

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

<b>Applicant/Obligor:</b>	Education for Change
<b>Project School:</b>	Achieve Academy
<b>CDS (County – District – School) Code:</b>	01-61259-0111476
<b>School Address/Proposed Site:</b>	1700 28 <sup>th</sup> Avenue Oakland, 94621
<b>Type of Project:</b>	Rehabilitation
<b>Type of Apportionment:</b>	Preliminary Apportionment
<b>County:</b>	Alameda
<b>District in which Project is Located:</b>	Oakland Unified School District
<b>Charter Authorizer:</b>	Oakland Unified School District
<b>Total OPSC Project Cost:*</b>	\$23,252,159
<b>State Apportionment (50% Project Cost):</b>	\$11,626,079
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Financed Amount:</b>	\$11,626,079
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$519,104
<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 Education for Change (“CMO” or “EFC”) on behalf of Achieve Academy (“School” or “Achieve”) 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 Education for Change, on behalf of Achieve 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 Education for Change on behalf of Achieve Academy. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b>Obligor Information</b>	
Demographic Information	EFC currently serves 3,112 students in grades K-8. Enrollment in 2018-19 is expected to be 3,162 students. ADA rates are projected to be 95.8%, which staff find reasonable. For 2017-18, the unduplicated pupil count of at EFC as a percentage of ADA is 93.0%.
Debt Service Coverage	EFC's DSC is 124.5% and 133.7% for 2021-22 and 2022-23 respectively. Staff's determination includes the three additional CSFP projects mentioned in the report.
Other Financial Factors	<ul style="list-style-type: none"> <li>EFC's operating fund has a projected balance of \$6,524,601 as of the end of 2017-18.</li> <li>EFC's expected annual total of CSFP payments only account for 2.0% and 2.1% operating revenue for EFC for 2012-22 and 2022-23 respectively.</li> </ul>
<b>School Information</b>	
Eligibility Criteria	Achieve Academy has met all eligibility criteria: (1) the school began operation in 2005; (2) the school's most recent charter was approved July 1, 2016, and is in place through June 2021; (3) Achieve Academy is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Achieve has performed comparably or better than its authorizing district and local public elementary school. Aspire Berkley Maynard did not perform as well as the closest charter school in the district, but serve a much higher-need demographic.
Demographic Information	Achieve Academy currently serves 702 students in grades K-5. Enrollment in 2018-19 is expected to be 702 students. ADA rates are projected to be 95.9%, which staff find reasonable. 77% of the student body are English Language Learners. 89% qualify for Free and Reduced Price Meals.

**Program Eligibility:** On October 6, 2017, at CSFA staff's request, verification was received from Aspire Public Schools confirming that Achieve Academy (1) is in compliance with the terms of its charter agreement, and (2) in good standing with its chartering authority. Achieve Academy's current charter is effective through June 2021.

**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:** Achieve Academy's Prop 51 rehabilitation proposal, located on the Hawthorne Campus at 1700 8th Avenue in Oakland, and consists of rehabilitating all 11 classrooms in Building A, totaling 26,925 regular square feet and 1,115 square feet of bathroom space. Rehabilitating all 13 classrooms in Modular Z consisting of 11,767 normal square feet and 542 square feet of toilet space will also be part of the project. Additionally, EFC will rehabilitate portables P4, P5, P6, P7 and P8 (each 782 square feet totaling 3,910

regular square feet). Additionally, portable P9 is proposed for rehabilitation consisting of 300 square feet of toilet space. Finally Portables Q (781 square feet), R (864 square feet), S (864 Square feet) and T (713 square feet) are also proposed for rehabilitation. In total, this CSFP-funded project will represent 45,824 normal square feet and 1,957 toilet square feet.

**Obligor Organizational Information:** Education for Change (EFC) began in 2005 when the Oakland Unified School District partnered with New Schools Venture Fund to create a CMO to take over failing Oakland Unified Elementary Schools. Hawthorne Elementary and E. Morris Cox are the first 2 conversions. In 2012 the number of facilities converted by EFC doubled from 3 to 6 elementary schools. In 2014 EFC opened Epic School, the Network's first non-conversion and middle school.

