



Thursday, August 15, 2019
Rocketship Public Schools Business Committee Meeting (2019-20 Q1)

Meeting Time: 10:30am to 12:30pm

Meeting Location: 20 El Camino Real, Redwood City, CA 94062

3173 Senter Rd, San Jose, CA 95111

1700 Cavallo Rd, Antioch, CA 94509

2351 Olivera Rd, Concord, CA 94520

320 Plus Park Blvd, Nashville, TN 37317

100 International Drive, 23rd Floor, Baltimore, MD 21202

2625 West Alameda Ave. Suite 116, Burbank, CA 91505

12 Cadillac Drive, Suite 440, Brentwood, TN 37027

1. Opening Items (10:30am-10:40am)

A. Call to order

B. Public comment on off-agenda items

2. Information Items (10:40am-10:45am)

A. Listing of checks in excess of \$100,000

3. Consent Items (10:45am-10:50am)

A. Approval of minutes from May 2019 Business Committee Meeting

B. Approval of minutes from June 2019 Business Committee Meeting

4. Agenda Items (10:50am-12:30pm)

A. Financial update and forecast

B. Make recommendation to Board of Directors regarding FY 2019-20 budget

C. Audit update

5. Adjourn (12:30pm)

THE ORDER OF BUSINESS AND TIMINGS 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, provided that the Board takes action to effectuate such change. Timings listed on the agenda are estimates only and may change depending on the duration of public comment and discussion around prior items.

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 may request assistance by contacting Carolyn Lynch at clynch@rsed.org.

RPS Business Committee Update August 2019

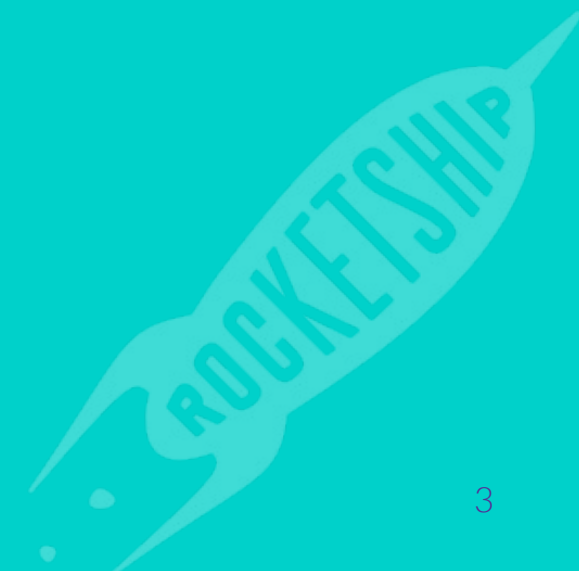
August 15, 2019



Agenda

- 2018-19 EOY Financial Review
- 2019-20 Budget Update
- Additional Business Items
 - Audit and Process Update
 - Facilities Update

