

**ROCKETSHIP EDUCATION
BUSINESS COMMITTEE MEETING
2:00pm November 30, 2009**

Rocketship Sí Se Puede Academy / 2249 Dobern Ave / San Jose, CA 95116
Dial-in Conference Number: (866) 704-7500
Participant Number: 713596

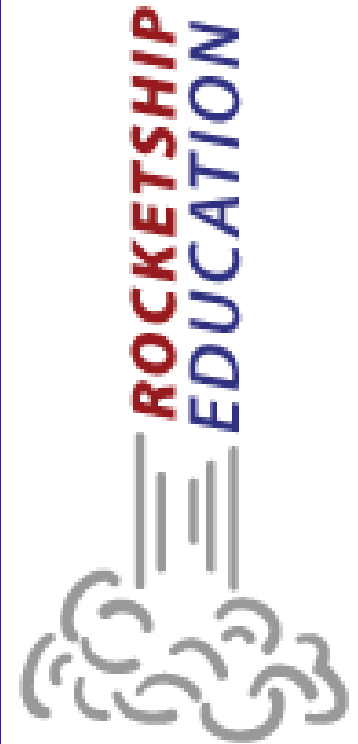
- 1. Call to Order**
- 2. Public Comment**
- 3. Discussion Items**
 - a. Operations Update
 - b. Real Estate / Construction Update
 - c. Financial Update
 - d. September YTD Financials
- 4. Action Items**
 - a. **Approval of Draft First Interim Reports**
- 5. Adjourn**

During Public Comment Open Forum, you may speak to the Board on any item that is on the agenda, and you may also speak on items that are not on the agenda. Please write your name and contact information on the Open Forum speaker list provided to the public, if you wish to address the Committee. Each speaker has three (3) minutes to speak. Please be advised that, by law, the Board is unable to discuss or take action on issues presented during Open Forum. According to State Law (the Brown Act) items must first be noticed on the agenda before any discussion or action. THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE: Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice. REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY: The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed. SPECIAL PRESENTATIONS MAY BE MADE: Notice is hereby given that, consistent with the requirements of the Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only. REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY: Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting Cat Alexander: 510-316-0025.

**RSED Business Committee
Presentation**

November 2009 Report

November 30, 2009



Operations Update



RMS & RSSP

Monthly Operations Dashboard Overview (attached)

RSED National

RSED “Big Projects”:

- New Marketing/Branding: New website is live with new Rocketship logo!
- New City Expansion Strategic Planning: We are drafting 4 plans to be presented to the Rocketship Board in January. The Business plans discuss the human capital & systems associated with the following strategies/topics:
 1. **Base Case** San Jose expansion plan at 30% growth rate
 1. **2nd City** Expansion into a 2nd City in 2012 (1 year earlier than planned)
 1. **Hybrid Platform** The Information Technology infrastructure required to integrate & automate all of the Online Learning (ROL) & Data Analysis (RAD) associated with our hybrid business model
 1. **Launchpad** The Launchpad business plan & financials associated with it operating as an independent organization

RSED Staffing:

- Preston will be bringing on 2 Consultants to help with: Leadership Development & Curriculum Development

Launchpad Development Company (*official name!*):

- We have started the Launchpad CEO search
- We have begun the incorporation paperwork for Launchpad Development Company & will form the board in December

