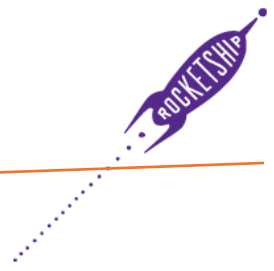




# Business Committee Materials

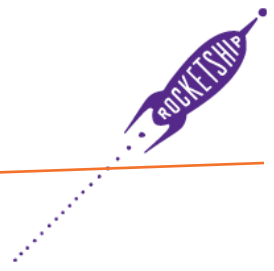
July 23, 2013

# Executive Summary



- Over the past 2 months, we have debated and settled on a set of basic assumptions to guide our growth plans over the next five years
- Outcomes and Next Steps
  - Deeper dives into the operating landscape of other regions under consideration for green lighting to determine financial validity
  - Capital Campaign at the National Office to support expansion
  - Equity fundraising to support Facilities Strategy
  - Combine financial analysis with strategic insight to generate cohesive business plan to support fundraising efforts

# Key Planning Drivers and Assumptions



1. In 2018-19, Rocketship will be operating schools in nine regions
2. We will moderately accelerate growth in new regions and moderate our growth in CA
3. The standard Rocketship school will have ~650 students after reaching full enrollment
4. Rocketship's target is to serve 38,000 enrolled students by 2018-19
5. RSED (National Office) should be capitalized sufficiently to make loans to new schools as needed to cover startup costs
6. Each school should target an operating margin "safety net" of \$150k per year after the initial startup period
7. We will cover real estate costs with 20% facilities fee, plus impact investment loans
8. Rocketship will continue with a 15% management fee structure
9. Regional teams should grow within a \$2.5m startup funds and 5% fee
10. Eventual goal is total sustainability under public funding, but must fundraise for now
11. It is important to model actual plans, and then build conservatism on top of these



# School Models

# Overview of LCFF Funding

## New California Budget – Local Control Funding Formula



- New CA funding formula based on most recent budget passed by Governor
  - Very recently passed (June 25<sup>th</sup>) and exact mechanics still to be determined by experts
  - Major factor of “unduplicated count” of FRL and ELL students
  - Significant additional compliance/reporting requirements and use restrictions
- Initial 2013-14 year projections suggest \$1.6M more revenue across 8 schools (average of \$200K per school, \$348 per student)
  - Have incorporated conservative extra \$325/student revenue increase over the entire 5-year period
- Long-term projections could add up to \$1.2-\$2.0M more per school
  - Driven heavily by our “unduplicated count” of FRL and ELL students at about 85% (which provides additional funding of up to \$1.0M for an individual school)
  - Significant questions remain relative to long-term availability; i.e. sufficient tax revenues to support
  - Have not modeled any additional funds beyond the initial level

LCFF Comparison to 2013-14 Budget Projections									
	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	RSS	Total
<b>F/(U) Total</b>									
FY 2013-14 Year	\$135,147	\$196,648	\$230,686	\$162,677	\$101,569	\$352,208	\$238,244	\$232,218	<b>\$1,649,397</b>
Long Term Target	\$1,249,827	\$2,030,933	\$1,995,698	\$1,955,935	\$1,521,100	\$1,434,696	\$1,352,149	\$1,793,543	<b>\$13,333,880</b>
<b>F/(U) per student</b>									
FY 2013-14 Year	\$222	\$311	\$369	\$263	\$155	\$793	\$407	\$404	<b>\$348</b>
Long Term Target	\$2,049	\$3,214	\$3,193	\$3,160	\$2,326	\$3,231	\$2,311	\$3,119	<b>\$2,811</b>

# Baseline School Financial Model—Bay Area

## Long-term target unit model

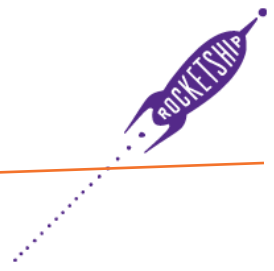


### Bay Area Baseline School

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Operating Details</b>							
Enrollment	-	480	551	619	657	B. 653	653
ADA %		A. 93%	93%	93%	93%	93%	93%
Teachers	-	13	15	15	16	16	16
S-T Ratio	-	37	37	41	41	41	41
Tutors, ECCs, ATs		6	7	9	9	9	9
<i>Public Rev / Student</i>		\$7,653	\$7,762	\$7,849	\$7,885	\$7,940	\$7,934
<b>Income Statement</b>							
Recurring Revenue	-	\$3,673,557	\$4,272,866	\$4,858,917	\$5,182,314	\$5,181,782	\$5,177,973
Grants / Fundraising	C. \$318,713	\$352,561	-	-	-	-	-
<b>Total Revenue</b>	<b>\$318,713</b>	<b>\$4,026,118</b>	<b>\$4,272,866</b>	<b>\$4,858,917</b>	<b>\$5,182,314</b>	<b>\$5,181,782</b>	<b>\$5,177,973</b>
Compensation	\$68,013	\$1,857,972	\$2,066,841	\$2,164,636	\$2,246,062	\$2,245,732	\$2,245,732
Other	\$1,950	\$1,062,333	\$1,019,622	\$1,089,891	\$1,125,802	\$1,112,506	\$1,111,756
Facilities Fee	-	\$692,471	\$784,029	\$895,207	\$956,526	\$956,824	\$956,062
Management Fee	-	\$519,354	\$588,022	\$671,405	\$717,394	\$717,618	\$717,047
<b>Total Expenses</b>	<b>\$69,963</b>	<b>\$4,132,130</b>	<b>\$4,458,514</b>	<b>\$4,821,140</b>	<b>\$5,045,784</b>	<b>\$5,032,681</b>	<b>\$5,030,597</b>
<b>Net Income</b>	<b>\$248,750</b>	<b>(\$106,012)</b>	<b>(\$185,648)</b>	<b>\$37,777</b>	<b>\$136,530</b>	D. <b>\$149,101</b>	<b>\$147,376</b>
<i>Net Income w/o Grants</i>	<i>(\$69,963)</i>	<i>(\$458,573)</i>	<i>(\$185,648)</i>	<i>\$37,777</i>	<i>\$136,530</i>	<i>\$149,101</i>	<i>\$147,376</i>
<i>Cumulative Net Income</i>	<i>\$248,750</i>	<i>\$142,738</i>	<i>(\$42,909)</i>	<i>(\$5,132)</i>	<i>\$131,398</i>	<i>\$280,499</i>	<i>\$427,875</i>
<b>Cash Flow</b>							
<b>BOP Cash</b>	-	<b>\$373,750</b>	<b>(\$53,024)</b>	<b>(\$217,204)</b>	<b>(\$272,261)</b>	<b>(\$195,458)</b>	<b>(\$98,007)</b>
Net Income	\$248,750	(\$106,012)	(\$185,648)	\$37,777	\$136,530	\$149,101	\$147,376
Other Operating Cash Flow	E. (\$125,000)	(\$1,088,327)	(\$121,790)	(\$169,253)	(\$5,750)	(\$514)	\$1,039
Financing Cash Flow	F. \$250,000	\$767,565	\$143,257	\$76,418	(\$53,977)	(\$51,136)	(\$760)
<b>EOP Cash</b>	<b>\$373,750</b>	<b>(\$53,024)</b>	<b>(\$217,204)</b>	G. <b>\$272,261</b>	<b>(\$195,458)</b>	<b>(\$98,007)</b>	<b>\$49,648</b>

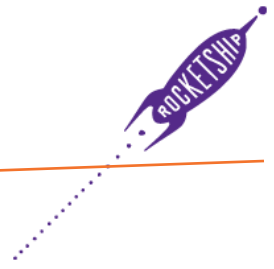
# Bay Area School Baseline Model

## Key Assumptions and Observations



- A) Assumed 93% ADA
  - Historical 96% attendance rate
  - Add 3% conservative “haircut” to reflect difficulty in achieving perfect enrollment by grade
- B) Full school
  - 653 students (120 student grades with attrition over time)
  - Staffing of 16 teachers with 9 FTE Tutors
  - 41:1 Student – Teacher Ratio
- C) Grants of \$670K (\$250K from Walton, \$420K from Title V)
- D) Run-rate net income level of \$150K
  - Building reserves, demonstrating sustainability, protection against exogenous changes
  - Sufficient w/enrollment conservatism, but does not provide growth capital for new schools
- E) Cash flow challenges of \$125K security deposit, state revenue deferrals
- F) Some debt financing offsets: \$250K revolving loan from CDE and receivables financing to offset revenue deferrals
- G) Under this model, school will have worst case of negative \$270K in cash

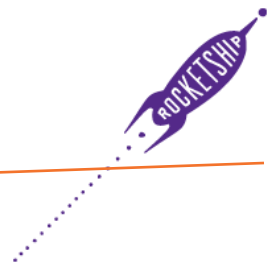
# Financial changes in existing schools as compared to prior years



- **More sustainable environment**
  - Enrollment not as high (satisfying fire codes / CEQA)
  - More adults in the school (BOM, ILS's, extra AP)
  - Pressure to reach full enrollment quicker created inefficient enrollment and staffing in future years (will suffer from this for a few years)
- **Additional revenue**
  - LCFF of \$325 per student per year
  - Prop 30 of approximately \$200K more revenue
  - Both additions reduced by facilities and management fees



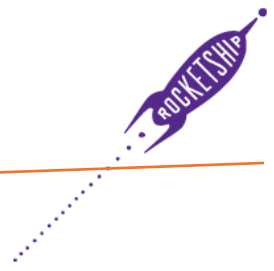
# Comparison of Baseline to FY13-14



## FY 2013/14 School Financials - Detailed

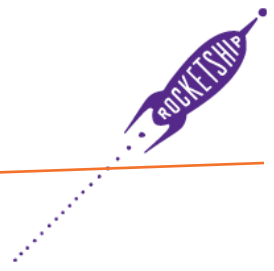
	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	RSS	Baseline Yr 5	Total Existing
<b>Operating Details</b>										
Enrollment	610	632	625	619	654	444	585	575	653	4,744
ADA	A. 96.0%	96.0%	96.0%	96.0%	96.0%	92.4%	96.0%	93.2%	93.0%	95.3%
Teachers	16.0	17.5	17.0	17.5	18.5	11.0	16.0	15.0	16.0	128.5
S-T Ratio	B. 38	36	37	35	35	40	37	38	41	37
Tutors, ECCs, ATs	8.0	7.0	7.0	7.5	8.0	7.0	6.0	7.0	9.0	58
Public Rev / Student	\$8,287	\$8,014	\$8,149	\$8,164	\$8,111	\$6,789	\$7,902	\$8,259	\$7,918	\$8,001
<b>Income Statement</b>										
Recurring Revenue	\$5,068,510	\$5,078,505	\$5,106,878	\$5,067,223	\$5,319,151	\$3,024,278	\$4,635,304	\$4,408,070	\$5,181,782	\$37,707,918
Grants / Fundraising	-	-	-	-	-	D. \$250,000	-	\$353,551	-	\$603,551
<b>Total Revenue</b>	<b>\$5,068,510</b>	<b>\$5,078,505</b>	<b>\$5,106,878</b>	<b>\$5,067,223</b>	<b>\$5,319,151</b>	<b>\$3,274,278</b>	<b>\$4,635,304</b>	<b>\$4,761,621</b>	<b>\$5,181,782</b>	<b>\$38,311,469</b>
Compensation	\$2,196,234	\$2,268,383	\$2,229,558	\$2,290,670	\$2,395,086	\$1,744,456	\$2,101,563	\$2,068,599	\$2,245,732	\$17,294,549
Other	\$1,010,853	\$1,069,355	\$1,095,732	\$1,073,547	\$1,120,316	\$897,404	\$1,090,840	\$1,203,419	\$1,112,506	\$8,561,466
Facilities Fee	\$937,922	\$937,985	\$944,276	\$942,344	\$984,178	\$138,295	\$853,481	\$831,014	\$956,824	\$6,569,494
Management Fee	\$703,441	\$703,489	\$708,207	\$702,654	\$738,134	\$407,763	\$640,111	\$623,260	\$717,618	\$5,227,059
<b>Total Expenses</b>	<b>\$4,848,451</b>	<b>\$4,979,211</b>	<b>\$4,977,772</b>	<b>\$5,009,215</b>	<b>\$5,237,714</b>	<b>\$3,187,917</b>	<b>\$4,685,995</b>	<b>\$4,726,292</b>	<b>\$5,032,681</b>	<b>\$37,652,568</b>
<b>Net Income</b>	<b>C. \$220,058</b>	<b>\$99,294</b>	<b>\$129,106</b>	<b>\$58,008</b>	<b>\$81,437</b>	<b>\$86,361</b>	<b>(\$50,691)</b>	<b>\$35,329</b>	<b>\$149,101</b>	<b>\$658,901</b>
Net Income w/o Grants	\$220,058	\$99,294	\$129,106	\$58,008	\$81,437	(\$163,639)	(\$50,691)	(\$318,222)	\$149,101	\$55,350
Cumulative Net Income	\$1,860,697	\$1,239,105	\$1,072,288	\$593,601	\$459,769	\$369,117	\$505,910	\$285,329	\$280,499	\$6,385,816
<b>Cash Flow</b>										
<b>BOP Cash</b>	<b>\$1,155,641</b>	<b>\$864,165</b>	<b>\$797,716</b>	<b>\$671,583</b>	<b>\$530,855</b>	<b>\$9,171</b>	<b>\$434,457</b>	<b>\$299,800</b>	<b>(\$195,458)</b>	<b>\$4,763,388</b>
Net Income	\$220,058	\$99,294	\$129,106	\$58,008	\$81,437	\$86,361	(\$50,691)	\$35,329	\$149,101	\$658,901
Operating Cash Flow	(\$204,735)	\$360,141	\$455,866	\$251,313	\$456,311	(\$357,669)	(\$164,748)	(\$1,296,213)	(\$514)	(\$499,733)
Financing Cash Flow	-	(\$823,600)	(\$882,688)	(\$432,595)	(\$568,603)	D. \$762,137	\$87,716	\$981,225	(\$51,136)	(\$876,407)
<b>EOP Cash</b>	<b>E. \$1,170,964</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$548,309</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$306,734</b>	<b>\$20,141</b>	<b>(\$98,007)</b>	<b>\$4,046,149</b>