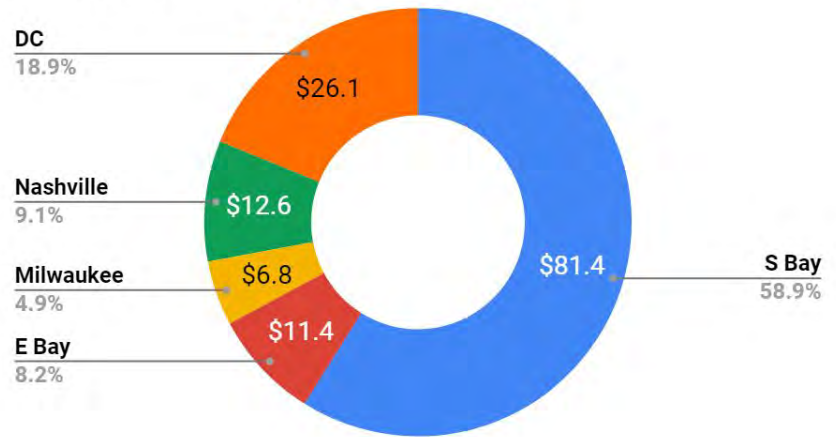
2018-19 YE Financial Review



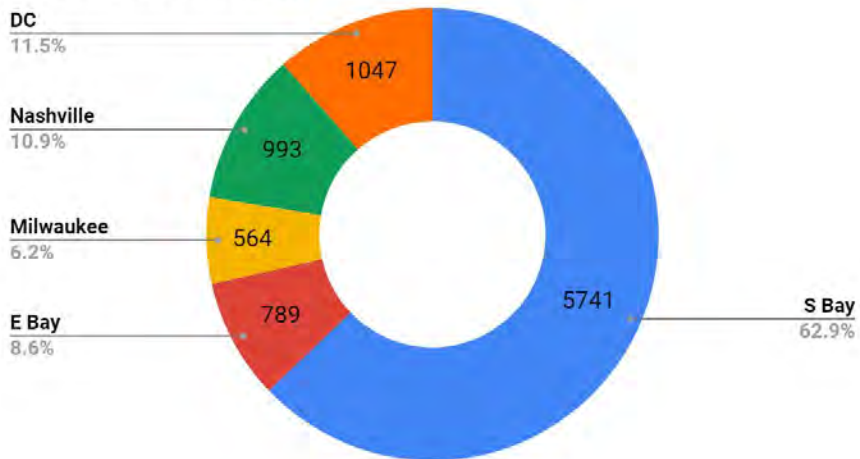
FY19 Year End Financial Snapshot

Consolidated (\$M)		Q4 YTD	Annual Budget	Variance
Revenue		153.7	138.5	15.1
Expense		145.8	138.7	-7.1
CINA		7.9	-0.2	8.1
Cash		29.6	22.3	7.3

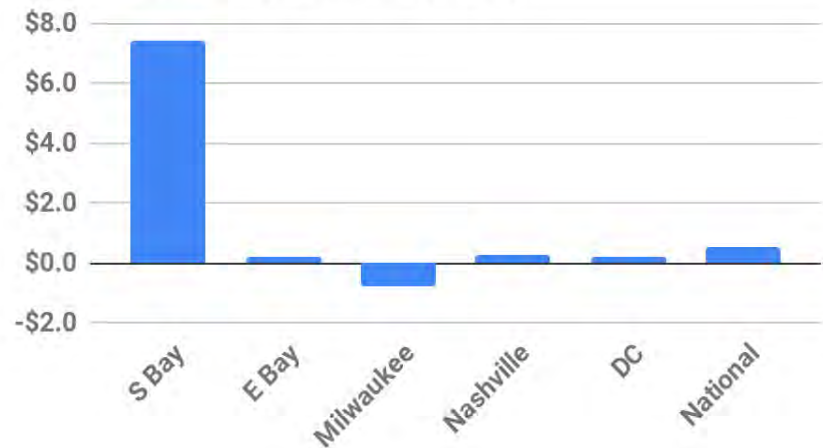
Q4 YTD Revenue by Region ('000s)



Enrollment by Region

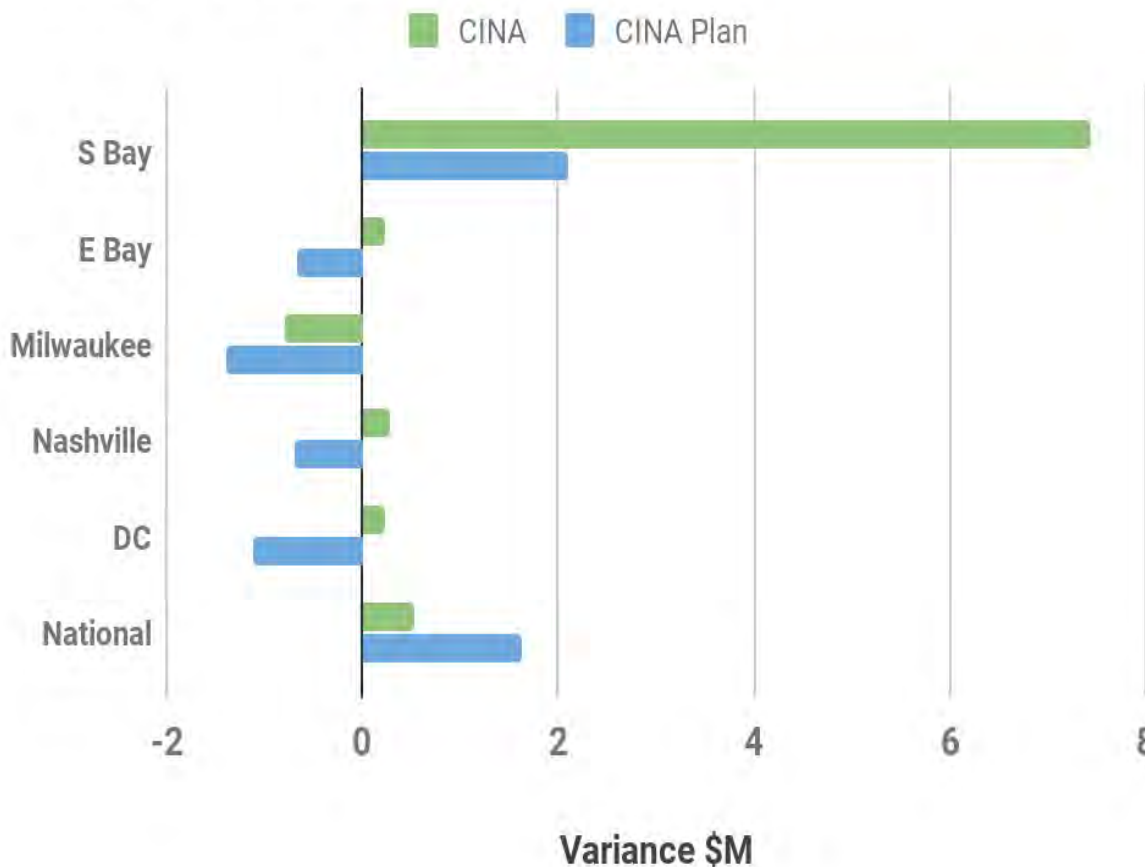


Q4 YTD CINA by Region (\$000)