RSED Performance Dashboard: November 30, 2009 Business Committee Update

ATTENDANCE						
	RMS	RSSP	Average			
Enrollment	100%	100%	100%			Green = 98% Target Enrollment NOTES: Enrollment as of date of report. RMS: 450 RSSP: 420
FRL Data	87%	84%	86%			Green = 70% FRL enrollment
Attendance	96%	95%	96%			Green = 96% Yellow = 94 - 95% Red = <94% NOTES: % ADA (Budget set at 96%) RSSP has the appropriate \$ withheld from the annual budget to reflect this potential impact.
Student Turnover	0%	1%	0%			Green = 10% or less turnover NOTES: 3 (1 family re-located)
Wait List	15%	10%	13%			Green = 20% in each grade Yellow = 10-20% in each grade Red = <10% in each grade NOTES: Reflects the Lowest grade wait list. RMS: 3rd (15%) RSSP: 3rd (10%), 1st (14%)
ACHIEVEMENT						
	RMS	RSSP	Average			
ELA	46%	34%	40%			<u>76% Proficient</u> Green (Y1-RSSP) = 50% Yellow (Y1-RSSP) = 40-50% Red (Y1-RSSP) = <40% Green (Y3-RMS) = 70% Yellow (Y3-RMS) = 60-70% Red (Y3-RMS) = <60% NOTES: RMS: Previous year: 40%; 4% growth from September. RSSP: None for RSSP or 1st year school, 6% growth from September.
Math	34%	30%	32%			<u>76% Proficient</u> Green (Y1-RSSP) = 55% Yellow (Y1-RSSP) = 45-55% Red (Y1-RSSP) = <45% Green (Y3-RMS) = 75% Yellow (Y3-RMS) = 65-75% Red (Y3-RMS) = <65% NOTES: RMS: Previous year: 29%; 15% growth from September. RSSP: None for RSSP or 1st year school; 9% growth from September.
STUDENTS: 1.5 Growth	37%	34%	36%			<u>Students on track for 1.5 year growth</u> Green = 85% Yellow = 75-85% Red = <75% NOTES: no prior year data
TEACHERS: 1.5 Growth	BD (3rd round RAD)	BD (3rd round RAD)	BD (3rd round RAD)			<u>Teachers on track for 1.5 year growth</u> Green = 85% Yellow = 75-85% Red = <75% NOTES: will have benchmarks for this next round.
PARENT INVOLVEMENT						
	RMS	RSSP	Average			
Home Visits	60%	60%	60%			Green = 90% Yellow = 75-90% Red = <75% NOTES: Home Visits Complete by 12/19. This is an expected completion percentage for this time of year.

OPERATIONS		RMS	RSSP	NATIONAL	Average		% Operations Toolkit tasks completed accurately & on time
External Compliance Reporting		90%	100%	90%	90%		Green = 90% Yellow = 80-90% Red = <80% NOTES: Kinder Immunization Report submitted late.
Internal Compliance Reporting		90%	90%	95%	92%		Green = 90% Yellow = 80-90% Red = <80% NOTES: Showing improvement across the board. Meeting with Office Mgrs on a weekly basis.
Hours OM spending on Ops Tasks		30%	30%	NA	30%		Green = 20% Yellow = 21-30% Red = <30% NOTES: National conducting 4 hour training/working sessions weekly with OMs to reduce weekly hours
FINANCIALS		RMS	RSSP	NATIONAL	TOTAL (SCHOOL/NAT)	LAUNCH PAD	TOTAL
P&L		0% (to break even)	0% (to break even)	0% (to break even)	0% (to break even)	0%	Green = 0% Negative Variance or Positive Yellow = 0-5% Negative Variance or Positive Red = >5% Negative Variance or Positive
Cash Position		0% (to break even)	0% (to break even)	0% (to break even)	0% (to break even)	0%	Green = 0% Variance Yellow = 0-5% Variance Red = >5% Variance
HUMAN CAPITAL		RMS	RSSP	NATIONAL	LAUNCH PAD		
Number of Hires for the 09/10 School Year		13	16	5	0		RMS: Teachers RSSP: Teachers NATIONAL: COO, Dr Finance, Dr Operations, Dr Real Estate, Staff Accountant
Staff Turnover		0	1	1	0		RSSP: Kindergarten Teacher NATIONAL: Launchpad Dr of Real Estate
Promotions based on growth plan		2	2	1	0		RMS: Teacher to AD, PIT to Principal RSSP: RMS Teacher to AD, PIT to Principal NATIONAL: RMS Principal to CAO
Satisfaction (Based on survey)		TBD	TBD	TBD	TBD		Results based on Survey (December, May) - Teacher Work Day, Teacher Absences
Open Positions to Fill		0	0	0	1		LAUNCHPAD: CEO
OP: 0-60		0	0	0	1		Green = 0-60 days