# Highlights of 2013-14 Projections



- A) Assumed 96% ADA (vs. 93% for BA model)
  - Assuming we will continue at current attendance rates
  - Some classes/schools are not efficiently enrolled for maximum effectiveness
- B) No school is achieving the 41:1 student-teacher ratio due to limited enrollment capacity and staffing needs by classroom
- C) All schools (except RSA) will have positive net income ~\$100K, slightly less efficient than the baseline model in year 5, but ahead of the baseline model expected on an “apples-to-apples” year-of-operation basis
- D) RBM requires a \$250K grant and \$800K of a loan from RSED to hit net income and cash targets to qualify for facility financing
- E) All schools will have positive cash, targeting a minimum of \$500K through a revolver, where possible

# Growth Plan

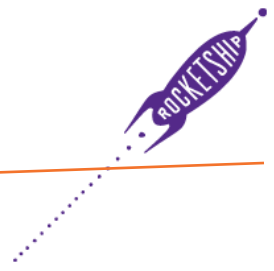


- Updated Growth Plan based on feedback from last meeting
  - New Regions grow to 10 schools in 5 years (quicker depth)
  - Projecting growth to two new regions per year after Nashville

School Growth Plan							
	<i>Start Year</i>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
1. Bay Area		8	10	13	16	19	22
2. MKE	<i>2013-14</i>	1	1	2	4	7	10
3. Nashville	<i>2014-15</i>	-	1	2	4	7	10
4. Indy	<i>2015-16</i>	-	-	1	2	4	7
5. DC	<i>2015-16</i>	-	-	1	2	4	7
6. Memphis	<i>2016-17</i>	-	-	-	1	2	4
7. San Antonio	<i>2016-17</i>	-	-	-	1	2	4
8. Dallas	<i>2017-18</i>	-	-	-	-	1	2
9. Houston	<i>2017-18</i>	-	-	-	-	1	2
<b>Total Schools</b>		<b>9</b>	<b>12</b>	<b>19</b>	<b>30</b>	<b>47</b>	<b>68</b>
<b>Total Enrollment</b>		<b>5,229</b>	<b>6,937</b>	<b>10,576</b>	<b>16,495</b>	<b>25,889</b>	<b>38,172</b>

# Growth Plan

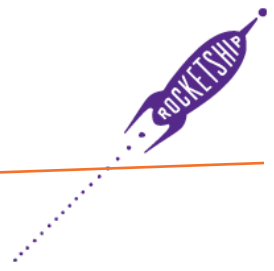
## Observations and Lessons Learned



- Updated growth plan reflects consistent commitment to our mission
- Bay Area
  - Growth in the Bay Area has become more challenging
  - Reducing target to 3 new schools per year
- New Regions
  - Starting new regions carries risks and challenges
  - Capping growth at 2 new regions per year
  - Prior plan had accelerating growth (2 new, then 3, then 4, then 5)
- Growth within regions
  - Targeting more ambitious scaling within a region once we are there
  - 10 schools in 5 years (versus 8 schools in five years)

# Regions

## Overview of school financial model—differences



- Created school models for our first six regions
  - Made various assumptions
  - Need substantial additional operational and financial due diligence for regions under consideration
- Differences have been modeled based on varied levels of operational and financial due diligence
  - Operating: Bay Area, Milwaukee
  - Greenlit: Nashville
  - Approved Charters: Memphis, DC, Indy (limited information still)
- Differences include
  - Enrollment / Staffing
  - Compensation
  - ISE (Special Education) costs, structure, funding
  - Other (transportation, utilities, janitor, etc..)



# School Models – Other Regions

# Regional Details for School Model



	BA	MKE	Nash	Memphis	DC	Indy
<b>Enrollment</b>	No TK 120 grades in K/1 <sup>st</sup> attrit over time	<b><u>TK every year at 100</u></b> 120 grades in K/1 <sup>st</sup> attrit over time	<b><u>No fifth grade</u></b> 120 grades in K/1 <sup>st</sup> attrit over time	No TK 120 grades in K/1 <sup>st</sup> attrit over time	No TK <b>100 grades in K/1<sup>st</sup></b> attrit over time	No TK 120 grades in K/1 <sup>st</sup> attrit over time
<b>State Revenue</b>	All in \$7,476	\$7,925 / \$8,075 in 2013-14 / 2014-15	\$8,861 per student (includes ISE)	\$7,835 per student (includes ISE)	~\$9K per student \$2.8K for facilities Lots of ISE funding	\$7,300 per student, except K at \$6K
<b>Federal Revenue</b>	\$400 Title I \$4K Title II \$95 Title III	\$300 Title I \$25K Title II \$80 Title III	\$600 Title I \$5K Title II \$80 Title III	\$600 Title I \$5K Title II \$80 Title III	\$500 Title I \$5K Title II No Title II	\$750 Title I \$8K Title II No Title III
<b>Grant Revenue</b>	\$500K CSP (\$420K realized) \$250K State Loan \$250K Walton	\$750K CSP (\$540K realized) \$250K Walton (50% loan)	\$250K Walton <b><u>No Title V CSP</u></b>	\$250K Walton <b><u>No Title V CSP</u></b>	\$250K Walton \$1M of CSP (\$350K realized)	\$250K of Walton \$234K of Title V <b><u>Startup grant of 50% of Year 1 Rev</u></b>
<b>School Level ISE</b>	<b><u>Modeled separately</u></b> b/c assumed to break even Good state funding to complement federal	<b><u>State reimbursement (27%)</u></b> 3 teachers, 3 paras (2/2 to start) \$75K of other Regional team included in 5%	2 teachers, 2 paras \$75K of other Regional team included in 5%	2 teachers, 2 paras \$75K of other Regional team included in 5%	Highly funded at school level Dramatically higher staffing Regional team included in 5%	2 teachers, 2 paras \$75K of other Regional team included in 5%
<b>Compensation &amp; Staffing</b>	BA standard levels	90% of BA <b><u>20 total teachers for TK / larger school</u></b>	90% of BA 14 teachers b/c no TK	90% of BA Standard 16 teachers	BA levels <b><u>25:1 S/T ratio</u></b> <b><u>Extra ISE Staff</u></b>	90% of BA Standard 16 teachers
<b>Other</b>	ASES (matched with revenue)	Janitor (\$30K) Higher utilities (\$35K)	<b><u>Transportation (\$500 per student)</u></b>	<b><u>Transportation (\$500 per student)</u></b>	<b><u>Transportation (\$500 per student)</u></b> <b><u>5% contingencies</u></b>	<b><u>Transportation (\$500 per student)</u></b>
<b>Facility Fees</b>	20% of Revenue	20% of Revenue	20% of Revenue	20% of Revenue	20% of Revenue	20% of Revenue
<b>Cash Flow</b>	Intra-year deferrals should be done Inter-year deferrals ongoing at 35%	<b><u>Paid 4 times at the end of each quarter</u></b> <b><u>\$1.5M of receivables four times a year</u></b>	<b><u>No payment in first 6 weeks of the year</u></b> Then paid evenly for 10 months	<b><u>No payment in first 6 weeks of the year</u></b> Then paid evenly for 10 months	<b><u>No delay</u></b>	<b><u>Paid monthly, but starting 6 months late (hence 6-month grant funding to start each school)</u></b>

# School Model Regional Comparisons



	Run Rate Year 6						Per Student					
	Bay Area	MKE	Nash	Mem	DC	Indy	Bay Area	MKE	Nash	Mem	DC	Indy
Enrollment	653	753	565	653	552	653						
ADA	607	687	526	607	514	575						
State	\$4,548,905	\$5,547,143	\$4,657,789	\$4,755,474	\$6,433,985	\$4,368,124	\$7,495	\$8,075	\$8,861	\$7,835	\$12,523	\$7,599
ISE	-	\$215,496	\$42,389	\$48,948	\$992,439	\$97,896	-	\$314	\$81	\$81	\$1,932	\$170
Federal	\$231,407	\$224,903	\$178,455	\$205,294	\$184,819	\$309,801	\$381	\$327	\$340	\$338	\$360	\$539
Meals	\$287,160	\$331,160	\$248,681	\$287,160	\$243,073	\$287,160	\$473	\$482	\$473	\$473	\$473	\$500
<b>Total Revenue</b>	<b>\$5,067,473</b>	<b>\$6,318,702</b>	<b>\$5,127,315</b>	<b>\$5,296,877</b>	<b>\$7,854,316</b>	<b>\$5,062,980</b>	<b>\$8,349</b>	<b>\$9,198</b>	<b>\$9,755</b>	<b>\$8,727</b>	<b>\$15,288</b>	<b>\$8,807</b>
Teachers	16	20	14	16	18	16	41	38	40	41	31	41
ILSs	7	11	6	7	6	7	93	68	94	93	92	93
ISE Staff	-	6	4	4	14	4						
Comp	\$2,245,732	\$2,826,740	\$2,051,051	\$2,241,597	\$3,153,435	\$2,241,597	\$3,700	\$4,115	\$3,902	\$3,693	\$6,138	\$3,899
Fees	\$1,673,109	\$2,020,216	\$1,707,522	\$1,753,401	\$2,645,774	\$1,671,537	\$2,757	\$2,941	\$3,249	\$2,889	\$5,150	\$2,908
Other	\$1,001,256	\$1,239,453	\$1,264,483	\$1,397,843	\$1,719,527	\$1,395,504	\$1,650	\$1,804	\$2,406	\$2,303	\$3,347	\$2,428
<b>Total Expenses</b>	<b>\$4,920,097</b>	<b>\$6,086,409</b>	<b>\$5,023,056</b>	<b>\$5,392,841</b>	<b>\$7,518,736</b>	<b>\$5,308,639</b>	<b>\$8,106</b>	<b>\$8,860</b>	<b>\$9,556</b>	<b>\$8,885</b>	<b>\$14,635</b>	<b>\$9,235</b>
<b>Net Income</b>	<b>\$147,376</b>	<b>\$232,293</b>	<b>\$104,259</b>	<b>(\$95,965)</b>	<b>\$335,580</b>	<b>(\$245,658)</b>	<b>\$243</b>	<b>\$338</b>	<b>\$198</b>	<b>(\$158)</b>	<b>\$653</b>	<b>(\$427)</b>
<b>Year 6 Cash</b>	<b>\$49,648</b>	<b>\$382,561</b>	<b>\$301,011</b>	<b>(\$1,187,226)</b>	<b>\$2,068,426</b>	<b>(\$1,976,928)</b>						

Caution: The above estimates are based only on initial information. Substantial additional due diligence work is planned in each proposed region to better understand the local financial and operational landscape, and to adjust operations and models to ensure financial efficiency and independence before greenlighting.