FY19 Year End CINA: Drivers by Region

CINA YTD vs Plan, By Region \$M



Key Drivers of Variance:

Bay Area:

- SB740 Facility funding, State able to fully fund in both FY18 and FY19, raising funding ~\$850 to \$1100 per ADA (\$1.6M /yr; \$3.2M positive revenue
- Grant funding from National to RRWC \$0.6M, RDL \$0.9M revenue increases

NSH

- Late increase of per pupil funding from MNPS ~ \$570/student to \$10,730

DC

- Non cash lease liability reduction of \$1.8M following RISE bldg acquisition by Launchpad

National

- Grants to schools lowered CINA

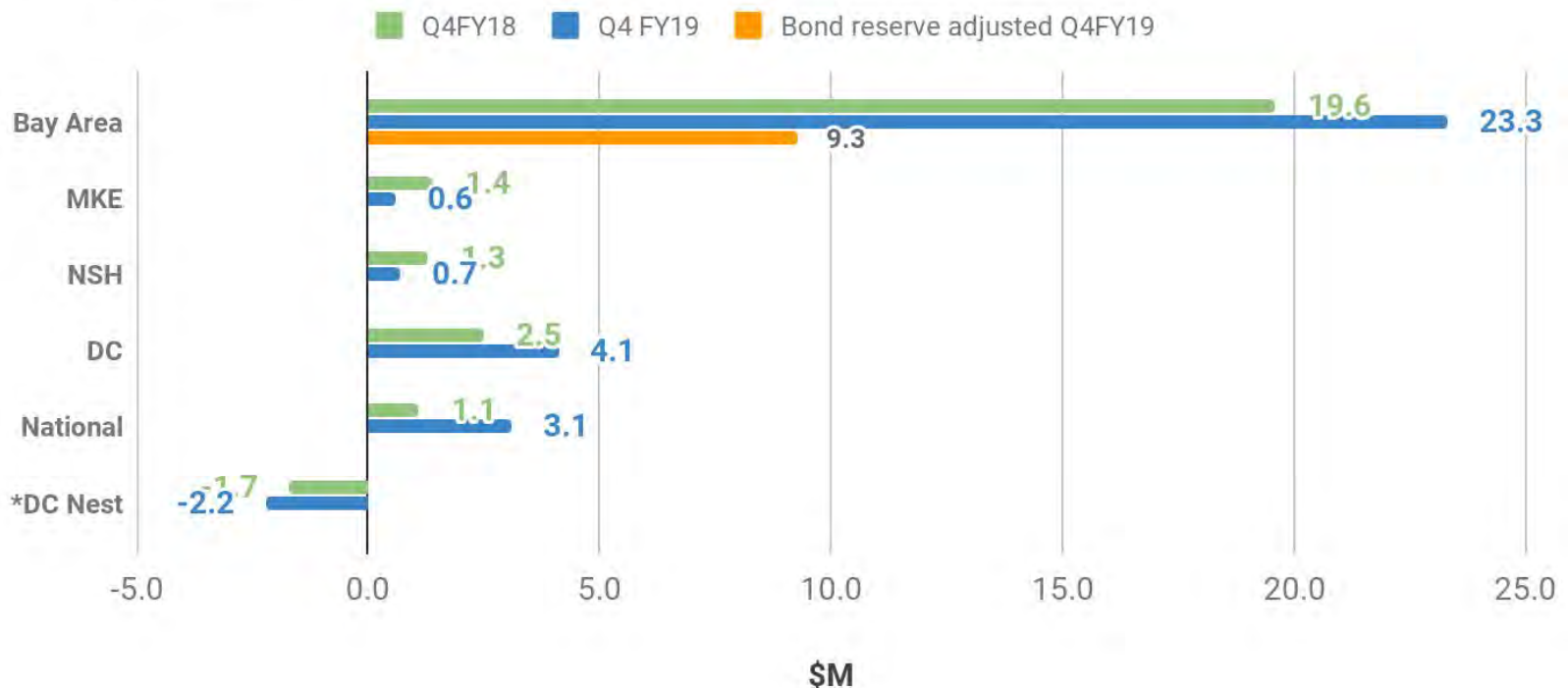
Q4 YE 2019 RPS Budget to Actuals

	<u>FY 2019</u>							<u>Budget</u>
	<u>South Bay</u>	<u>East Bay</u>	<u>NSH</u>	<u>MKE</u>	<u>DC</u>	<u>National</u>	<u>Total</u>	<u>RSED</u>
								<u>FY2019</u>
Revenues								
Public Revenues	77,133	9,596	11,668	6,285	22,926	125	127,733	116,474
Network Service Fees and Grants	3,971	1,391	870	258	2,742	11,490	20,723	15,152
Philanthropy	190	409	33	228	562	3,857	5,279	6,900
