caliber – Beta Academy and has experience in finance and education technology startups. Ernest J. Peterson is the Chief Schools Officer and has extensive school leadership experience. Ashlee Gutierrez is a Founding School Leader at Caliber Schools and the current principal for Caliber – Beta Academy. Staff reviewed the credentials of the leadership team and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of Caliber.

School Academic Performance: The following tables represent the 2015-16 and 2016-17 academic performance of Caliber, a similar local elementary public school (Stege Elementary), a similar local middle public school (DeJean Middle School), and Contra Costa County Office of Education. The results are provided through CDE's CAASPP Smarter Balanced testing data.

English Language Arts (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Caliber	39.56%	Average	1/4
Stege Elementary	5.60%	Lowest	3/3
DeJean Middle	10.73%	Low	5/5
District	4.60%	N/A	N/A

Mathematics (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Caliber	25.94%	Low	4/4
Stege Elementary	0.79%	Low	3/3
DeJean Middle	4.19%	Low	5/5
District	2.08%	N/A	N/A

English Language Arts (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Caliber	33.00%	Low	3/3
Stege Elementary	9.00%	Lowest	3/3
DeJean Middle	7.00%	Lowest	5/5

District	7.00%	N/A	N/A
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Mathematics (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Caliber	28.00%	Lowest	3/3
Stege Elementary	4.00%	Lowest	3/3
DeJean Middle	6.00%	Lowest	5/5
District	7.00%	N/A	N/A

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for Caliber from FY 2015 through FY 2025. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

Caliber	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Enrollment	294	608	755	812	864	864	864	864	864	864	864
ADA	94.9%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%

Obligor Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for Caliber Schools, the financial obligor and Applicant: (1) audited financial statements for 2014-15 and 2015-16; (2) unaudited draft financial statements for 2016-17; (3) adopted budget for 2017-18; and (4) budget projections for 2018-19 through 2024-25, along with assumptions.

Assumptions: Caliber School's financial projections are based upon the following assumptions: (1) School enrollment projections as provided above under "Enrollment Trends and Projections"; (2) Projected school ADA rates of 93.4%, which are consistent with historical performance; (3) Local Control Funding Formula (LCFF) per-ADA funding rate of \$14,742 for 2017-18, as included with Caliber School's projections for 2017-18, along with annual cost-of-living adjustments (COLAs) of 3.00% for 2017-18 through 2024-25.

Long Term Liabilities: As provided by the 2016-17 audited draft financial statements, Caliber Schools has no long-term debt.

Private Contributions: Caliber Schools will rely on private contributions to meet debt service coverage. In order to meet at least 100% of debt service coverage for the first two years of repayment, the organization will need to realize 63% and 33.3% of the anticipated fundraising goals for 2023-24 and 2024-25, respectively. However, Caliber Schools has a demonstrated record of achieving fundraising levels above the projected levels that are

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necessary for the school to meet its debt service coverage. Furthermore, on average for the last four years, Caliber Schools has fundraised approximately \$1,452,833 per year.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding Caliber School'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.

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
OPERATIONAL & FINANCIAL											
Enrollment	294	608	755	812	864	864	864	864	864	864	864
Average Daily Attendance (ADA)	279	568	705	759	807	807	807	807	807	807	807
Average Daily Attendance (%)	94.9%	93.4%	93.4%	93.5%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%	93.4%
LCFF Sources/ADA	\$ 7,731	\$ 8,748	\$ 13,106	\$ 14,742	\$ 16,946	\$ 17,934	\$ 18,548	\$ 18,902	\$ 19,834	\$ 20,812	\$ 21,821
% Change		13.1%	49.8%	12.5%	15.0%	5.8%	3.4%	1.9%	4.9%	4.9%	4.8%
Operating Revenues/ADA	\$ 18,094	\$ 15,553	\$ 20,564	\$ 21,106	\$ 23,177	\$ 24,034	\$ 24,737	\$ 25,165	\$ 26,358	\$ 27,586	\$ 28,832
% Change		-14.0%	32.2%	2.6%	9.8%	3.7%	2.9%	1.7%	4.7%	4.7%	4.5%
Operating Expenses plus CSFP Lease/ADA	\$ 12,786	\$ 13,034	\$ 18,135	\$ 20,889	\$ 22,391	\$ 23,553	\$ 24,123	\$ 24,699	\$ 25,523	\$ 27,432	\$ 28,487
% Change		1.9%	39.1%	15.2%	7.2%	5.2%	2.4%	2.4%	3.3%	7.5%	3.8%
Free Cash Flow/ADA	\$ 5,308	\$ 2,519	\$ 2,429	\$ 217	\$ 786	\$ 481	\$ 614	\$ 466	\$ 835	\$ 155	\$ 345