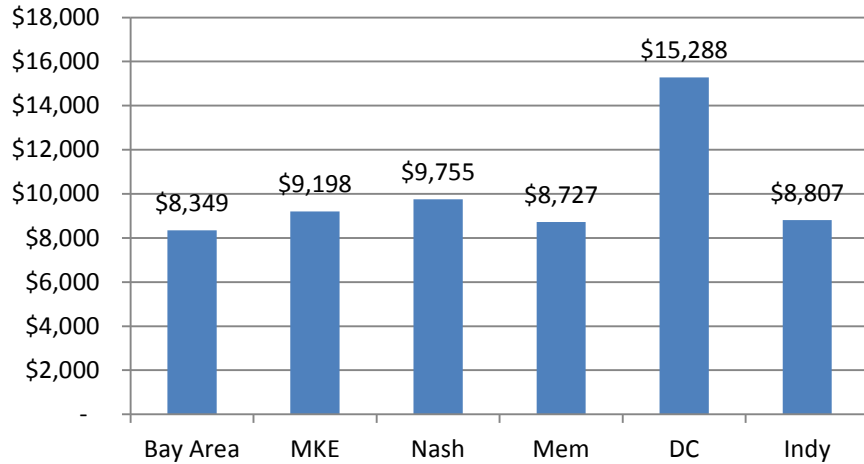
Note: Red, Yellow, Green coding applies to values only within a given row



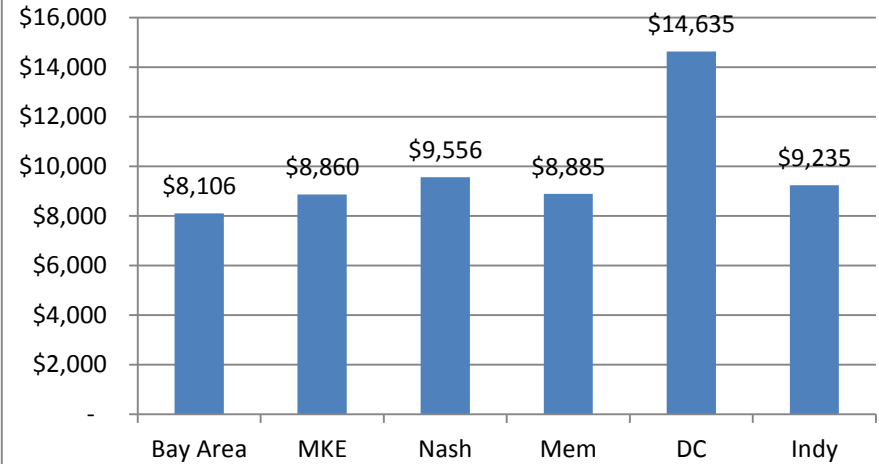
# School Model Regional Comparisons



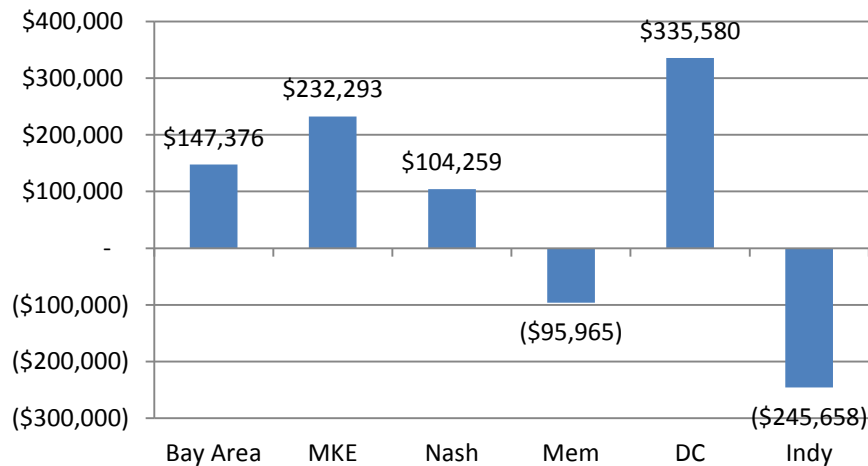
## Revenue Per Student



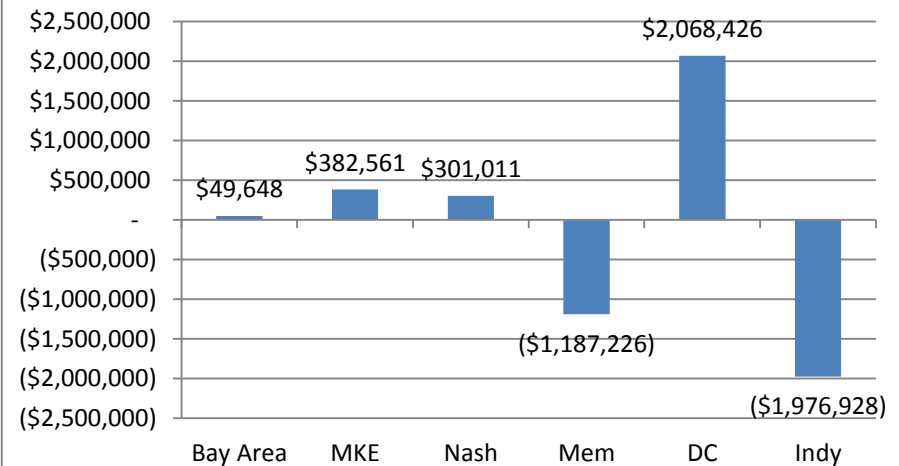
## Expenses Per Student



## Year 6 Net Income



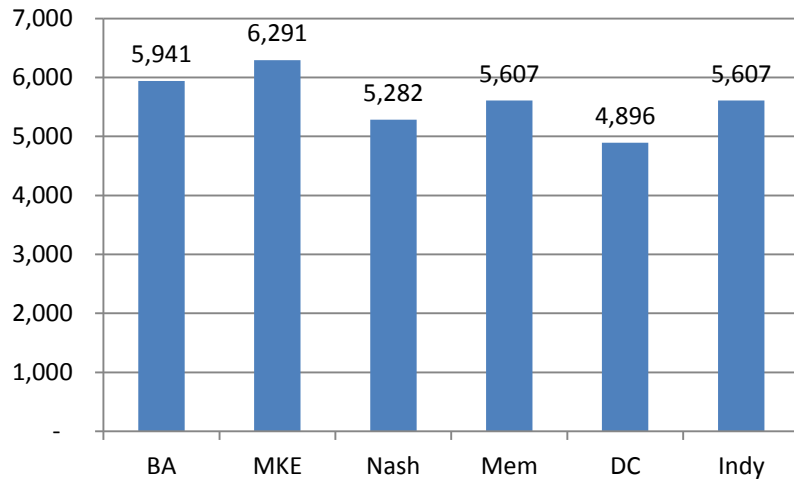
## Year 6 Cash



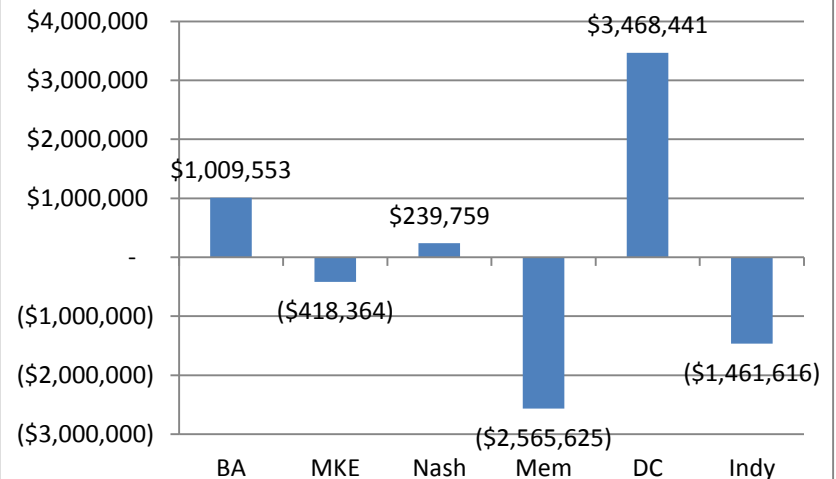
# Consolidated Regions at 10 Schools



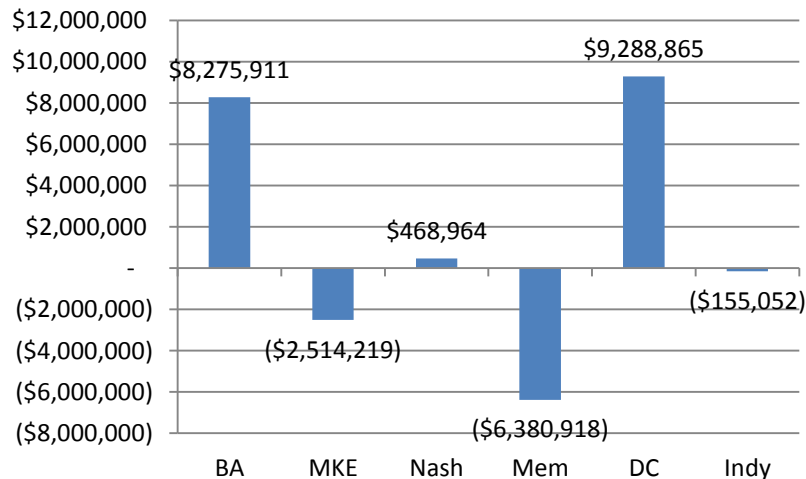
## Enrollment



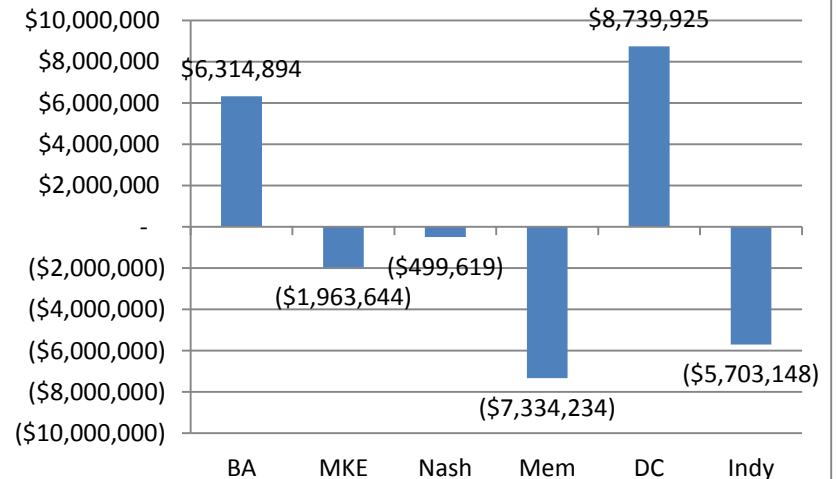
## Net Income



## Cumulative Net Income



## Cash





# Region Models – Combined

# Regional Support Office Generic Expense Model



<i>New Schools</i>	-	-	1	1	2	3	3
<i>Total Schools</i>	-	-	1	2	4	7	10
<i>Enrollment</i>	-	-	450	1,004	2,097	3,758	5,607

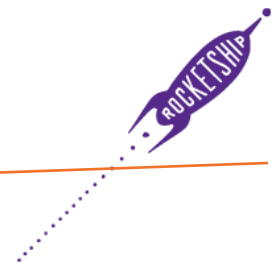
## **Detailed Staffing Model**

Regional VP	-	-	-	1	1	1	1
Regional Director	-	1	1	-	-	1	2
Director of Community Dev	-	1	1	1	1	1	1
Manager of Community Dev	-	-	-	-	1	1	1
Staff - Grassroots	-	-	-	-	-	-	-
Director of Business	-	1	1	1	1	1	1
Regional Business Manager	-	1	-	-	1	1	1
Regional Registrar	-	-	-	-	1	1	1
Staff	-	-	-	-	-	-	-
Director of Achievement	-	1	-	1	1	1	1
Mgr Leadership Dev	-	-	-	-	-	1	1
Staff	-	-	-	-	-	-	-
Mgr of Teacher Leadership	-	-	-	-	-	-	-
Staff - Recruiting	-	-	-	-	-	1	1
Mgr of Individ. Learning	-	-	-	-	-	-	-
Staff	-	-	-	-	-	-	-
Director of ISE	-	-	1	1	1	1	1
School Psychologist	-	-	1	1	1	2	3
Speech Therapist	-	-	-	-	-	1	2
Occupational Therapist	-	-	-	-	-	1	2
<b>Total Employees</b>	-	<b>5</b>	<b>5</b>	<b>6</b>	<b>9</b>	<b>15</b>	<b>19</b>
<b>Non ISE Employees</b>	-	<b>5</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>11</b>