Total Revenues	81,295	11,395	12,571	6,771	26,231	15,473	153,735	138,526
Expense								
Compensation	34,600	5,270	5,793	3,923	7,893	8,225	65,704	67,220
Other	19,822	3,266	4,076	2,295	10,031	6,564	46,054	37,013
Lease Expense	9,776	1,259	703	580	5,333	164	17,815	19,082
Network Service Fee	9,905	1,322	1,710	775	2,586	0	16,298	15,387
Total Expense	74,103	11,117	12,282	7,573	25,843	14,953	145,871	138,702
Net Income	7,342	218	288	-802	388	520	7,864	-176

Regional cash update - cash management

- Q4 cash balance at \$29.6M up from FY18 of \$24.2M; 20.3% of expense in total, but ranges from 6% to 27% depending on region
- However: Bond reserve liquidity needs represent ~14M of Bay area cash; Plan for future loan balances with maturity FY21, FY22 \$1.7M
- Short term investment sweep initiated with Heritage; Short term money market pending in DC with approval

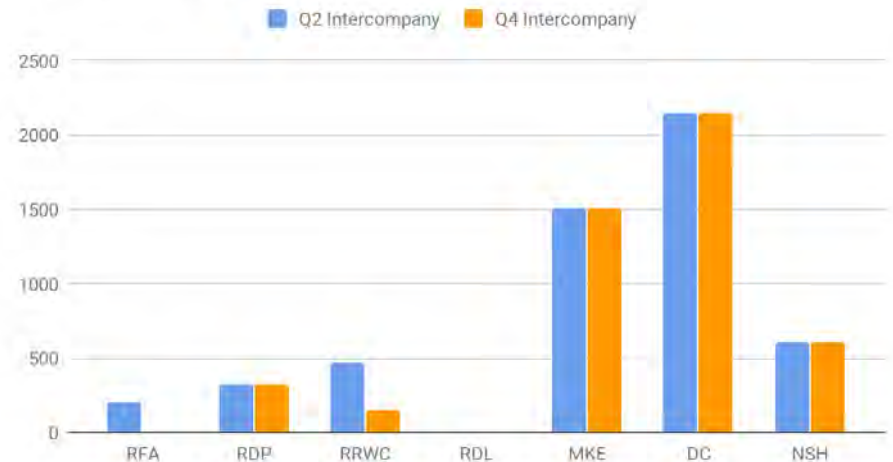
Cash by Region, \$M



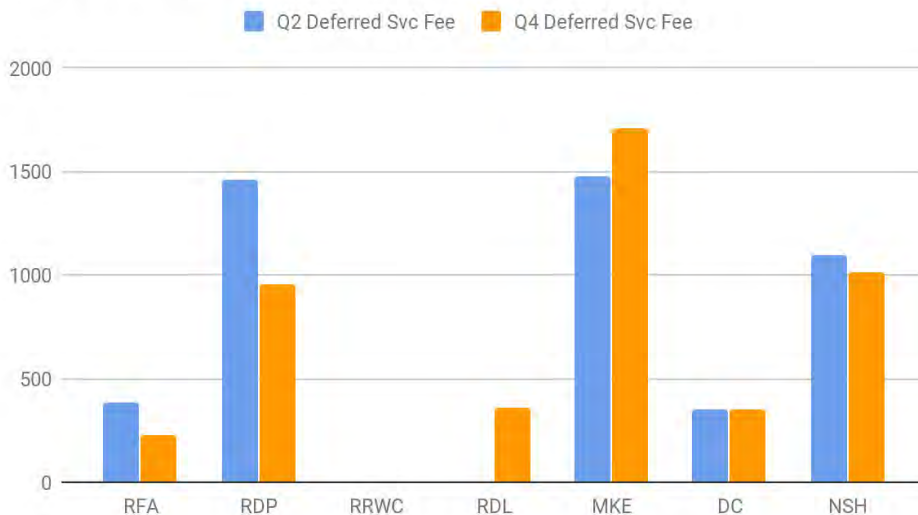
Q4 Update: monitoring of loan balances and deferrals