Education for Change operates schools exclusively in Oakland/the Oakland Unified School District, with an emphasis on the Fruitvale and Elmhurst neighborhoods, areas generally high in poverty. EFC's mission revolves around 4 actions: **Transform** – Transforming struggling neighborhood schools into high performers that champion the students dependent on them and build strong secondary school options to ensure all children have access to a strong K-12 pipeline for college and career success; **Invest** – Investing in strong partnerships with parents and community organizations; **Recruit and Develop** – Recruiting and developing teaching and administrative leaders who work collaboratively within the classroom and across the Education for Change organization. **Support** – Supporting students, faculty, and autonomy amongst the EFC campuses. Education for Change presently serves 5 grade schools and one junior high

The CEO of Education for Change is Hae-Sin Thomas, who has 22 years of K-12 public education experience as a teacher, administrator and advocate. Ms. Thomas has been a teacher, principal, school developer and executive officer with the Oakland Unified School District. She is also the co-founder of GO Public Schools, an Oakland-based education advocacy and watchdog group. While with the Oakland Unified School District Ms. Thomas led a team responsible with facilitating the redesign and opening of 22 new schools, replacing 18 failing ones. Ms. Thomas has a B.A. in Economics from the University of Pennsylvania, a Master's in Curriculum and Instruction from the University of San Francisco, and a Master's in Administration, Planning and Social Policy from Harvard University.

Education for Change's Chief of Schools, Enikia Ford-Morthel, has been with EFC for over 4 years. She was previously the principal at Cox Academy as well as a principal in the Hayward Unified School District. Ms. Morthel holds a B.A. and M.A. in Education from the University of California Berkley.

The 2017-18 Education for Change board consists of Chair Nick Driver, Vice Chair Nrian Rogers, Treasurer Michael Barr, Secretary LaRayne Povlsen, Eva Camp, Paul Byrd, Adam Smith, Sadhir Aggarwal, Dirk Tillotson, Kathy Cash, and Roy Benford. Hae-Sin Thomas is the Chief Executive Officer and Enikia Ford-Morthel is the Chief of Schools. 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:** Achieve Academy is a public charter school located within the boundaries of the Oakland Unified School District and is authorized by the Oakland Unified School District. Achieve Academy's most recent charter was approved by the Oakland Unified School District on July 1 2016 and is active through June 30 2021. 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, Education for Change,.

Achieve is located in Oakland's Fruitvale neighborhood, one of the city's most diverse but also poorest areas. 65.5% of Fruitvale residents identify as Hispanic, 14.3% as Asian, 12.7% as black, and 7.5% as other. The median household income is \$24,577, with 41% of the population living in poverty, 34% greater than the Oakland average, and 92% than California's. The majority of Achieve Academy's students are: students from low-income families (97%); students who are English Language Learners when they enroll as elementary students (73%); students living in communities with low-performing secondary schools and low college-going rates; students who would be the first in their families to attend college.

Achieve recognizes the following needs to effectively teach the whole child: increased targeted interventions and greater differentiation of instruction to help struggling students; increased multidisciplinary teaching and integration of technology, PE, arts, science and social studies/sciences content; expanded services and support for the increasing newcomer population; a need for "culturally competent" teaching, particularly given the demographic makeup of the student body; a need for 21<sup>st</sup> century skills, including explicit technology skills; development of social-emotional skills and resiliency strategies; continued parent and community involvement to ensure student success; and continued building of a strong, positive, coherent and collaborative faculty culture.

Achieve is governed by EFC's board as listed in the section above. Achieve is co-directed by Lucy Schmidt and Stephanie Richards. 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 Achieve, the combined averages of Global Family and Garfield Elementary (Local Schools), and Oakland Unified (Oakland USD). The results are provided through CDE's CAASPP Smarter Balanced testing data.