## **Expenses**

Compensation	-	\$618,750	\$606,250	\$762,500	\$1,062,500	\$1,681,250	\$2,125,000
Other Operating Expenses	-	\$205,250	\$161,000	\$208,350	\$291,650	\$393,500	\$478,400
<b>Total Expenses</b>	-	<b>\$824,000</b>	<b>\$767,250</b>	<b>\$970,850</b>	<b>\$1,354,150</b>	<b>\$2,074,750</b>	<b>\$2,603,400</b>

# Regional Support Office Staffing Model Comparison to Bay Area in 2013-14



	Model	Bay Area	Model
<b>Schools</b>	7	8	10
<b>Regional VP</b>	1.0	1.0	1.0
Teresea Leon	-	0.5	-
<b>Regional Director</b>	1.0	-	2.0
Jessica Garcia-Kohl	1.0	1.0	1.0
Kinh Luna	1.0	1.0	1.0
Briana Kromprier	1.0	1.0	1.0
Leydi Cottrill	1.0	1.0	1.0
Regional Manager of Operations	1.0	1.0	1.0
Director of S & I	1.0	1.0	1.0
Alanna Phelan	-	1.0	-
Anna Weiss	1.0	1.0	1.0
Alyssa Sigala	1.0	1.0	1.0
Mgr of Teaching & Learning	-	1.0	-
<b>Total Non-ISE Staff</b>	<b>10.0</b>	<b>11.5</b>	<b>11.0</b>
<b>Compensation</b>	<b>\$1,181,250</b>	<b>\$1,286,809</b>	<b>\$1,337,500</b>
<b>Genevieve Thomas</b>	<b>1.0</b>	<b>0.5</b>	<b>1.0</b>
School Psychologist	2.0	3.0	2.0
Speech Therapist	1.0	3.0	1.0
Occupational Therapist	1.0	2.0	1.0
<b>Total ISE Staff</b>	<b>5.0</b>	<b>8.5</b>	<b>5.0</b>
<b>Compensation</b>	<b>\$500,000</b>	<b>\$780,592</b>	<b>\$787,500</b>
<b>Total Staff</b>	<b>19.0</b>	<b>20.0</b>	<b>19.0</b>
<b>Compensation</b>	<b>\$2,125,000</b>	<b>\$2,067,401</b>	<b>\$2,125,000</b>
<b>NonComp</b>	<b>\$393,500</b>	<b>\$476,980</b>	<b>\$478,400</b>
<b>Total Expenses</b>	<b>\$2,518,500</b>	<b>\$2,544,381</b>	<b>\$2,603,400</b>

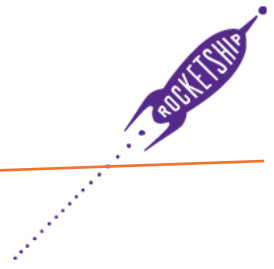
# Summary Regional Support Office Financials



Summary Financials - Nash RSO									
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<i>New Schools</i>	-	-	1	1	2	3	3	3	3
<i>Total Schools</i>	-	-	A. 1	2	4	7	10	13	16
<i>Enrollment</i>	-	-	450	1,004	2,024	3,593	5,282	6,983	8,679
<i>ADA</i>	-	-	432	963	1,943	3,449	5,071	6,704	8,331
<i>Fees to Home Office</i>	-	-	\$579,669	\$1,288,446	\$2,606,247	\$4,626,700	\$6,805,403	\$9,007,336	\$11,202,933
<b>Regional Revenues</b>									
Management Fee	-	-	\$193,223	\$429,482	\$868,749	\$1,542,233	\$2,268,468	\$3,002,445	\$3,734,311
ISE	-	-	-	-	-	-	-	-	-
Grants	B. \$1,500,000	\$450,000	\$275,000	\$275,000	-	-	-	-	-
<b>Total Revenues</b>	<b>\$1,500,000</b>	<b>\$450,000</b>	<b>\$468,223</b>	<b>\$704,482</b>	<b>\$868,749</b>	<b>\$1,542,233</b>	<b>\$2,268,468</b>	<b>\$3,002,445</b>	<b>\$3,734,311</b>
<b>Expenses</b>									
Compensation	-	\$503,812	\$606,250	\$762,500	\$1,062,500	\$1,681,250	\$2,125,000	\$2,875,000	\$3,031,250
Other Operating Expenses	-	\$179,000	\$161,000	\$208,350	\$291,650	\$393,500	\$478,400	\$594,200	\$595,550
<b>Total Expenses</b>	<b>-</b>	<b>\$682,812</b>	<b>\$767,250</b>	<b>\$970,850</b>	<b>\$1,354,150</b>	<b>\$2,074,750</b>	<b>\$2,603,400</b>	<b>\$3,469,200</b>	<b>\$3,626,800</b>
<b>Net Income</b>	<b>C. \$1,500,000</b>	<b>(\$232,812)</b>	<b>(\$299,027)</b>	<b>(\$266,368)</b>	<b>(\$485,401)</b>	<b>(\$532,517)</b>	<b>(\$334,932)</b>	<b>(\$466,755)</b>	<b>\$107,511</b>
<b>Cumulative Net Income</b>	<b>\$1,500,000</b>	<b>\$1,267,188</b>	<b>\$968,161</b>	<b>\$701,793</b>	<b>\$216,392</b>	<b>(\$316,125)</b>	<b>(\$651,057)</b>	<b>(\$1,117,812)</b>	<b>(\$1,010,301)</b>
<b>Cash</b>	<b>\$1,500,000</b>	<b>\$1,301,329</b>	<b>\$1,006,523</b>	<b>\$750,336</b>	<b>\$284,099</b>	<b>(\$212,387)</b>	<b>(\$520,887)</b>	<b>(\$944,352)</b>	<b>(\$828,961)</b>
<b>ISE</b>									
ISE Revenue	-	-	-	-	-	-	-	-	-
ISE Expenses	-	-	\$242,500	\$242,500	\$242,500	\$530,000	\$817,500	\$1,017,500	\$1,017,500
ISE Net Income	-	-	(\$242,500)	(\$242,500)	(\$242,500)	(\$530,000)	(\$817,500)	(\$1,017,500)	(\$1,017,500)
<b>Net Income w/o ISE</b>	<b>D. \$1,500,000</b>	<b>(\$232,812)</b>	<b>(\$56,527)</b>	<b>(\$23,868)</b>	<b>(\$242,901)</b>	<b>(\$2,517)</b>	<b>\$482,568</b>	<b>\$550,745</b>	<b>\$1,125,011</b>
<b>Cumulative Net Income w/o ISE</b>	<b>\$1,500,000</b>	<b>\$1,267,188</b>	<b>\$1,210,661</b>	<b>\$1,186,793</b>	<b>\$943,892</b>	<b>\$941,375</b>	<b>\$1,423,943</b>	<b>\$1,974,688</b>	<b>\$3,099,699</b>

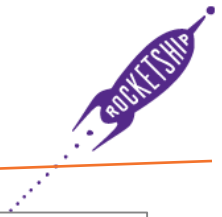
# Regional Support Office Summary

## Key observations

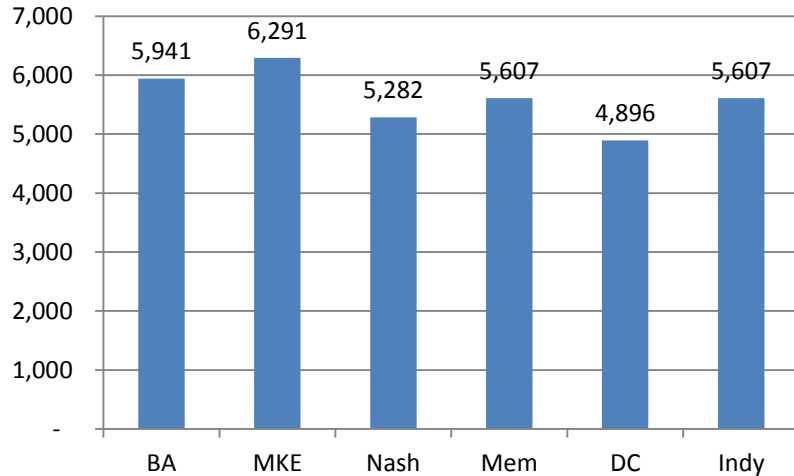


- A) Growing to 10 schools in 5 years
- B) \$2.5M of fundraising to start
- C) ISE expenses now included
  - Region does not break even at 10 schools
  - Insufficient funding with \$2.5m
  - Need to develop options to mitigate ISE cost encroachment. Early alternatives include (will present options and recommendations at next Board meeting and/or with greenlighting recommendation):
    - Reduced regional staffing
    - Regional ISE encroachment fee in regions with lower ISE funding
    - Different fee structures
- D) Without ISE, \$2.5M is more than sufficient (due to faster growth rate within the first 5 years)