- CSGF restructured loan maturities during FY19, moving most repayments out by ~ 2 years to FY21, FY22
- RDP and RFA reduced liabilities; while grants and supports continue in MKE, RRWC, RDL, NSH

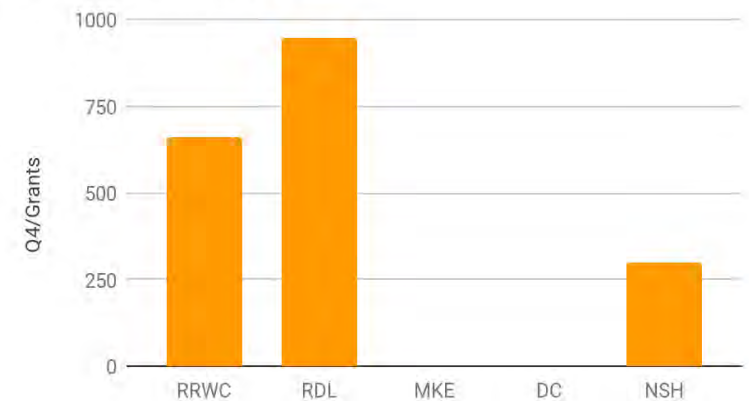
FY19 Intercompany Loans, \$000s



FY19 Deferred Network Service Fee, \$000s



FY19 Grants, \$000's

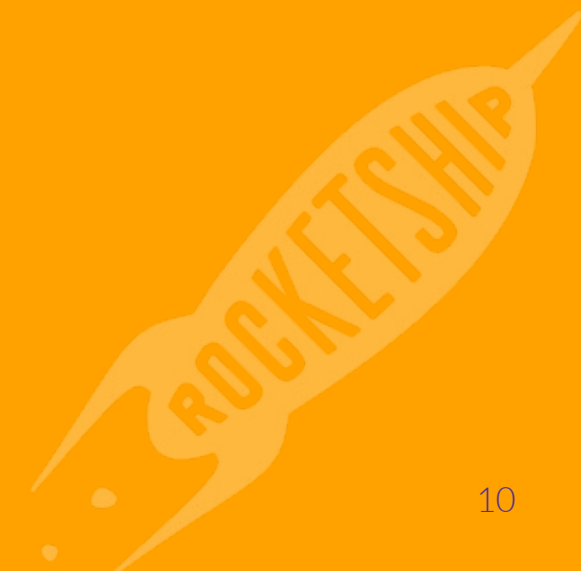


Q4 FY19 Balance sheet update

Balance Sheet 06/30/19							6/30/19	12/31/18	6/30/18
\$ Millions	Bay Area	MKE	NSH	DC	National	Adjs/ Elim	RSED	RSED	RSED
Assets									
Cash and cash equivalents	23.3	0.6	0.7	4.1	3.1	-2.2	29.6	21.9	24.2
Accounts Receivable	11.2	2.9	1.0	0.4	1.8	0.4	17.6	20.6	16.3
Prepaid	0.5	0.1	0.1	0.2	0.3		1.1	2.0	
Security Deposits	0.4	0.0	0.0	0.0	0.0		0.4	0.4	
Property, plant & equipment	4.8	0.0	0.1	0.0	0.1		5.0	6.5	6.2
Note receivable	0.7	0.2	0.6	0.0	4.7	0.9	7.1	7.1	7.3
Total Assets	40.8	3.8	2.4	4.7	10.0	-1.0	60.8	58.5	54
Accounts Payable	3.7	0.4	0.4	1.1	2.2	-0.2	7.5	2.6	6.3
Accrued Liabilities	-0.2	0.1	0.2	0.0	0.2		0.3	1.6	2.4
Deferred Revenue	1.2	1.7	0.0	0.0	0.0	-0.2	2.7	8.5	0.6
Deferred Lease Liability	2.0	0.1	0.0	3.4	0.0	0.0	5.4	7.3	
Deferred management fee	1.5	1.7	1.1		0.0	0.0	4.3	6.8	5.2
Intercompany Loan	0.8	1.5	0.6	1.9	0.0		4.8	5.5	5.2
Long-Term Loans	1.0	0.3	0.9		0.2	0.0	2.4	1.9	5.9
Total Liabilities	10.0	5.7	3.1	6.4	2.6	-0.4	27.3	34.2	25.6
Net Assets	30.8	-1.9	-0.7	-1.7	7.4	-0.6	33.5	24.3	28.4
Total Liabilities and Net Assets	40.8	3.8	2.4	4.7	10.0	-1.0	60.8	58.5	54