Real Estate Update

RS2/LLC2

- Add Backs have begun (playground, trees, fencing complete; wall & shade structure scheduled for winter break/spring break)
- Re-naming ceremony projected to happen in the spring (when add backs are complete)

RS3/LLC3

- Budget/Contractor negotiations complete, revised design submission to DSA scheduled for 12/3.
- Hosted NCB & LIIF (CDFIs □ New Market Deal) for a site visit & meeting last week. Moving forward with NCB on deal terms. Waiting for official commitment from LIIF on deal terms & then we can have a final term sheet proposal.
- Have brought RBC (Royal Bank of Canada □ Bond Deal) to the table as a potential lender for RS3. This would push the timeline back to March on deal closure (could still build in that timeframe). Expecting a term sheet from them on 12/1.

Real Estate Development

- Goal: acquire 10 properties by June 30
- Current Projects (all meet site green-lighting criteria)
 - Options: Alum Rock Avenue & Lucretia. Will request greenlighting from RSED Board in January
 - Medium Probability: Sylvandale, Bonita, Keves
 - Low Probability: 1st & Margaret (investigating parking), St Paul

Finance Summary and Key Takeaways



FY10 Budget Revisions

- Despite CA budget uncertainty, Rocketship's conservative budget assumptions have us positioned well:
 - Budgeted 2% reduction in all ADA revenues
 - Did not budget a number of likely and potential revenue sources
 - Budget reserves are being set aside at each school as part of budget projection process
- Budget Projections will be revised and presented as part of Strategic Planning process for January board meeting when we should have more clarity on facilities

Financial Performance and Health

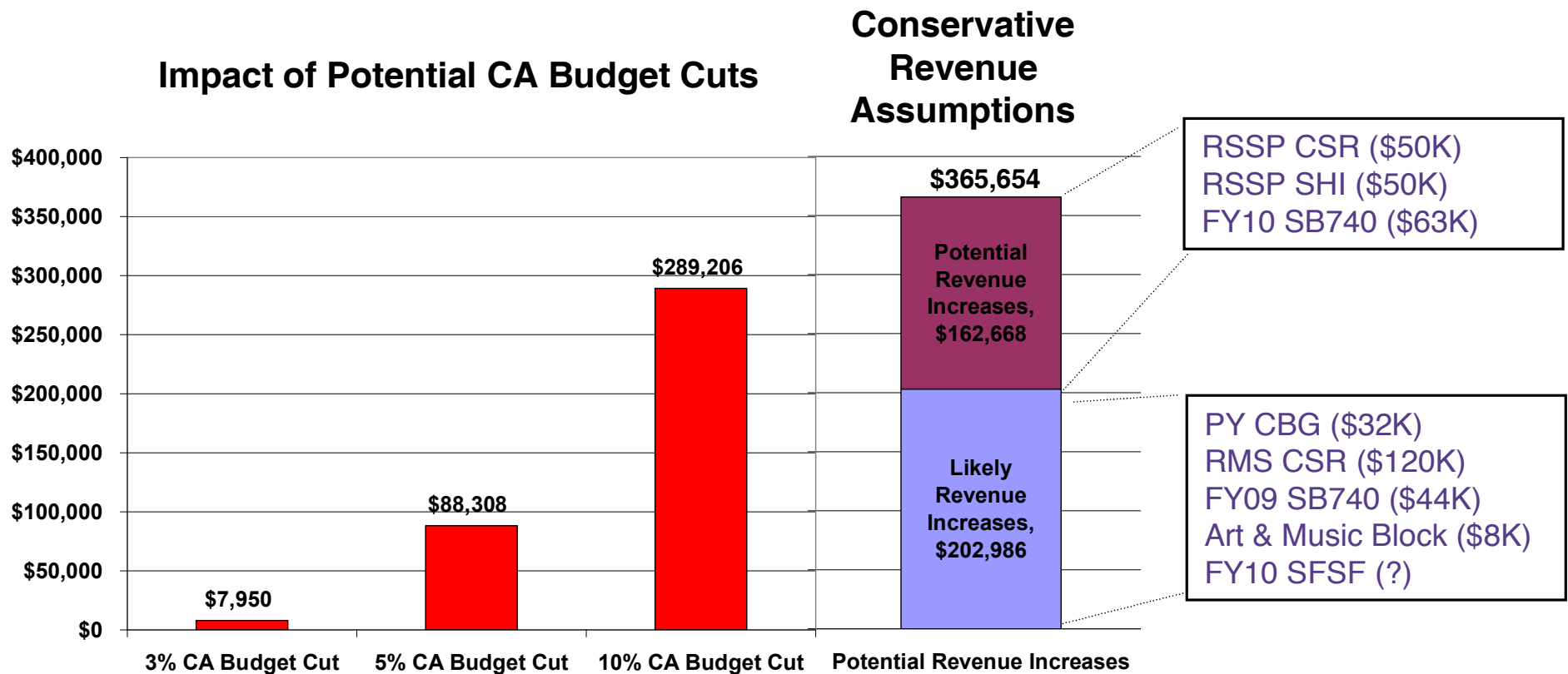
- YTD ADA revenues are approx. \$9,800K below budget at RSSP, although we have confidence it will be regained by year end
- Financials are presented on an accrual (rather than cash) basis for the purposes of First Interim Reporting; this method of presentation will continue moving forward
- Cash on hand (10/31/09) is \$3.35MM and liquidity position appears stronger than initially projected over the remainder of FY10