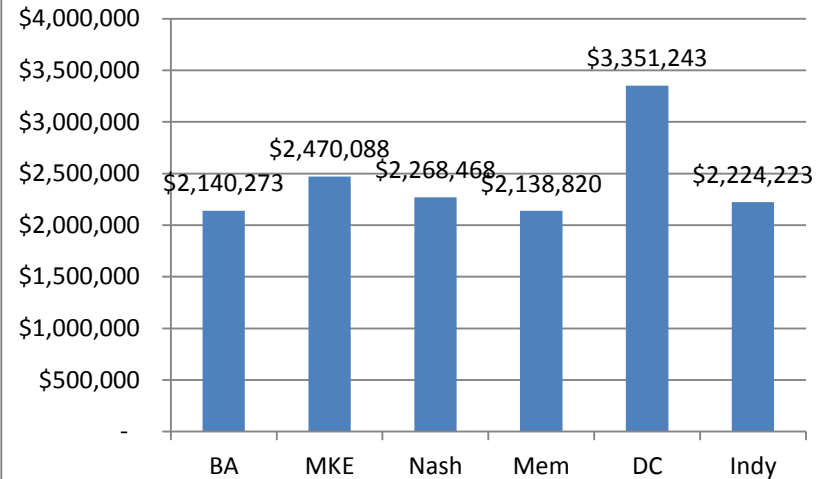
# Comparison of RSOs at 10 schools



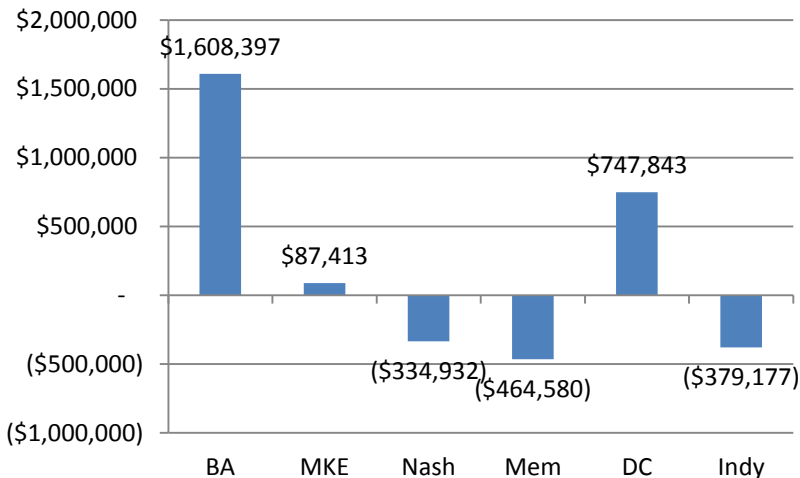
## Enrollment



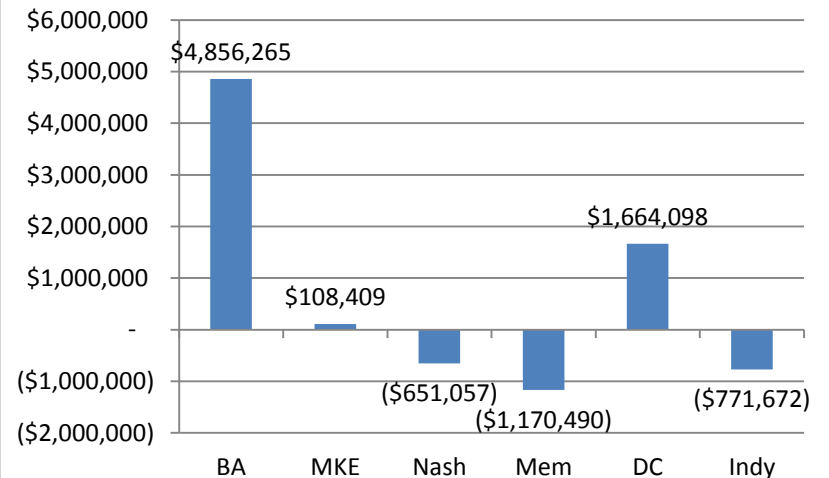
## Management Fees



## Net Income



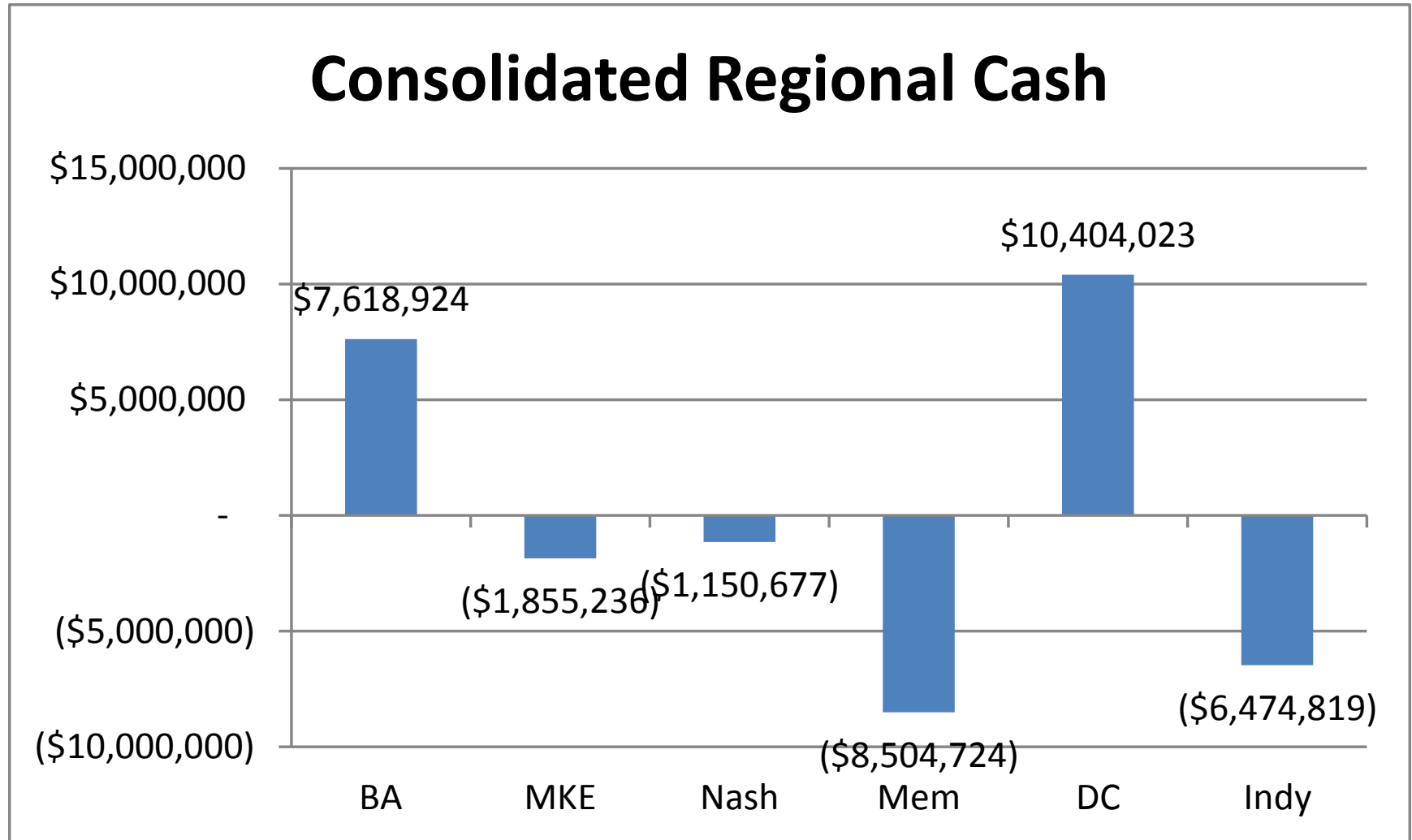
## Cumulative Net Income





# Consolidated Regional Cash at Year 5

## Combination of RSO and 10 operating schools

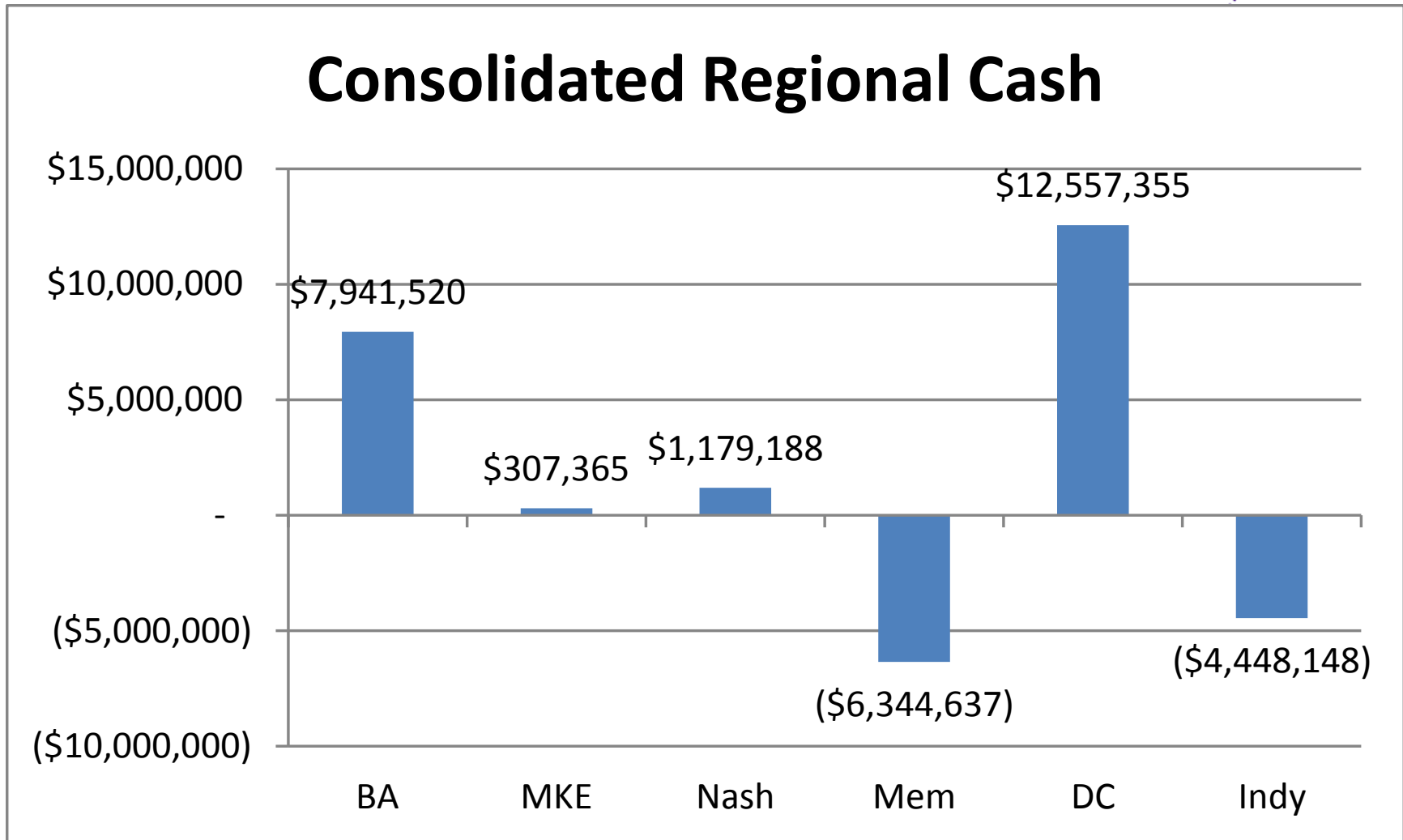


# Regional Consolidated Cash at 96%

3% enrollment conservatism – \$2M less in each new region



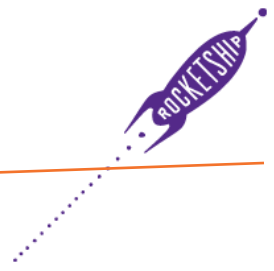
## Consolidated Regional Cash





# National Office Model

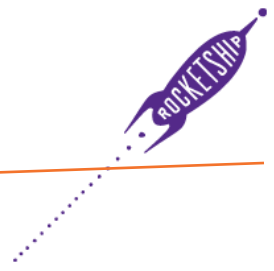
# Sustainability



- Operating without fundraising or loans on public funds alone
  - Individual schools achieve this by Year 5, or earlier
  - Regional Support Offices achieve this on \$2.5M of local philanthropy upon greenlighting
  - Consolidated regions have sufficient resources to fund startup of new schools in their respective regions
  - National Office achieves this by 2018-2019
- Outside funds (from fundraising) are necessary to achieve sustainability
  - Network currently has insufficient cash to grow National Office and to provide startup backstop to new schools
  - Source of capital (either from fundraising or subordinated debt) necessary to support facilities acquisition and construction

# National Financial Summary

## Base Case



- Growth to **68** schools in 5 years
  - Number of schools grow by 7.5x
  - National Office expenses grow by 3x (excluding one-time expenses in 2013/14)
  - Includes Hasting/Debs fundraising
  - Loss of \$7M over 5 years, with a minimum cash balance of negative \$4.7M

National Office							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	5-Year Growth
Schools	9	12	19	30	47	68	655.6%
Students	5,229	6,937	10,576	16,495	25,889	38,172	630.0%
Management Fee	\$3,850,834	\$5,100,956	\$8,190,502	\$13,188,635	\$21,040,829	\$31,492,610	717.8%
Fundraising	\$6,240,880	\$6,423,880	\$7,418,276	\$3,325,000	\$1,625,000	-	
Total Revenue	<b>\$10,091,714</b>	<b>\$11,524,836</b>	<b>\$15,608,778</b>	<b>\$16,513,635</b>	<b>\$22,665,829</b>	<b>\$31,492,610</b>	<b>212.1%</b>
FTE Costs	\$7,133,008	\$8,664,162	\$11,263,410	\$14,079,263	\$16,895,116	\$20,274,139	184.2%
Non Comp	\$4,110,641	\$4,076,853	\$5,299,909	\$6,624,886	\$7,949,864	\$9,539,836	132.1%
Total Expenses	<b>\$11,243,649</b>	<b>\$12,741,015</b>	<b>\$16,563,319</b>	<b>\$20,704,149</b>	<b>\$24,844,979</b>	<b>\$29,813,975</b>	<b>165.2%</b>
							<i>Total</i>
Net Income	(\$1,151,934)	(\$1,216,179)	(\$954,542)	(\$4,190,515)	(\$2,179,150)	<b>\$1,678,635</b>	(\$8,013,685)
Recurring Income	(\$7,392,814)	(\$7,640,059)	(\$8,372,818)	(\$7,515,515)	(\$3,804,150)	<b>\$1,678,635</b>	(\$33,046,721)

Note: Annual Expense Growth

Schools Growth

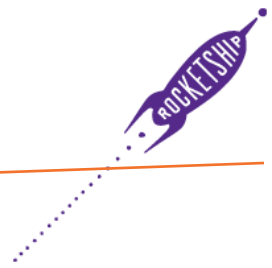
Student Growth

	35.0%	30.0%	25.0%	20.0%	20.0%
Schools Growth	33.3%	58.3%	57.9%	56.7%	44.7%
Student Growth	32.7%	52.5%	56.0%	57.0%	47.4%