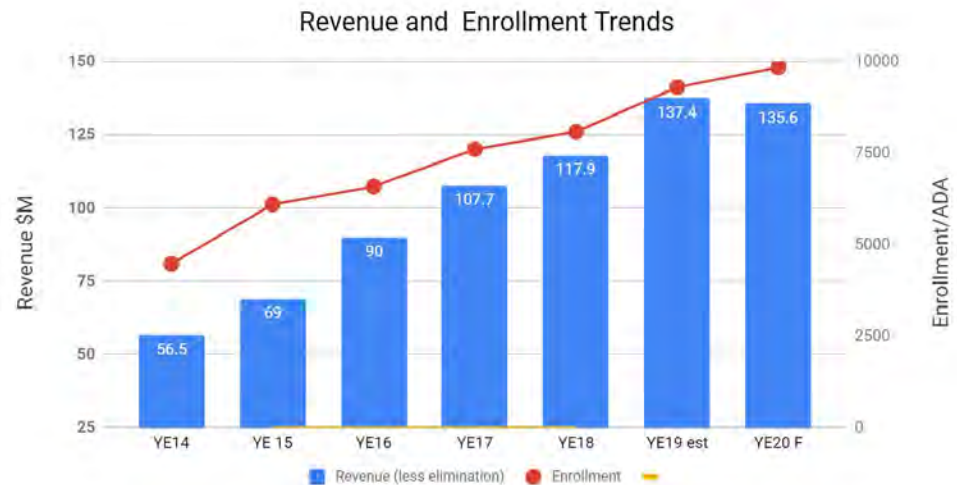


August Presentation: 2019-20 Budget

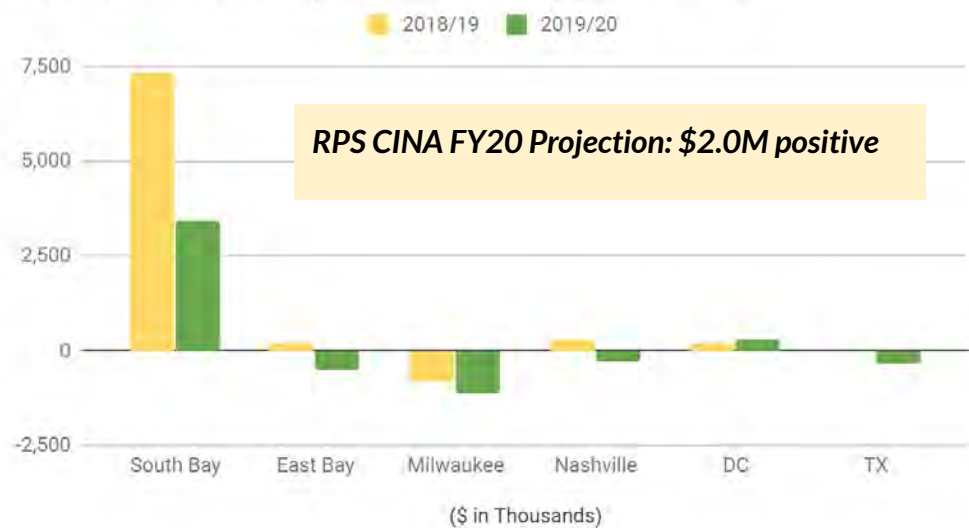


2019-20 Budget Snapshot: August update

- BET target enrollment at 9844 in 19/20 up 6% YoY
- Organizational revenue modest growth at \$135M (less inter co eliminations); Note FY19 includes several one time revenue increases
- South Bay remains solid and DC projected to reach positive CINA
- Nashville narrowing deficits
- Investments in MKE with campus expansion
- Initial investments planned in TX



CINA contribution by Region - Projected FY 19-20



Enrollment expected to increase across all regions

- Strong start in Nashville with BET on track with enrollment potential to exceed Finance targets
- Excellent community response in East Bay at Futuro and Delta Prep
- DC: RLP growth projected to lead increase in DC

	Aug FY19 Enrollment	Current Finance BET FY20	Enrollment Change YoY
South Bay	5790	5,843	53
East Bay	864	985	121
MKE	573	652	79
NSH	980	1066	86
DC	1091	1298	207
Total	9298	9,844	546



Detail: Enrollment expected to increase across regions

		Aug FY19 Enrollment	Proj ADA/ADM FY19	May BET FY20 Enrollment	Current Finance BET FY20	Enrollment Change YoY Aug to Aug
RMS	Mateo Sheedy	542	523	550	539	(3)
RSSP	Si Se Puede	431	393	425	416	(15)
RLS	Los Suenos	455	428	463	463	8
ROMO	Mosaic	581	560	604	604	23
RDP	Discovery Prep	528	494	529	518	(10)
RBM	Brilliant Minds	587	563	615	620	33
RSA	Alma	519	482	537	527	8
RSK	Spark	609	568	606	606	(3)
RFZ	Fuerza	634	600	651	638	4
RRWC	Redwood City	273	255	303	297	24
RRS	Rising Stars	631	587	628	615	(16)
RFA	Futuro	424	400	559	534	110
RDL	Delta Prep	440	363	456	451	11
RSCP	Southside Comm Prep	491		500	500	9
RTP	Transformation Prep	82		152	152	70
RNNE	Nashville Northeast	419	411	510	510	91
RUA	United Academy	561	547	556	556	(5)
RISE	RISE	629		712	712	83
RLP	Legacy Prep	462		586	586	124