**English Language Arts – Comparison**

	Years		
	2014-15	2015-16	2016-17
Achieve	22%	15%	15%
Local Schools	15%	17%	18%
Oakland USD	23%	25%	26%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Achieve	N/A	Lowest	Lowest	N/A	3/3	3/3
Local Schools	N/A	Lowest; Lowest	Average; Lowest	N/A	3/4; 3/3	1/5; 3/3
Oakland USD	N/A	Average	Low	N/A	6/11	9/13

### Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
Achieve	26%	19%	24%
Local Schools	31%	32%	29%
Oakland USD	16%	16%	15%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Achieve	N/A	Lowest	Lowest	N/A	3/3	3/3
Local Schools	N/A	Low; Low	Average; Low	N/A	3/4; 3/3	2/5; 3/3
Oakland USD	N/A	Average	Low	N/A	4/11	9/13

**Enrollment Trends and Projections:** The tables below present enrollment information for EFC and Lazear from 2013-14 through 2023-24. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

### District-wide Student Enrollment and Average Daily Attendance

<b><u>EFC</u></b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	2,463	2,791	2,976	3,084	3,112	3,162	3,212	3,302
ADA	95.9%	95.5%	94.8%	95.1%	95.8%	95.8%	95.8%	95.8%
	2021-22	2022-23	2023-24					
Enrollment	3,392	3,432	3,472					
ADA	95.8%	95.8%	95.8%					

### School Student Enrollment and Average Daily Attendance

<b><u>Achieve</u></b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	207	749	746	719	702	702	702	702
ADA	96.1%	95.7%	95.7%	95.7%	95.9%	95.9%	95.9%	95.9%
	2021-22	2022-23	2023-24					
Enrollment	702	702	702					
ADA	95.9%	95.9%	95.9%					

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

**Assumptions:** EFC's financial projections are based upon the following assumptions: (1) occupancy of the Achieve rehabilitation project in 2021-22; (2) the occupancy of the Prop 51 rehabilitation and new construction projects for Lazear in 2021-22 and 2022-23; (3) the repayment of Lazear's Prop 1D project beginning in 2021-22; (4) CMO-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (5) Projected CMO-wide ADA rates of 95.8%, which are consistent with historical performance; and (6) Local Control Funding Formula (LCFF) per-ADA funding rate of \$9,632 for 2017-18, as included with EFC's adopted budget document for 2017-18.

**Long Term Liabilities:** As of June 30, 2017 the lone long term liability. EFC is the obligor for an additional CSFP project. EFC on the behalf of Lazear Charter Academy (Lazear) was approved for Prop 1D final apportionment of \$12,221,618 on May 19, 2016. On September 30, 2016, Lazear received \$1,222,161.80 in in design related apportionments which is the lone liability reflected in the audit. EFC will be expected to begin payments on its matching share of \$6,110,809 in the second year after project completion. For this financial soundness review, staff assumed payments to begin in 2021-22.

**Private Contributions:** EFC projects very conservative fundraising and contribution income for 2018-19 through 2023-24 compared to its historic averages. EFC projects an average of about \$600,000 a year which accounts for 1.4% of operating revenues which is much lower than the Authority's threshold of 15%.

**Benchmark Summary and Analysis:** The following table and summary listing sets forth the results of staff's analysis regarding EFC'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 2014	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
<b>OPERATIONAL &amp; FINANCIAL</b>											
Enrollment	2,463	2,791	2,976	3,084	3,112	3,162	3,212	3,302	3,392	3,432	3,472
Average Daily Attendance (ADA)	2,362	2,665	2,822	2,933	2,980	3,030	3,078	3,163	3,250	3,288	3,326
Average Daily Attendance (%)	95.9%	95.5%	94.8%	95.1%	95.8%	95.8%	95.8%	95.8%	95.8%	95.8%	95.8%
FTE Teachers	118	125	137	158	160	160	164	170	173	174	176
Pupil-Teacher Ratio	20.9	22.3	21.7	19.5	19.5	19.8	19.6	19.4	19.6	19.7	19.7
LCFF Sources/ADA	\$ 7,041	\$ 7,760	\$ 8,877	\$ 9,408	\$ 9,632	\$ 10,036	\$ 10,424	\$ 10,637	\$ 10,847	\$ 11,065	\$ 11,287
% Change		10.2%	14.4%	6.0%	2.4%	4.2%	3.9%	2.0%	2.0%	2.0%	2.0%
Operating Revenues/ADA	\$ 10,034	\$ 10,121	\$ 11,910	\$ 12,009	\$ 12,516	\$ 12,482	\$ 12,872	\$ 13,087	\$ 13,303	\$ 13,530	\$ 13,761
% Change		0.9%	17.7%	0.8%	4.2%	-0.3%	3.1%	1.7%	1.6%	1.7%	1.7%
Operating Expenses plus CSFP Lease/ADA	\$ 9,888	\$ 9,940	\$ 11,404	\$ 12,208	\$ 12,266	\$ 12,235	\$ 12,601	\$ 12,849	\$ 13,238	\$ 13,440	\$ 13,729
% Change		0.5%	14.7%	7.1%	0.5%	-0.2%	3.0%	2.0%	3.0%	1.5%	2.1%
Free Cash Flow/ADA	\$ 146	\$ 181	\$ 506	\$ (199)	\$ 250	\$ 246	\$ 270	\$ 238	\$ 64	\$ 91	\$ 32