							Min Cash Balance
Cash	\$3,848,066	\$2,631,887	\$1,677,346	(\$2,513,169)	(\$4,692,319)	(\$3,013,685)	<b>(\$4,692,319)</b>

# National Financial Summary

## Medium Case



- Growth to **52** schools in 5 years
  - Number of schools grow by 5.8x
  - National Office expenses grow by 2.5x (excluding one-time expenses in 2013/14)
  - Includes Hasting/Debs fundraising
  - Loss of \$8.5M over 5 years, with a minimum cash balance of negative \$3.5M

National Office							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	5-Year Growth
Schools	9	12	18	26	38	52	477.8%
Students	5,229	6,937	10,096	14,494	21,241	29,446	463.1%
Management Fee	\$3,850,834	\$5,100,956	\$7,844,266	\$11,636,044	\$17,190,040	\$24,091,013	525.6%
Fundraising	\$6,240,880	\$6,423,880	\$6,957,476	\$3,325,000	\$1,625,000	-	
<b>Total Revenue</b>	<b>\$10,091,714</b>	<b>\$11,524,836</b>	<b>\$14,801,742</b>	<b>\$14,961,044</b>	<b>\$18,815,040</b>	<b>\$24,091,013</b>	<b>138.7%</b>
FTE Costs	\$7,133,008	\$8,343,267	\$10,429,084	\$12,514,900	\$14,392,136	\$16,550,956	132.0%
Non Comp	\$4,110,641	\$3,925,859	\$4,907,323	\$5,888,788	\$6,772,106	\$7,787,922	89.5%
<b>Total Expenses</b>	<b>\$11,243,649</b>	<b>\$12,269,126</b>	<b>\$15,336,407</b>	<b>\$18,403,688</b>	<b>\$21,164,242</b>	<b>\$24,338,878</b>	<b>116.5%</b>
							<i>Total</i>
<b>Net Income</b>	<b>(\$1,151,934)</b>	<b>(\$744,289)</b>	<b>(\$534,665)</b>	<b>(\$3,442,644)</b>	<b>(\$2,349,201)</b>	<b>(\$247,865)</b>	<b>(\$8,470,598)</b>
<b>Recurring Income</b>	<b>(\$7,392,814)</b>	<b>(\$7,168,169)</b>	<b>(\$7,492,141)</b>	<b>(\$6,767,644)</b>	<b>(\$3,974,201)</b>	<b>(\$247,865)</b>	<b>(\$33,042,834)</b>

Note: Annual Expense Growth

Schools Growth

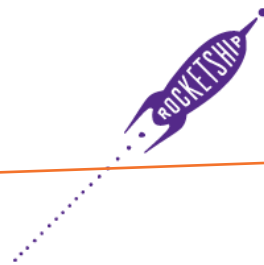
Student Growth

	30.0%	25.0%	20.0%	15.0%	15.0%
Schools Growth	33.3%	50.0%	44.4%	46.2%	36.8%
Student Growth	32.7%	45.5%	43.6%	46.5%	38.6%

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Min Cash Balance
<b>Cash</b>	<b>\$3,848,066</b>	<b>\$3,103,777</b>	<b>\$2,569,112</b>	<b>(\$873,532)</b>	<b>(\$3,222,733)</b>	<b>(\$3,470,598)</b>	<b>(\$3,470,598)</b>

# National Financial Summary

## Slower Growth Case



- Growth to **42** schools in 5 years
  - Number of schools grow by 4.7x
  - National Office expenses grow by 2x (excluding one-time expenses in 2013/14)
  - Includes Hasting/Debs fundraising
  - Loss of \$9.6M over 5 years, with a minimum cash balance of negative \$4.6M

National Office							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	5-Year Growth
Schools	9	12	17	24	33	42	366.7%
Students	5,229	6,937	9,616	13,464	18,621	24,140	361.7%
Management Fee	\$3,850,834	\$5,100,956	\$7,498,030	\$10,897,794	\$15,189,846	\$19,761,962	413.2%
Fundraising	\$6,240,880	\$6,423,880	\$6,496,676	\$3,325,000	\$1,625,000	-	
Total Revenue	<b>\$10,091,714</b>	<b>\$11,524,836</b>	<b>\$13,994,706</b>	<b>\$14,222,794</b>	<b>\$16,814,846</b>	<b>\$19,761,962</b>	<b>95.8%</b>
FTE Costs	\$7,133,008	\$8,343,267	\$10,011,920	\$11,513,708	\$13,240,765	\$14,564,841	104.2%
Non Comp	\$4,110,641	\$3,925,859	\$4,711,030	\$5,417,685	\$6,230,338	\$6,853,371	66.7%
Total Expenses	<b>\$11,243,649</b>	<b>\$12,269,126</b>	<b>\$14,722,951</b>	<b>\$16,931,393</b>	<b>\$19,471,102</b>	<b>\$21,418,212</b>	<b>90.5%</b>
							<i>Total</i>
Net Income	(\$1,151,934)	(\$744,289)	(\$728,244)	(\$2,708,599)	(\$2,656,256)	<b>(\$1,656,251)</b>	(\$9,645,573)
Recurring Income	(\$7,392,814)	(\$7,168,169)	(\$7,224,920)	(\$6,033,599)	(\$4,281,256)	<b>(\$1,656,251)</b>	(\$33,757,009)

Note: Annual Expense Growth

Schools Growth

Student Growth

	30.0%	20.0%	15.0%	15.0%	10.0%
Schools Growth	33.3%	41.7%	41.2%	37.5%	27.3%
Student Growth	32.7%	38.6%	40.0%	38.3%	29.6%

							Min Cash Balance
Cash	\$3,848,066	\$3,103,777	\$2,375,533	(\$333,067)	(\$2,989,323)	(\$4,645,573)	<b>(\$4,645,573)</b>

# Overall model

## Risks & Conservatism



### Risks

- Assumed hitting full growth plan (68 schools / 38K students)
- Slowing growth rate of national expenses
- No cost (or revenue) inflation assumed

### Conservatism

- 3% haircut on enrollment
- LCFF funding formula
  - Rev/Student could go up
  - Less deferral of revenue
- Fully / heavily budgeted school models have no efficiencies in them
- Likely to have less heavy RSOs in the future
- Deep diligence not yet performed on new region financials
- Will adjust National growth if school growth is lower



# Network Cash Levels by Region

## Assuming 93% enrollment achieved



- If 30 days of Cash on Hand is safe, \$20-30M shortfall in 2018/19

		Cash Health					
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Cash</b>							
National		\$3,848,066	\$2,631,887	\$1,677,346	(\$2,513,169)	(\$4,692,319)	(\$3,013,685)
Bay Area		\$6,914,745	\$7,618,924	\$7,428,134	\$7,505,942	\$7,609,239	\$7,704,362
MKE		\$791,194	\$639,010	\$144,180	(\$617,263)	(\$1,639,776)	(\$1,855,236)
Nash		\$1,329,567	\$858,642	\$515,784	(\$99,232)	(\$853,288)	(\$1,150,677)
Mem		\$1,500,000	\$1,238,379	\$445,613	(\$583,771)	(\$2,439,532)	(\$5,280,052)
DC		\$1,500,000	\$1,301,000	\$1,471,429	\$2,127,919	\$3,613,157	\$6,244,491
Indy		-	\$1,500,000	\$1,337,379	\$1,182,290	\$520,757	(\$656,764)
Region 7	(Mem)	-	\$1,500,000	\$1,238,379	\$445,613	(\$583,771)	(\$2,439,532)
Region 8	(Mem)	-	-	\$1,500,000	\$1,238,379	\$445,613	(\$583,771)
Region 9	(Mem)	-	-	\$1,500,000	\$1,238,379	\$445,613	(\$583,771)
<b>Total Cash</b>		<b>\$15,883,572</b>	<b>\$17,287,843</b>	<b>\$17,258,244</b>	<b>\$9,925,088</b>	<b>\$2,425,694</b>	<b>(\$1,614,634)</b>
<b>Days of Cash on Hand</b>							
National		125	75	37	(44)	(69)	(37)
Bay Area		68	60	45	37	31	27
MKE		55	43	5	(11)	(16)	(12)
Nash		651	62	19	(2)	(9)	(9)
Mem			510	33	(22)	(46)	(57)
DC			536	84	60	50	50
Indy				551	82	19	(12)
Region 7				510	33	(22)	(46)
Region 8					510	33	(22)
Region 9					510	33	(22)
<b>Total</b>		<b>106</b>	<b>88</b>	<b>57</b>	<b>21</b>	<b>3</b>	<b>(2)</b>

# Network Cash Levels by Region

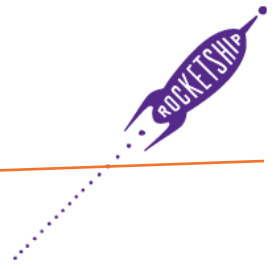
## Assuming 96% enrollment achieved



- If 30 days of Cash on Hand is safe, \$5-10M shortfall in 2018/19

		Cash Health					
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Cash</b>							
National		\$3,857,462	\$2,785,272	\$2,067,645	(\$1,740,378)	(\$3,311,210)	(\$722,086)
Bay Area		\$6,914,745	\$7,941,520	\$8,422,756	\$9,432,033	\$10,794,318	\$12,570,019
MKE		\$855,716	\$783,960	\$455,744	\$26,006	(\$392,769)	\$307,365
Nash		\$1,329,567	\$943,289	\$789,117	\$555,559	\$479,185	\$1,179,188
Mem		\$1,500,000	\$1,238,379	\$520,684	(\$341,353)	(\$1,846,839)	(\$4,058,884)
DC		\$1,500,000	\$1,301,000	\$1,548,177	\$2,373,256	\$4,210,552	\$7,468,103
Indy		-	\$1,500,000	\$1,337,379	\$1,265,546	\$764,190	(\$78,389)
Region 7	(Mem)	-	\$1,500,000	\$1,238,379	\$520,684	(\$341,353)	(\$1,846,839)
Region 8	(Mem)	-	-	\$1,500,000	\$1,238,379	\$520,684	(\$341,353)
Region 9	(Mem)	-	-	\$1,500,000	\$1,238,379	\$520,684	(\$341,353)
<b>Total Cash</b>		<b>\$15,957,489</b>	<b>\$17,993,419</b>	<b>\$19,379,881</b>	<b>\$14,568,111</b>	<b>\$11,397,443</b>	<b>\$14,135,770</b>
<b>Days of Cash on Hand</b>							
National		125	80	46	(31)	(49)	(9)
Bay Area		68	62	50	46	44	44
MKE		59	52	15	0	(4)	2
Nash		651	68	29	10	5	9
Mem			510	39	(13)	(35)	(44)
DC			536	88	66	58	59
Indy				551	87	27	(1)
Region 7				510	39	(13)	(35)
Region 8					510	39	(13)
Region 9					510	39	(13)
<b>Total</b>		<b>107</b>	<b>91</b>	<b>63</b>	<b>31</b>	<b>16</b>	<b>14</b>

# Fundraising Recommendation

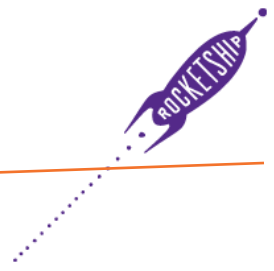


- Approximate minimum cash level of negative \$5.0 M at National Office
- Should have safety net of cash
  - \$30.0M of expenses in 5 years
  - 45 days cash safety would yield additional need of approximate \$5.0M
- Need financial stability to support network and provide financing backstop and loans, when necessary, to startup schools
- **Recommendation: Target minimum \$10.0M fundraising effort**



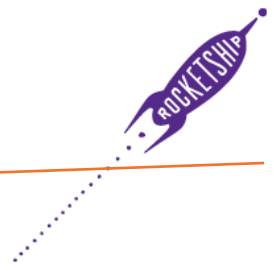
**Facilities**

# Overview



- Facilities has been one of the most significant challenges for Rocketship and Launchpad in California
  - Sourcing available plots / buildings
  - Zoning
  - Initial Capital
  - Long term fundraising
- We have modeled out the financial implications of our growth plans for our facilities needs
  - Tax-Free Muni-Bonds have emerged as replicable, predictable long term financing
    - In the Bay Area, has required 20% Fees
  - Initial Capital remains a financial challenge