Process

- Approval of First Interim Reports
- Draft Audit is available and is scheduled to be finalized on December 7th

Revenue Scenarios

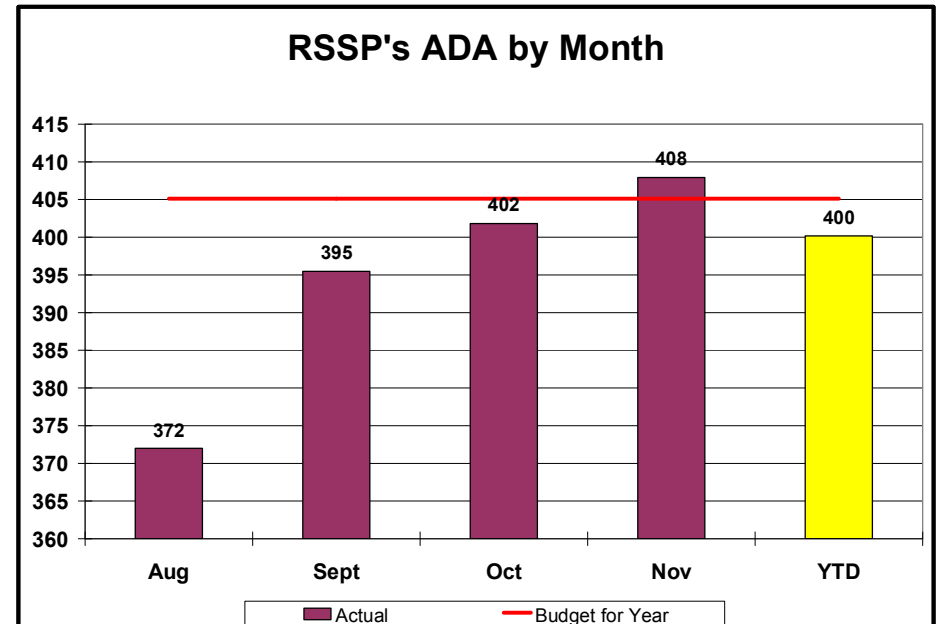
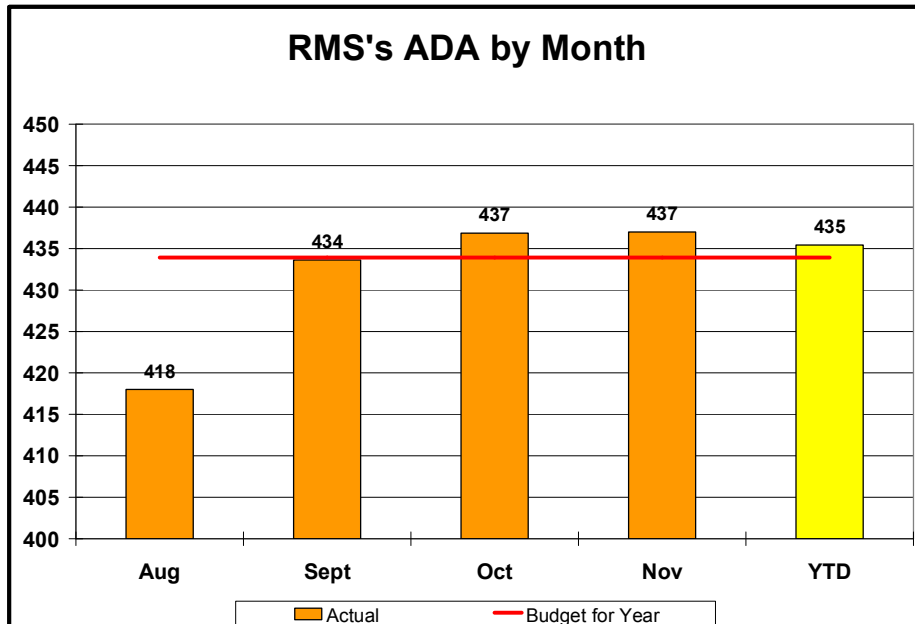
Despite the likelihood of CA budget cuts in FY10, Rocketship's conservative budget assumptions have positioned it well to meet school-based revenue targets