2019-20 budgets: RSED Summary by Region

	2019-20 Budget							
	East Bay	South Bay	Milwaukee	DC	Nashville	Texas	National	Total
Revenue								
Public Revenues	11,735	74,465	6,427	26,037	11,865	-	-	130,529
Philanthropy & In Kind Grants	200	520	200	350	-	-	3,788	5,058
Network Service Allocation	554	3,458	291	1,005	557	-	11,733	17,600
Total Revenue	12,489	78,444	6,918	27,392	12,422	-	15,521	153,187
Expenses								
Compensation	7,228	38,699	4,789	10,468	6,187	308	11,335	79,014
Other	2,954	16,496	1,891	9,187	3,612	-	3,683	37,822
Network Service Allocation	1,662	10,375	873	3,016	1,672	-	-	17,600
Facilities	1,143	9,427	513	4,407	1,220	-	-	16,710
Total Expenses	12,987	74,998	8,067	27,077	12,691	308	15,018	151,146
Change in Net Assets (CINA)	(498)	3,446	(1,150)	315	(268)	(308)	503	2,040

- Recommendation for August 2019 Board Approval - Final Budget
- CINA \$2.0M reflects growing regions and solid South Bay
- Philanthropy of ~\$5.0M philanthropy includes in kind service grants; Net National raise of \$3.8M targeted

2019-20 budgets: RSED consolidated comparison

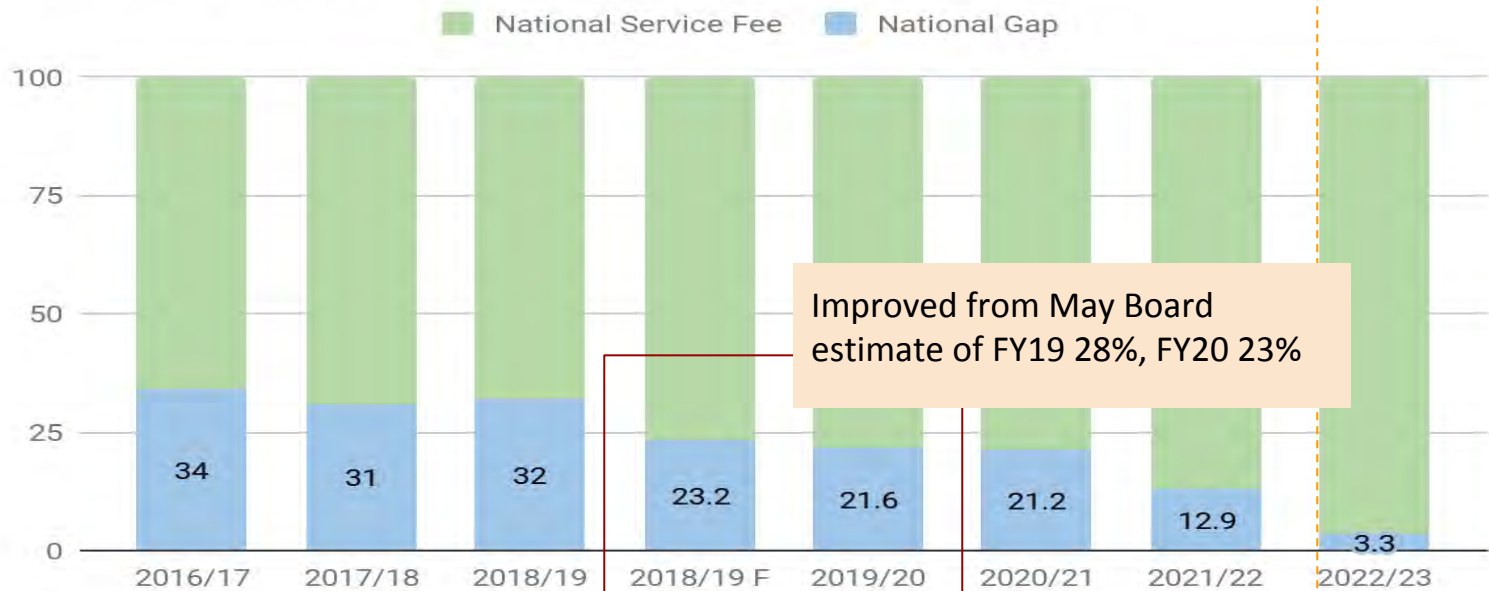
	2018-19		May 19-20	2019-20
	Budget	Q4YE19	Budget	Budget
Revenue				
Public Revenues	116,474	132,157	129,661	130,529
Philanthropy & In Kind Grants	6,900	5,280	4,600	5,058
Network Service Allocation	15,152	16,297	17,503	17,600
Total Revenue	138,526	153,734	151,764	153,187
Expenses				
Compensation	67,220	65,693	75,615	79,014
Other	37,014	45,446	38,238	37,822
Network Service Allocation	15,387	16,297	17,501	17,600
Facilities	19,081	18,334	16,832	16,710
Total Expenses	138,702	145,770	148,186	151,146
Change in Net Assets (CINA)	(176)	7,964	3,578	2,040