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	Actual FY 2014	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
<b>DEBT SERVICE COVERAGE</b>											
Total Operating Revenues	\$ 23,700,016	\$ 26,973,689	\$ 33,608,797	\$ 35,223,118	\$ 37,296,597	\$ 37,819,615	\$ 39,619,462	\$ 41,395,142	\$ 43,233,245	\$ 44,488,096	\$ 45,768,556
Total Operating Expenses	23,356,125	26,490,816	32,181,900	35,807,354	36,552,655	37,073,264	38,787,398	40,641,913	42,174,885	43,268,483	44,740,249
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	343,891	482,873	1,426,897	(584,236)	743,941	746,351	832,064	753,230	1,058,360	1,219,613	1,028,308
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	1,013	27,667	40,563	36,883	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	344,904	510,540	1,467,460	(547,353)	743,941	746,351	832,064	753,230	1,058,360	1,219,613	1,028,308
CSFP Lease Payments	-	-	-	-	-	-	-	-	850,181	921,465	921,465
Free Cash Flow	\$ 344,904	\$ 510,540	\$ 1,467,460	\$ (547,353)	\$ 743,941	\$ 746,351	\$ 832,064	\$ 753,230	\$ 208,179	\$ 298,148	\$ 106,843
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	124.5%	132.4%	111.6%
DSC from LCFF Sources subject to CSFA Intercept	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	343.5%	328.7%	3400.8%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0%	2.1%	2.0%
<b>FUNDRAISING</b>											
Fundraising for Operations	\$ 718,947	\$ 1,381,085	\$ 1,333,945	\$ 770,767	\$ 1,531,157	\$ 596,382	\$ 598,860	\$ 601,376	\$ 603,929	\$ 606,521	\$ 609,151
Fundraising/Oper. Revenues	3.0%	5.1%	4.0%	2.2%	4.1%	1.6%	1.5%	1.5%	1.4%	1.4%	1.3%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	53.5%	66.5%	45.5%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	65.5%	50.8%	82.5%
<b>LIQUIDITY</b>											
Current Assets	\$ 7,323,905	\$ 7,956,983	\$ 8,041,174	\$ 8,767,439							
Current Liabilities	2,377,145	2,799,625	3,026,250	3,273,443							
Net Working Capital	\$ 4,946,760	\$ 5,157,358	\$ 5,014,924	\$ 5,493,996							
Net Working Capital/Oper. Expenses	21.2%	19.5%	15.6%	15.3%							
Unrestricted Cash & Cash Equivalents	\$ 1,983,378	\$ 4,756,223	\$ 3,351,619	\$ 3,750,609							
Unrest. Cash & CE/Oper. Expenses (Days)	31	66	38	38							
Unrest. Cash & CE/All Expenses (Days)	31	66	38	38							

**Benchmark Summary:**

- Free Cash Flow/ADA – Met: \$166 avg. (>\$0)
- Free Cash Flow – Met: \$496,755 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income – Met: 124.5% and 132.4%
- Net Working Capital as Portion of Operating Expenses – Met: 17.9% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 43 days (> 90 days)

**Strengths, Weaknesses and Mitigants:**

- + EFC's DSC for Achieve from adjusted net income is 124.5% and 133.7% for 2021-22 and 2022-23, the first two years of repayment, respectively.
- + EFC's operating fund balance, as of June 30, 2017, was \$6,542,601.
- + CSFP loan payments only account for 2.0% and 2.1% operating revenue for EFC for 2012-22 and 2022-23 respectively. EFC will be responsible for payments on three projects in 2021-22 and four projects in 2022-23.

**Staff Recommendation:** Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Education for Change on behalf of Achieve Academy 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 Education for Change, on behalf of Achieve 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.