Revenue: ADA by Month

Through November 20, RSSP was 5 students under budget, representing \$9,800 in lost revenue. Due to corrective action taken in October, RSSP is above budget for November, providing confidence that they can regain this revenue over the course of the year. Regardless, \$9,800 has been withheld from RSSP's discretionary budget until the revenue is regained

Rocketship FY10 Monthly ADA by School

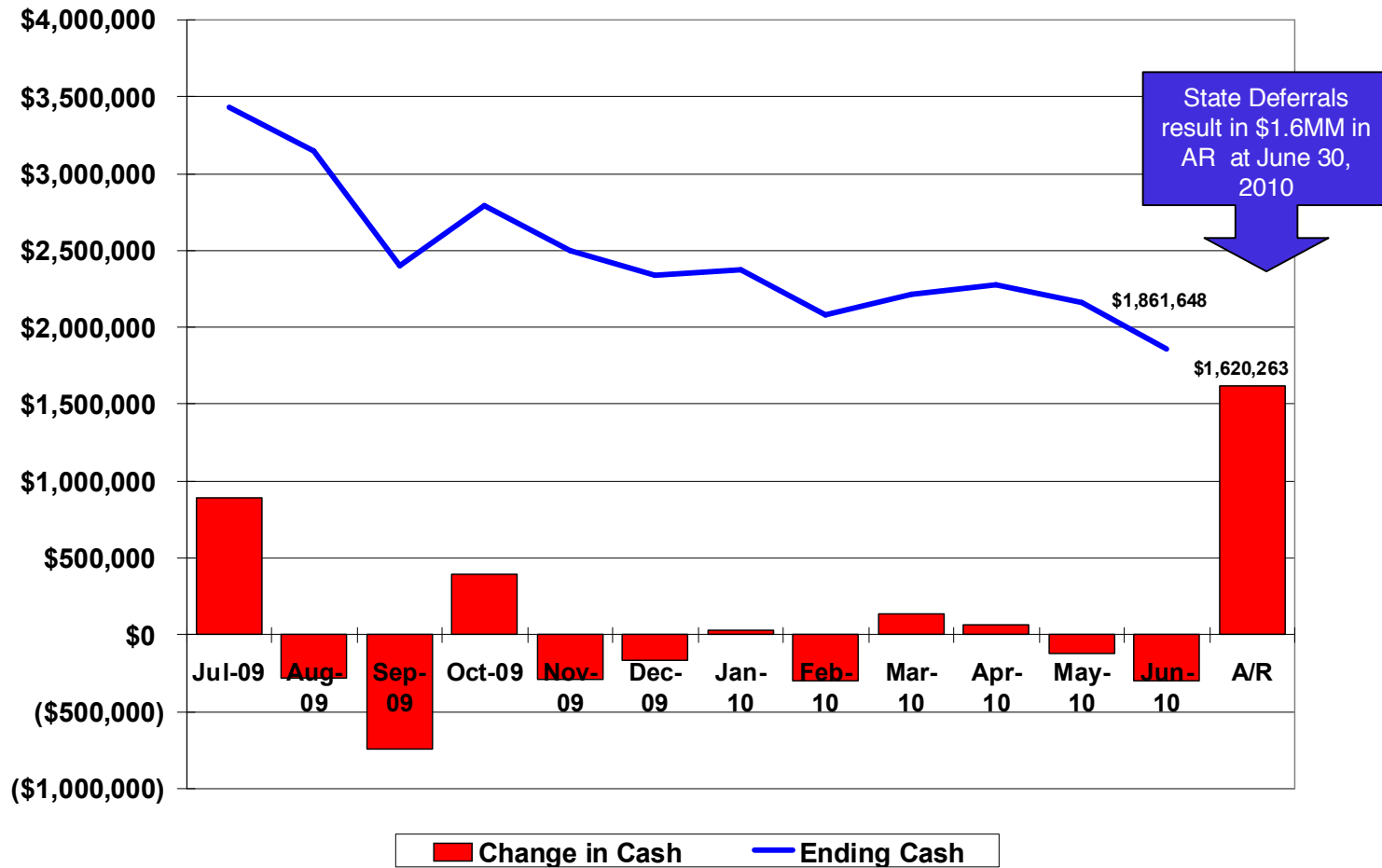


FY10 Cash Flow Projection



Despite the likelihood of \$720K downpayment to LLC3 and \$1.6MM in state deferrals, Rocketship's liquidity position appears extremely healthy over the next seven months

Rocketship FY10 Cash Flow



*Deviations from prior cash flow presentations include \$250K from Hastings for RS4&5, \$315 in A/R reductions for RS2, \$185K in lowered expenses, \$200K higher starting cash balance

Financial Performance: Budget vs Actuals



Financial Performance through October suggests revenue and expense management consistent with revised forecast, although LLC3 downpayment has reverted back to original \$720K