# Initial Capital Options



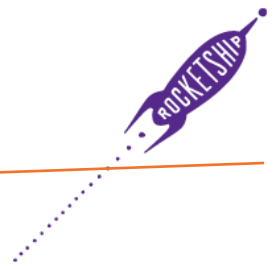
- Bridge to Bond
  - Launchpad finances development and construction period with equity (\$2M) and construction financing from BofA (\$6M)
  - Refinanced in Year 1 with a bond take out

Bay Area - Bridge Financing Year 0				Bay Area - Bond Financing Year 1			
<u>Sources</u>	<u>\$</u>	<u>Uses</u>	<u>\$</u>	<u>Sources</u>	<u>\$</u>	<u>Uses</u>	<u>\$</u>
Construction Loan	\$6,375,000	Project Appraisal	\$8,500,000	Bond	\$9,716,000	Refinance Bridge	\$8,500,000
"Equity" (4% Int Rate)	\$2,125,000	Cost Above Appraised Val	-			Bond Transaction Fees	\$485,800
						Lender Restricted Cash	\$730,042
						Surplus Cash	\$158
<b>Total Sources</b>	<b>\$8,500,000</b>	<b>Total Uses</b>	<b>\$8,500,000</b>	<b>Total</b>	<b>\$9,716,000</b>	<b>Total</b>	<b>\$9,716,000</b>

- 3<sup>rd</sup> Party Real Estate Developer (Canyon-Agassi)
  - 3<sup>rd</sup> party funds all project needs for 3-5 years
  - RSED refinances in Year 3 - 5 with bond take out
    - Required to provide ~10% return on capital for 3<sup>rd</sup> Party

Milwaukee - LP Purchase from Canyon Agassi in Year 4			
<u>Sources</u>	<u>\$</u>	<u>Uses</u>	<u>\$</u>
Bond (6.75% interest)	\$7,785,000	Purchase Price	\$6,500,000
		Additional Cost of Purchase	\$320,158
		Lender Restricted Cash	\$552,792
		Transaction Fees	\$389,250
		Surplus Cash (if any)	\$22,800
<b>Total</b>	<b>\$7,785,000</b>	<b>Total</b>	<b>\$7,785,000</b>

# Regional Financing Comparisons



	Bay Area	MKE	Other
<b>Regional Details</b>			
20% of Revenue	\$941,019	\$1,015,907	\$1,002,451
Project Size	\$8,500,000	\$6,500,000	\$6,000,000

<b>Bridge-to-Bond</b>			
Equity Needed	\$2,125,000	\$1,625,000	\$1,500,000
Total Debt	\$9,716,000	\$7,430,000	\$6,859,000
Annual Expenses	\$895,042	\$573,276	\$530,372
20% Less Expenses	\$45,978	\$442,631	\$472,079

*High equity up front;  
Lower total debt;  
Similar annual expense*

<b>Canvon Agassi</b>			
Equity	-	-	-
Total Debt	\$10,470,000	\$7,785,000	\$7,157,000
Annual Expenses	\$908,446	\$567,792	\$523,199
20% Less Expenses	\$32,573	\$448,115	\$479,252

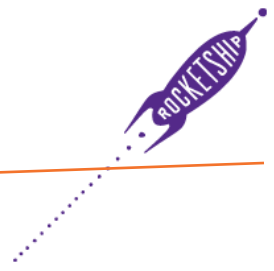
*No equity upfront;  
Higher total debt;  
Lower interest rate*

*Higher project costs;  
  
Lowest per pupil revenue*

*Lower project costs;  
  
Highest per pupil revenue*

*Lower project costs;  
  
Higher per pupil revenue*

# Opportunities and Risks



Bridge-to-Bond	Canyon Agassi
<p>Opportunities:</p> <ul style="list-style-type: none"><li>• Potentially higher cash flow in out years from smaller bond and lower debt service costs</li></ul>	<p>Opportunities:</p> <ul style="list-style-type: none"><li>• Avoid Equity need</li><li>• Potential for lower interest rate, given mature state of school upon bond takeout</li></ul>
<p>Risks:</p> <ul style="list-style-type: none"><li>• Potential gap in true cost vs. appraisal and financing appetite</li><li>• Expensive bond financing (ROMO)</li></ul>	<p>Risks:</p> <ul style="list-style-type: none"><li>• Timing differential in Canyon Agassi participation and Project Costs</li><li>• Expensive bond financing (ROMO)</li></ul>

*Note that the potential for an Obligated Group structure could decrease debt service costs under bonds in both scenarios.*



# Summary of Equity Need



- Given our growth trajectory and assumption on limited availability of third party equity transactions, RSED will need equity capital that can be recycled for new facilities

Summary of Equity Need						
	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
<b>Schools</b>						
Bay Area	8	10	13	16	19	22
MKE	1	1	2	4	7	10
Other	-	1	4	10	21	36
<b>Total</b>	<b>9</b>	<b>12</b>	<b>19</b>	<b>30</b>	<b>47</b>	<b>68</b>
<b>Bay Area</b>						
Equity Needed	\$7,496,648	\$6,375,000	\$6,375,000	\$6,375,000	\$6,375,000	\$6,375,000
Equity Recycled	-	(\$5,996,648)	(\$6,375,000)	(\$6,375,000)	(\$6,375,000)	(\$6,375,000)
<b>Cumulative Equity Need</b>	<b>\$7,496,648</b>	<b>\$7,875,000</b>	<b>\$7,875,000</b>	<b>\$7,875,000</b>	<b>\$7,875,000</b>	<b>\$7,875,000</b>
<b>MKE</b>						
Equity Needed	-	-	-	-	-	-
Equity Recycled	-	-	-	-	-	-
<b>Cumulative Equity Need</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>						
Equity Needed	\$2,000,000	\$3,500,000	\$6,000,000	\$10,000,000	\$13,000,000	\$15,500,000
Equity Recycled	-	(\$1,500,000)	(\$3,000,000)	(\$4,500,000)	(\$9,000,000)	(\$12,000,000)
<b>Cumulative Equity Need</b>	<b>\$2,000,000</b>	<b>\$4,000,000</b>	<b>\$7,000,000</b>	<b>\$12,500,000</b>	<b>\$16,500,000</b>	<b>\$20,000,000</b>
<b>Total Need</b>	<b>\$9,496,648</b>	<b>\$11,875,000</b>	<b>\$14,875,000</b>	<b>\$20,375,000</b>	<b>\$24,375,000</b>	<b>\$27,875,000</b>

At 3 schools per year, no new equity needed after 2014/15

No equity needed b/c assumed 100% Canyon-Agassi financed

50% assumed Canyon-Agassi financed. Equity need continues to grow as number of projects/year grows

# YOY Network Projections



- With a mix of financing alternatives in each region, debt and equity financing is assumed to cover new project development costs
  - Need for “Equity” in bridge financing increases as network growth ramps.
- Given strong annual cash flow, EOP Unrestricted Cash grows YOY.
  - Could either fund equity requirements or lead to lower than 20% fee (or both)

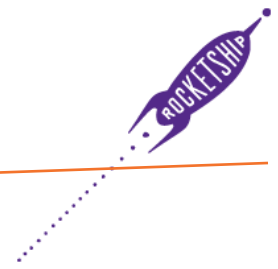
## Consolidated Launchpad Projections (Regions 1 - 9)

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
<b># of Schools</b>							
Bay Area	7	8	10	13	16	19	22
Milwaukee	-	1	1	2	4	7	10
Other Regions	-	-	1	4	10	21	36
<b>Total</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>19</b>	<b>30</b>	<b>47</b>	<b>68</b>
<b>EOP Unrestricted Cash</b>	<b>\$2,960,606</b>	<b>\$6,163,583</b>	<b>\$10,653,640</b>	<b>\$15,575,997</b>	<b>\$23,761,342</b>	<b>\$35,795,621</b>	<b>\$54,374,398</b>
<b>"Equity" Borrowings Outstanding</b>	<b>\$500,000</b>	<b>\$9,996,648</b>	<b>\$12,375,000</b>	<b>\$15,375,000</b>	<b>\$20,875,000</b>	<b>\$24,875,000</b>	<b>\$28,375,000</b>
<b>Total Other Debt</b>	<b>\$6,215,236</b>	<b>\$23,889,998</b>	<b>\$63,355,924</b>	<b>\$110,204,802</b>	<b>\$188,653,496</b>	<b>\$264,745,945</b>	<b>\$368,772,041</b>



# APPENDIX

# National Fundraising Summary



National Fundraising							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Future Total
National - Other	\$1,550,000	-	-	-	-	-	\$1,550,000
1. Bay Area - RSO	-	-	-	-	-	-	-
2. Milwaukee - RSO	-	-	-	-	-	-	-
3. Nashville - RSO	\$650,000	\$75,000	\$75,000	\$200,000	-	-	\$1,000,000
4. Memphis - RSO	\$1,500,000	\$1,000,000	\$375,000	\$125,000	-	-	\$3,000,000
5. DC - RSO	\$1,500,000	\$1,000,000	\$375,000	\$125,000	-	-	\$3,000,000
6. Indy - RSO	-	\$1,500,000	\$1,000,000	\$375,000	\$125,000	-	\$3,000,000
7. San Antonio - RSO	-	\$1,500,000	\$750,000	\$750,000	-	-	\$3,000,000
8. Dallas - RSO	-	-	\$1,500,000	\$750,000	\$750,000	-	\$3,000,000
9. Houston - RSO	-	-	\$1,500,000	\$750,000	\$750,000	-	\$3,000,000
<b>Total</b>	<b>\$5,200,000</b>	<b>\$5,075,000</b>	<b>\$5,575,000</b>	<b>\$3,075,000</b>	<b>\$1,625,000</b>	-	<b>\$20,550,000</b>

# Year 6 Comparison



Year 6						
	New Year 6		RS Gen Walton Year 6		Variance	
Enrollment	653		500		153	
ADA	627		480		147	
	\$	Per Student	\$	Per Student	\$	Per Student
State	\$4,683,976	\$7,177	\$3,059,167	\$6,118	\$1,624,809	\$1,059
ISD	-	-	-	-	-	-
Federal	\$238,749	\$366	\$155,232	\$310	\$83,518	\$55
Meals	\$287,160	\$440	\$206,200	\$412	\$80,960	\$28
Other	-	-	\$35,000	\$70	(\$35,000)	(\$70)
Grants	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$5,209,886</b>	<b>\$7,983</b>	<b>\$3,455,599</b>	<b>\$6,911</b>	<b>\$1,754,287</b>	<b>\$1,072</b>

	Salary	#	Per Staff	Salary	#	Per Staff	Salary	Per Staff
Teachers	\$992,000	16.00	\$62,000	\$935,000	16.00	\$58,438	\$57,000	\$3,562
ILSs	\$311,393	9.00	\$34,599	\$89,600	4.75	\$18,863	\$221,793	\$15,736
Admin	\$412,500	5.00	\$82,500	\$272,800	3.00	\$90,933	\$139,700	(\$8,433)
Other	\$59,975			\$21,600			\$38,375	

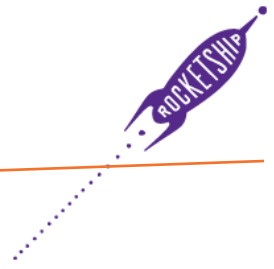
	\$	Per Student	Margin	\$	Per Student	% Margin	\$	Per Student
Salary	\$1,775,869	\$2,721	34.1%	\$1,319,000	\$2,638	38.2%	\$456,869	\$83
Benefits	\$469,863	\$720	9.0%	\$309,322	\$619	9.0%	\$160,541	\$101
Fees	\$1,722,954	\$2,640	33.1%	\$1,125,040	\$2,250	32.6%	\$597,914	\$390
Other	\$1,003,211	\$1,537	19.3%	\$689,662	\$1,379	20.0%	\$313,549	\$158

