



Tuesday, February 16, 2021
Rocketship Public Schools Business Committee (2020-21 Q3)

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

Webinar link: <https://rocketshipschools.zoom.us/j/81920135142>

Public Comment: Members of the public can make comment on off-agenda items at the start of the meeting, and on agenda items immediately preceding the board's discussion of each item. Please use the webinar's "raise hand" feature to indicate you would like to make a comment. You will be recognized once the public comment time begins, and will be unmuted by the host and permitted to make comment for a duration of up to 3 minutes.

1. Opening Items

- A. Call to order
- B. Public comment on off-agenda items

2. Information Item

- A. List of checks in excess of \$100,000

3. Consent Items

- A. Approve minutes from November 17, 2020 Business Committee meeting

4. Agenda Items

- A. Q2 Finance Update
- B. Recommend to the Rocketship Public Schools Board of Directors approval of the proposed Network service fee deferrals and intercompany short term loan support schedules to CA schools associated with CA CDE cash deferrals in Feb-June 2021
- C. Recommend to the Rocketship Public Schools Board of Directors approval of Rocketship Futuro Academy receivables financing proposal, associated with CA CDE cash deferrals
- D. Business Updates
- E. Approve the NSH3 long term lease and Rocketship Public Schools guarantee

5. Adjourn

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.

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 us at compliance@rsed.org.

SPANISH TRANSLATION: If you need Spanish audio translation in order to access the Rocketship Board meeting, please send a request to compliance@rsed.org at least 24 hours before the start of the meeting.
If you would like to make a public comment in Spanish and would like us to translate to English for the Board, please send a request to compliance@rsed.org at least 24 hours before the start of the meeting.

Si necesita traducción de audio al español para acceder a la reunión de la Mesa Directiva de Rocketship, envíe una solicitud a compliance@rsed.org por lo menos 24 horas antes del inicio de la reunión.

Si desea hacer un comentario público en español y desea que lo traduzcamos al inglés para la Mesa Directiva, envíe una solicitud a compliance@rsed.org por lo menos 24 horas antes del inicio de la reunión.

RPS Business Committee Update February 2021

February 16, 2021

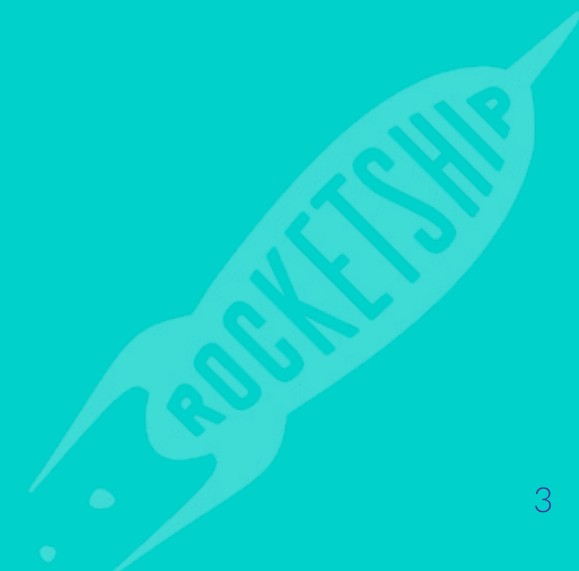


Discussion Overview

- Q2 Finance Update
- Cash Management
- Business Updates
 - RLP Lease
 - Greenlighting NSH3 and TX
- Approval Requests: Summary
- Appendices: Q2 Detail