Rocketship FY10 Variance Analysis and Forecast Through October

Rocketship Variance Analysis and Forecast

	Actual	FY10 Budget	Forecast	Variance (from Budget)	Explanation
Revenues					
Public Sources	\$1,806,787	\$6,879,863	\$6,706,432	(\$173,431)	Revenue accrued in FY09 (\$180K) CSGF award (\$50K), Interest Forgiven (\$20K) for CSGF loans and Hastings grant for RS4&RS5
Fundraising/Other	\$398,674	\$1,104,074	\$1,447,429	\$343,355	(\$250K)
Facilities/Mgmt Fees	\$301,203	\$1,006,942	\$1,082,417	\$75,475	RSED Fees for RS4&RS5
Total Revenues	\$2,506,665	\$8,990,879	\$9,236,278	\$245,399	
Expenses					
Salaries and Benefits	\$995,151	\$4,122,939	\$4,081,207	(\$41,732)	Transfer Expenses to Launchpad
Books and Supplies	\$228,071	\$965,769	\$891,468	(\$74,301)	Capitalizing computers and furniture
Services / Operating Expenses	\$296,472	\$1,379,408	\$1,376,268	(\$3,140)	
Depreciation	\$5,748	\$0	\$25,565	\$25,565	Capitalizing computers and furniture
Financing Charges	\$33,892	\$59,691	\$191,527	\$131,836	Interest associated with CSGF loans Allocation of expenses to Launchpad (\$80K), and RSED fees for RS4&RS5 (\$62.5K)
Facilities and Management Fees	\$977,541	\$2,979,531	\$3,111,429	\$131,898	
Total Expenses	\$2,536,876	\$9,507,338	\$9,677,463	\$170,125	
Net Income	(\$30,211)	(\$516,459)	(\$441,185)	\$75,274	
Beginning Reserves		\$691,462	\$481,766	(\$209,696)	
Net Income		(\$516,459)	(\$441,185)	\$75,274	
Ending Reserves		\$175,003	\$40,581	(\$134,422)	
Reserve Balance (%)		1.8%	0.4%		

Financial Performance: Budget vs Actuals by Location



The second round of budget meetings have been had with Principals and national office staff

RMS Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$911,105	\$3,238,608	28.1%	\$3,057,085	(\$181,523)
Fundraising and Other	\$14,627	\$258,114	5.7%	\$190,614	(\$67,500)
Facilities/Mgmt Fees	\$0	\$0	0.0%	\$0	\$0
Total Revenues	\$925,732	\$3,496,722	26.5%	\$3,247,699	(\$249,023)
Expenses					
Salaries and Benefits	\$377,022	\$1,518,046	24.8%	\$1,518,046	(\$0)
Books and Supplies	\$83,841	\$387,875	21.6%	\$373,574	(\$14,301)
Services / Operating Expenses	\$98,902	\$262,121	37.7%	\$257,141	(\$4,980)
Depreciation	\$2,676	\$0	0.0%	\$9,843	\$9,843
Financing Charges	\$0	\$9,000	0.0%	\$9,000	\$0
Facilities and Management Fees	\$329,437	\$1,133,513	29.1%	\$1,047,120	(\$86,393)
Total Expenses	\$891,878	\$3,310,555	26.9%	\$3,214,724	(\$95,831)
Net Income	\$33,854	\$186,167		\$32,975	(\$153,192)

RSSP Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$895,683	\$3,024,338	29.6%	\$3,032,417	\$8,079
Fundraising and Other	\$281,552	\$295,960	95.1%	\$560,905	\$264,945
Facilities/Mgmt Fees	\$0	\$0	0.0%	\$0	\$0
Total Revenues	\$1,177,235	\$3,320,298	35.5%	\$3,593,323	\$273,025
Expenses					
Salaries and Benefits	\$317,927	\$1,374,519	23.1%	\$1,373,991	(\$528)
Books and Supplies	\$136,546	\$493,694	27.7%	\$433,694	(\$60,000)
Services / Operating Expenses	\$69,024	\$347,070	19.9%	\$345,873	(\$1,197)
Depreciation	\$3,072	\$0	0.0%	\$15,722	\$15,722
Financing Charges	\$1,644	\$9,000	18.3%	\$11,842	\$2,842
Facilities and Management Fees	\$380,032	\$1,058,518	35.9%	\$1,130,094	\$71,576
Total Expenses	\$908,246	\$3,282,801	27.7%	\$3,311,216	\$28,415
Net Income	\$268,989	\$37,497		\$282,107	\$244,610