<b>Total Expenses</b>	<b>\$4,971,897</b>	<b>\$7,618</b>	<b>95.4%</b>	<b>\$3,443,024</b>	<b>\$6,886</b>	<b>99.6%</b>	<b>\$1,528,873</b>	<b>\$732</b>
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<b>Net Income</b>	<b>\$237,989</b>	<b>\$365</b>	<b>4.6%</b>	<b>\$12,575</b>	<b>\$25</b>	<b>0.4%</b>	<b>\$225,414</b>	<b>\$340</b>
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<b>Cumulative</b>								
<b>Net Income</b>	<b>\$922,907</b>			<b>\$115,382</b>			<b>\$807,525</b>	
<b>Grants</b>	<b>\$671,273</b>			<b>\$850,000</b>			<b>(\$178,727)</b>	
<b>Cash</b>	<b>\$500,000</b>			<b>\$31,114</b>			<b>\$468,886</b>	

# Original Business Plan School Model vs. Current



## Revenue

- \$760 higher in per student revenue sources
  - \$330 GPBG (rates have stabilized / improved)
  - \$120 CBG (supplemental not included)
  - \$120 EIA (10/20 % higher # of FRL / ELL )
  - \$150 SB740 (had been conservative at \$600 / student)
  - \$40 Title III (higher actual rates realized)
- Assumed \$600K of Title V grants (\$250K in Year 1)

## Expenses

- \$617 higher in School Level
  - \$83 Salary (more ILS's / Admin)
  - \$101 Benefits (higher salaries & more healthcare eligible employees)
  - \$283 Fees (in proportion with revenue)
  - \$152 Other (various items)
- Note: Without Walton, the old model reduced management fee to have positive net income

# LCFF Initial Estimates



- Expected \$1.6M more across 8 schools next year with new formula (\$200K / school)
- Long term could be as great as \$14M more (~\$2.0M more)
- District concentration cap would limit 5 schools not in Alum Rock district
  - Franklin-McKinley better (82%) than SJUSD (49%)

Comparison									
	RMS	RSSP	RLS	ROMO	RDP	RBM	RSA	RSS	Total
Current Model	\$3,793,511	\$3,801,473	\$3,746,850	\$3,718,177	\$3,910,126	\$2,413,366	\$3,441,265	\$3,441,265	\$28,266,034
<b>New Model</b>									
FY 2013-14	\$3,931,693	\$4,019,182	\$3,991,138	\$3,889,593	\$4,018,890	\$2,788,772	\$3,689,471	\$3,588,739	\$29,917,478
Long Term	\$5,204,240	\$6,207,833	\$6,088,705	\$5,910,975	\$5,593,873	\$4,397,205	\$5,116,220	\$5,455,578	\$43,974,629
<b>F/(U) to Current</b>									
FY 2013-14	\$138,181	\$217,708	\$244,288	\$171,416	\$108,764	\$375,407	\$248,205	\$147,474	\$1,651,444
LCFF	\$1,272,547	\$2,188,652	\$2,097,566	\$2,021,382	\$1,574,983	\$1,608,433	\$1,426,749	\$1,866,839	\$14,057,151
<b>F/(U) per student</b>									
FY 2013-14	\$227	\$344	\$391	\$277	\$166	\$846	\$424	\$256	\$348
LCFF	\$2,086	\$3,463	\$3,356	\$3,266	\$2,408	\$3,623	\$2,439	\$3,247	\$2,963
<b>F/(U) to no Cap</b>									
FY 2013-14	(\$85,019)	-	-	(\$28,834)	(\$100,324)	-	(\$99,441)	(\$30,015)	(\$343,633)
LCFF	(\$636,704)	-	-	(\$215,939)	(\$751,325)	-	(\$744,711)	(\$224,779)	(\$2,573,458)

# LCFF Sensitivity



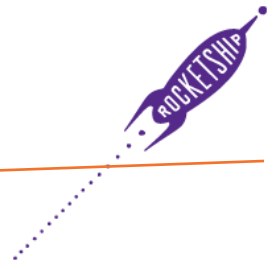
- District Cap could impact a school by as much as \$900K per year long term, \$120K next year (at 100% Unduplicated)
- RSED Schools at ~90% unduplicated, could be impacted as much as \$700K per year long term, \$90K next year

RSSP Sensitivity Analysis								
2013-14 Revenue (\$K)								
		Unduplicated Count						
		40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
District Cap %	40.0%	\$66	\$77	\$88	\$100	\$111	\$122	\$133
	50.0%	\$66	\$77	\$88	\$100	\$111	\$122	\$133
	60.0%	\$66	\$77	\$102	\$113	\$124	\$135	\$146
	70.0%	\$66	\$77	\$102	\$140	\$151	\$162	\$173
	80.0%	\$66	\$77	\$102	\$140	\$178	\$189	\$200
	90.0%	\$66	\$77	\$102	\$140	\$178	\$216	\$227
	100.0%	\$66	\$77	\$102	\$140	\$178	\$216	\$254

Long Term Revenue (\$K)								
		Unduplicated Count						
		40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
District Cap %	40.0%	\$1,054	\$1,138	\$1,221	\$1,304	\$1,388	\$1,471	\$1,555
	50.0%	\$1,054	\$1,138	\$1,221	\$1,304	\$1,388	\$1,471	\$1,555
	60.0%	\$1,054	\$1,138	\$1,321	\$1,405	\$1,488	\$1,572	\$1,655
	70.0%	\$1,054	\$1,138	\$1,321	\$1,605	\$1,689	\$1,772	\$1,856
	80.0%	\$1,054	\$1,138	\$1,321	\$1,605	\$1,889	\$1,972	\$2,056
	90.0%	\$1,054	\$1,138	\$1,321	\$1,605	\$1,889	\$2,173	\$2,256
	100.0%	\$1,054	\$1,138	\$1,321	\$1,605	\$1,889	\$2,173	\$2,457



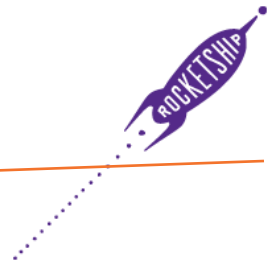
# LCFF Risks



- While the LCFF can significantly improve funding for our schools, there are still unknowns and risks
  - Financially
    - Will tax revenue increase sufficiently to fund the program?
    - How will the district cap be implemented?
  - Operationally
    - Surplus funding might be heavily restricted in use to new expenses
    - Requires an annual plan created each year with parent involvement that maps goals against a long list of state priorities
    - Harsh penalties if a school fails to improve performance in three or more pupil subgroups, three out of four consecutive years

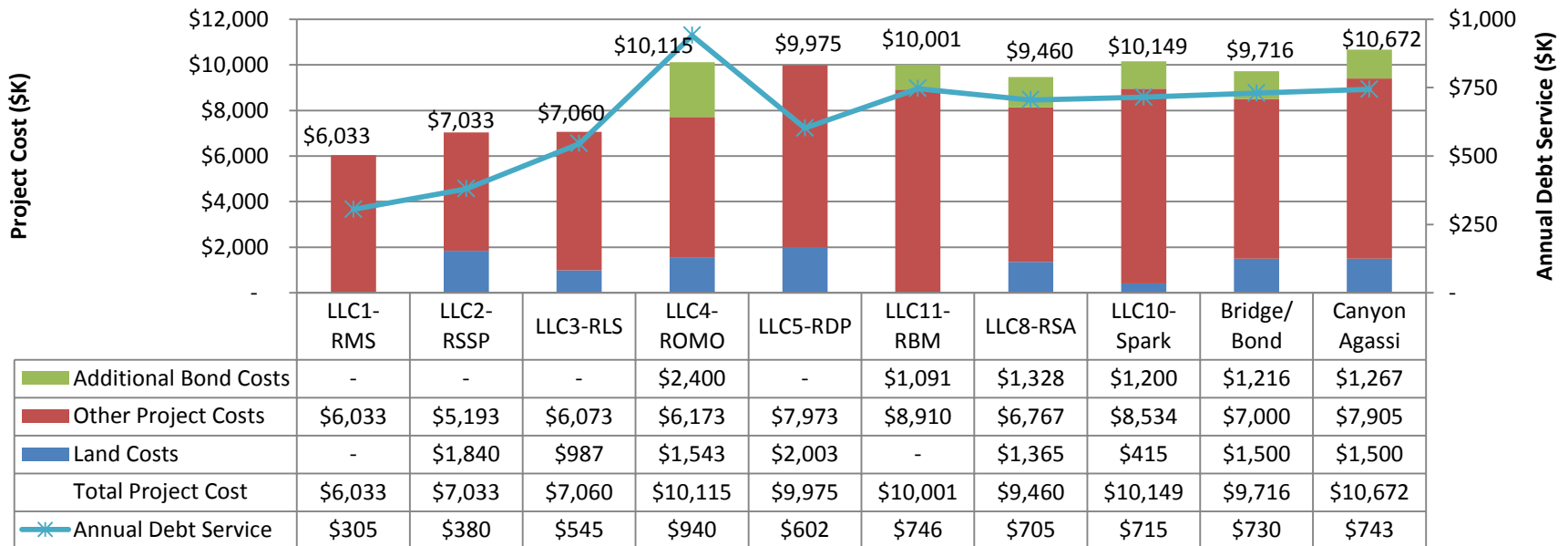
Still a lot to be revealed about how new formula will work

# Capitalization Trends

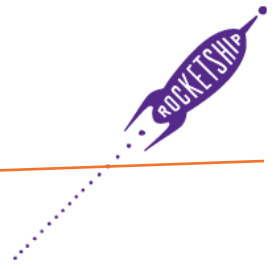


- Project costs have increased over time
- Interest rates have increased with move to more sustainable financing

### Bay Area Project and Debt Costs



# Historical Transactions - Detail



## Bay Area Project Comparisons

	<u>LLC1-RMS</u>	<u>LLC2-RSSP</u>	<u>LLC3-RLS</u>	<u>LLC4-ROMO</u>	<u>LLC5-RDP</u>	<u>LLC11-RBM</u>	<u>LLC8-RSA</u>	<u>LLC10-Spark</u>
<b>Project Size</b>								
Land	-	\$1,840,000	\$987,269	\$1,542,550	\$2,002,500	-	\$1,365,000	\$415,208
Hard Costs	\$5,950,659	\$4,083,000	\$4,829,865	\$4,764,050	\$5,163,251	\$6,768,773	\$4,993,333	\$6,873,995
Soft Costs	\$82,094	\$1,109,529	\$1,242,716	\$1,408,628	\$2,809,249	\$2,141,587	\$1,773,221	\$1,659,846
Bond Fees	-	-	-	\$613,677	-	\$356,414	\$508,698	\$483,274
Restricted Cash	-	-	-	\$1,786,095	-	\$734,536	\$819,748	\$716,437
<b>Total</b>	<b>\$6,032,753</b>	<b>\$7,032,529</b>	<b>\$7,059,850</b>	<b>\$10,115,000</b>	<b>\$9,975,000</b>	<b>\$10,001,310</b>	<b>\$9,460,000</b>	<b>\$10,148,760</b>
<b>Sources</b>								
Equity	\$332,753	\$232,529	\$579,850	(\$0)	\$560,000	-	(\$0)	\$760
Senior Loan	\$5,000,000	\$6,800,000	\$6,480,000	-	\$9,415,000	-	-	-
Sub Loan	\$700,000	-	-	-	-	-	-	-
Bond	-	-	-	\$10,115,000	-	\$10,001,310	\$9,460,000	\$10,148,000
<b>Total</b>	<b>\$6,032,753</b>	<b>\$7,032,529</b>	<b>\$7,059,850</b>	<b>\$10,115,000</b>	<b>\$9,975,000</b>	<b>\$10,001,310</b>	<b>\$9,460,000</b>	<b>\$10,148,760</b>
<b>Annual Expenses</b>								
Interest on Debt/Equity	5.00% - 5.25%	5.5% / 4%	6.41% / 4%	8.5%, 8.75%	6.03%	6.25%	6.25%, 8.5%	6.20%
Interest	\$280,000	\$380,000	\$420,000	\$850,000	\$602,091	\$620,000	\$585,000	\$620,000
Amortization	\$25,000	-	\$125,000	\$90,000	-	\$126,126	\$120,000	\$95,000
<b>Total Annual Payment</b>	<b>\$305,000</b>	<b>\$380,000</b>	<b>\$545,000</b>	<b>\$940,000</b>	<b>\$602,091</b>	<b>\$746,126</b>	<b>\$705,000</b>	<b>\$715,000</b>

# Rethinking elementary school from the ground up.

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