	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$5,049,629	\$8,833,751	\$14,493,543	\$16,019,708	\$18,704,010	\$19,395,584	\$19,962,675	\$20,308,521	\$21,271,062	\$22,262,203	\$23,267,714
Total Operating Expenses	3,568,217	7,402,837	12,781,455	15,855,002	18,069,692	19,007,317	19,467,211	19,932,153	20,597,075	21,474,370	22,326,217
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	1,481,412	1,430,914	1,712,088	164,706	634,318	388,267	495,464	376,368	673,987	787,833	941,497
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	-	4,054	4,054	54,054	62,424	63,672	64,946	66,245	67,570	68,921	70,300
Adjusted Net Income Available for CSFP Lease Pymt.	1,481,412	1,434,968	1,716,142	218,760	696,742	451,939	560,410	442,613	741,557	856,754	1,011,797
CSFP Lease Payments	-	-	-	-	-	-	-	-	-	663,131	663,131
Free Cash Flow	\$1,481,412	\$1,434,968	\$ 1,716,142	\$ 218,760	\$ 696,742	\$ 451,939	\$ 560,410	\$ 442,613	\$ 741,557	\$ 193,623	\$ 348,666
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	129.2%	152.6%
DSC from LCFF Sources subject to CSFA Intercept										2532.7%	2655.5%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.0%	2.9%
FUNDRAISING											
Fundraising for Operations	\$ 673,057	\$1,166,344	\$ -	\$ 1,385,350	\$ 872,850	\$ 522,850	\$ 522,850	\$ 522,850	\$ 522,850	\$ 522,850	\$ 522,850
Fundraising/Oper. Revenues	13.3%	13.2%	0.0%	8.6%	4.7%	2.7%	2.6%	2.6%	2.5%	2.3%	2.2%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50.4%	73.7%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	63.0%	33.3%
LIQUIDITY											
Current Assets	\$2,519,027	\$4,107,778	\$ 4,939,001								
Current Liabilities	191,314	421,750	975,032								
Net Working Capital	\$2,327,713	\$3,686,028	\$ 3,963,969								
Net Working Capital/Oper. Expenses	65.2%	49.8%	31.0%								
Unrestricted Cash & Cash Equivalents	\$1,979,267	\$2,913,116	\$ 2,763,146								
Unrest. Cash & CE/Oper. Expenses (Days)	202	144	79								
Unrest. Cash & CE/All Expenses (Days)	202	144	79								

Benchmark Summary (Threshold):

- Free Cash Flow/ADA – \$1,287 avg. (< \$0)
- Free Cash Flow – \$753,348 (< \$0)
- Net Working Capital as Portion of Operating Expenses – 31.0% (< 5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Revenue – 142 days (< 90 days)

Summary of Financial Findings and Special Considerations: Caliber Schools projects positive operating revenue from 2017-18 through 2024-25. Major funding sources for Caliber Schools include federal income sources (LCFF Revenue, Title I and Title II funds, Child Nutrition Program and other federal income), which accounts for approximately 94% of Caliber School's current income; state income sources (Child Nutrition Program, Mandate

Block Grant and other state income), which accounts for approximately 5.2% of the Caliber School's current income; and local income sources (food service sales, private fundraising efforts and other local income), which accounts for approximately 0.4% of Caliber School's current income. There are no long-term liabilities or obligations. In addition and on average, Caliber School's has 142 operating days of unrestricted cash & equivalents and the available net working capital averages 31.0% as a portion of the operating expenses.

Caliber School's has chosen to enter into a loan repayment to cover the local matching share. Assuming a 3.0% interest rate, a 30-year repayment period, and a CSFP lease amount of \$12,997,655 for both projects combined, Caliber School's total CSFP payment would be \$663,131 (\$377,507 for rehab project and \$285,624 for the new construction project) beginning in 2023-24. Caliber School's adjusted net income of \$856,754 for 2023-24 and \$1,011,797 for 2024-25 would provide debt service coverage of 129.2% and 152.6%, respectively, which is above the minimum requirement of 100%. The CSFP payments would represent 3.0% and 2.9% of projected operating revenues for each of these years, which is below the preferred maximum range of 10-15%. Please note that gross debt service coverage based on LCFF sources subject to the CSFA intercept would be 2,532.7% in 2023-24 and 2,655.5% in 2024-25.

Strengths, Weaknesses and Mitigants:

- + Caliber has outperformed its district counterparts on average in both English Language Arts and Mathematics assessment in the last two years and that overall trend is improving.
- + Caliber Schools has projected debt service coverage ratios of 129.2% and 152.6% for 2023-24 and 2024-25, respectively.
- +/- Caliber Schools is dependent on fundraising contributions to meet its debt service coverage, but fundraising levels account for only 2.9% of operating revenues.
- + Caliber Schools has 142 days of unrestricted cash & cash equivalents as portion of all revenue.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Caliber Schools on behalf of Caliber - Beta Academy ("Caliber"), is financially sound for the purposes of the Charter School Facilities Program ("Program" or "CSFP") Preliminary/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 also contingent upon Caliber Schools 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.