RS3 Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$0	\$200,000	0.0%	\$200,000	\$0
Fundraising	\$0	\$250,000	0.0%	\$0	(\$250,000)
Facilities/Mgmt Fees	\$0	\$0	0.0%	\$0	\$0
Total Revenues	\$0	\$450,000	0.0%	\$200,000	(\$250,000)
Expenses					
Salaries and Benefits	\$34,103	\$155,505	21.9%	\$155,505	(\$0)
Books and Supplies	\$499	\$3,200	15.6%	\$3,200	\$0
Services / Operating Expenses	\$626	\$52,680	1.2%	\$52,680	\$0
Depreciation	\$0	\$0	0.0%	\$0	\$0
Financing Charges	\$0	\$0	0.0%	\$0	\$0
Facilities and Management Fees	\$240,000	\$787,500	30.5%	\$787,500	\$0
Total Expenses	\$275,228	\$998,885	27.6%	\$998,885	(\$0)
Net Income	(\$275,228)	(\$548,885)		(\$798,885)	(\$250,000)

RS4&RS5 Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$0	\$0	0.0%	\$0	\$0
Fundraising and Other	\$0	\$0	0.0%	\$250,000	\$250,000
Facilities/Mgmt Fees	\$0	\$0	0.0%	\$0	\$0
Total Revenues	\$0	\$0	0.0%	\$250,000	\$250,000
Expenses					
Salaries and Benefits	\$0	\$0	0.0%	\$0	\$0
Books and Supplies	\$0	\$0	0.0%	\$0	\$0
Services / Operating Expenses	\$0	\$0	0.0%	\$0	\$0
Depreciation	\$0	\$0	0.0%	\$0	\$0
Financing Charges	\$0	\$0	0.0%	\$0	\$0
Facilities and Management Fees	\$0	\$0	0.0%	\$62,500	\$62,500
Total Expenses	\$0	\$0	0.0%	\$62,500	\$62,500
Net Income	\$0	\$0		\$187,500	\$187,500

Financial Performance: Budget vs Actuals by Location



RSED Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$0	\$416,917	0.0%	\$416,930	\$13
Fundraising and Other	\$102,495	\$300,000	34.2%	\$445,910	\$145,910
Facilities/Mgmt Fees	\$301,203	\$1,006,942	0.0%	\$1,082,417	\$75,475
Total Revenues	\$403,699	\$1,723,859	23.4%	\$1,945,257	\$221,398
Expenses					
Salaries and Benefits	\$266,099	\$1,074,869	24.8%	\$1,033,665	(\$41,204)
Books and Supplies	\$7,185	\$81,000	8.9%	\$81,000	\$0
Services / Operating Expenses	\$127,920	\$717,537	17.8%	\$720,573	\$3,036
Depreciation	\$0	\$0	0.0%	\$0	\$0
Financing Charges	\$32,248	\$41,691	0.0%	\$170,685	\$128,994
Facilities and Management Fees	\$28,072	\$0	0.0%	\$84,215	\$84,215
Total Expenses	\$461,524	\$1,915,097	24.1%	\$2,090,138	\$175,041
Net Income	(\$57,825)	(\$191,238)		(\$144,881)	\$46,357

Launchpad Variance Analysis and Forecast

	Actual	FY10 Budget	% of Total	Forecast	Variance (from Budget)
Revenues					
Public Sources	\$0	\$0	0.0%	\$0	\$0
Fundraising/Other	\$0	\$0	0.0%	\$0	\$0
Facilities/Mgmt Fees	\$676,338	\$1,972,589	34.3%	\$2,089,563	\$116,974
Total Revenues	\$676,338	\$1,972,589	34.3%	\$2,089,563	\$116,974
Expenses					
Salaries and Benefits	\$2,300	\$0	0.0%	\$126,701	\$126,701
Books and Supplies	\$30	\$0	0.0%	\$0	\$0
Services / Operating Expenses	\$58,958	\$124,800	47.2%	\$255,588	\$130,788
Depreciation	\$147,324	\$478,234	30.8%	\$520,903	\$42,668
Financing Charges	\$120,183	\$835,250	14.4%	\$610,917	(\$224,333)
Facilities and Management Fees	\$0	\$0	0.0%	\$0	\$0
Total Expenses	\$328,795	\$1,438,284	22.9%	\$1,514,108	\$75,824
Net Income	\$347,543	\$534,305		\$575,455	\$41,150