- **Recommendation for August 2019 Board Approval - Final Budget**
- CINA \$2.0M reflects growing regions and solid South Bay
- Update from May reflects more recent enrollment assessments as well as increased staffing at certain schools

Sustainability impact

NeST sustainability has been defined by our ability to match National NeST costs to network service fee revenue

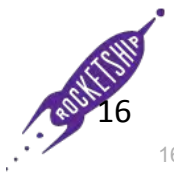
% National Gap and Service Fee (Billed)



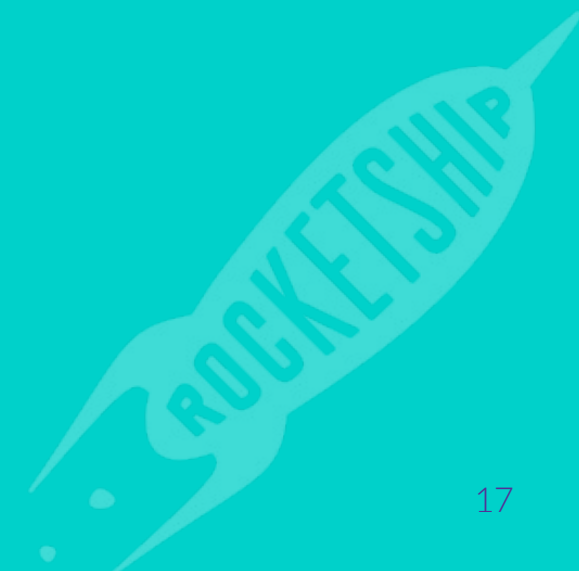
Improved from May Board estimate of FY19 28%, FY20 23%

National Sustainability; 26 schools, 13K enrollment

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
National Service Fee	9,169	11,490	11,733	12,466	14,125	15,991
National Op Expense	13,311	14,953	15,018	15,817	16,212	16,536
Mgmt Fee Gap	4,142	3,463	3,285	3,350	2,087	545
% gap	31%	23.2%	21.9%	21%	13%	3%



Strategic review



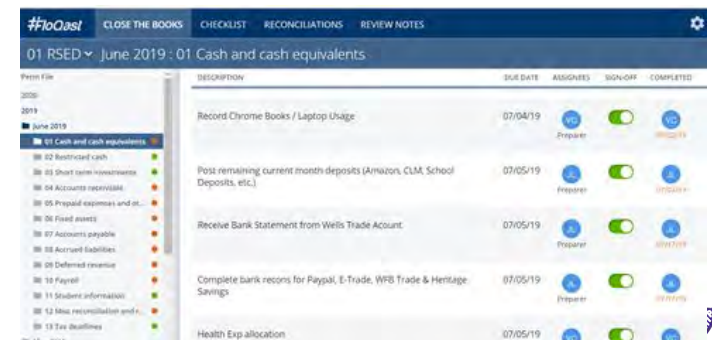
Audit Update

Key timelines and activities:

- Year end detailed financial close continues in preparation for unaudited financial submissions
- CA CDE unaudited financials due 9/15
- Auditor onsite/or detail remote reviews commence September:
 - MKE: Sept 3
 - CA, TN, LDC, Consolidations : CLA Sept 9
 - DC: Sept 16
- Drafts to RPS ~ 11/4
- Completion targeted 11/15

Process Impacts:

- Adoption of Lease standard delayed by FASB; However, we have proceeded to codify our lease accounting processes and reconciliations
 - **LeaseQuery** software vendor selected
 - Implementation in process; with completion October
- **FloQast**
 - Acctg team furthering implementation to fulfill reporting needs for close and audit
 - Evolution from single source of info=> excel worksheet tracker=> Floqast daily team monitoring of deliverable and cataloging of data



Facility financing and new developments progress

Financings completed by year end, with new leases for RPS schools

- RISE DC - first successful DC bond offering and lease
- RUA NSH - Charter impact fund, new relationship
- MKE2/RTP short term land financing



DC3 Lease and Project commencement approved by DC Board



MKE: RTP school move into Phase 1 in August; long term financing of full project (with contingency to limit phasing) to proceed in Fall