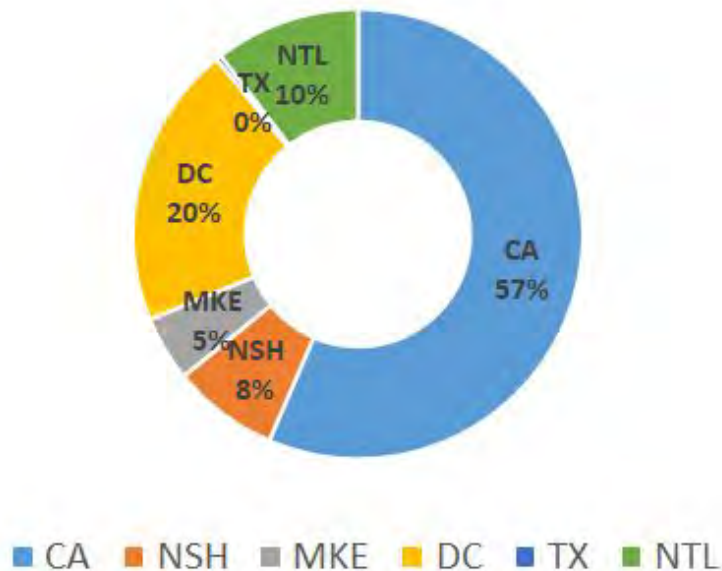
Q2 FY21 Finance Update



Q2 FY21 RPS Financial Snapshot

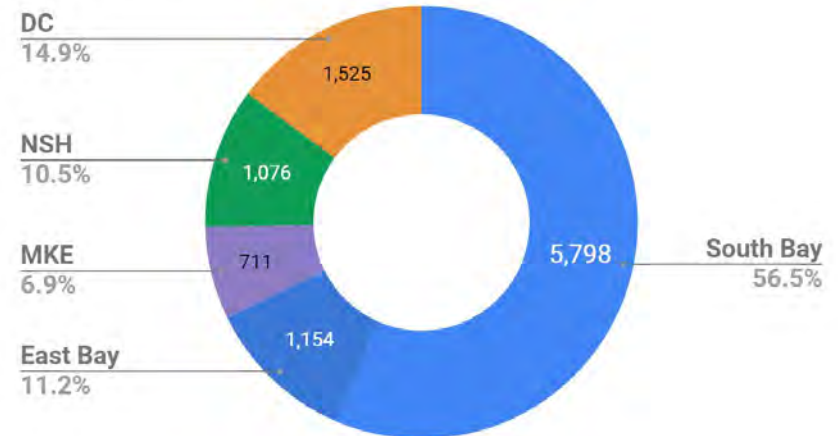
Consolidated RPS	Q2 FY21 YTD			FY21 Forecast		
\$M	Budget	Actuals	Var	Budget	Forecast	Var
Revenue	91.5	87.7	(3.8)	189.9	185.7	(4.3)
Expense	93.9	80.7	13.2	183.2	176.6	6.6
CINA	(2.4)	7.0	9.4	6.8	9.1	2.3
Cash	32.3	43.4	11.1	30.1	23.3	(6.8)

FY21 Fcst Revenue
by Region (000s)



Total RPS
Enrollment:
10,199
students

FY21 pt Enrollment



Q2 Finance Snapshot

- All regions benefiting from Federal COVID relief to help offset added investments and costs
- Distance learning continues to delay anticipated operating costs; contingencies retained in full year plan
- Cash deferrals will commence in Feb for CA schools
 - Projecting AR to increase from \$18M Fy20 to \$32M FY21, and cash to reduce accordingly
- FY21 reflects re-submitting TX Charter and revised current year philanthropy
- Early view of FY22 funding and COVID supports is optimistic



Rocketeer Distance Learning Daily Schedule

		for the day!		Brush your teeth, get dressed, and eat a healthy breakfast! Remember- fruits and veggies keep you healthy	
				Attend Facebook Live Launch on School Facebook Page	
8:10-8:30	Community Meeting 			Attend your Social Emotional Lesson on your Grade-Level Page (K-2) or on the School Facebook Page (3-5)	
8:30-9:00	Teacher Videos 			Watch my daily STEM and HUM Videos on my Grade-Level Facebook Page or Google Classroom	
9:00-11:00	Work Time			Work on my OLP's	
				Complete my google classroom assignments (3rd-5th)	
				Finish work packet pages for the day for STEM and HUM	
				Read, read read!	
					



FY21 Forecast favorable to plan, yet cautious as distance learning continues and economy uncertain

FY21 FY Forecast Variance as of Q2			
	Forecast RPS	Budget RPS	Variance
Federal Income	23,363	26,046	(2,683)
State Revenue Sources	131,835	130,359	1,477
Other Local Revenues	940	1,058	(118)
Internal Transfers and Fees	23,809	25,439	(1,629)
Grants and Fundraising	5,729	7,035	(1,306)
Total Revenues	185,677	189,936	(4,259)
Expense			
Compensation	87,258	88,399	(1,141)
Non Compensation	48,631	54,148	(5,517)
Rent	19,458	19,108	351
Network Service Fees	21,269	21,517	(248)
Expense	176,617	183,172	(6,555)
CINA	9,061	6,764	2,297

Key drivers

- Meals and food service revenue lower with offsetting lower expense due to distance
- Lower projected grants from NTL to schools with corresponding non comp expense reductions
- TX delay reduces CSP start up revenue, fundraise to National and associated expenses
- Contingency expense retained for remainder of year
- CA region strongest contributor to forecast CINA change

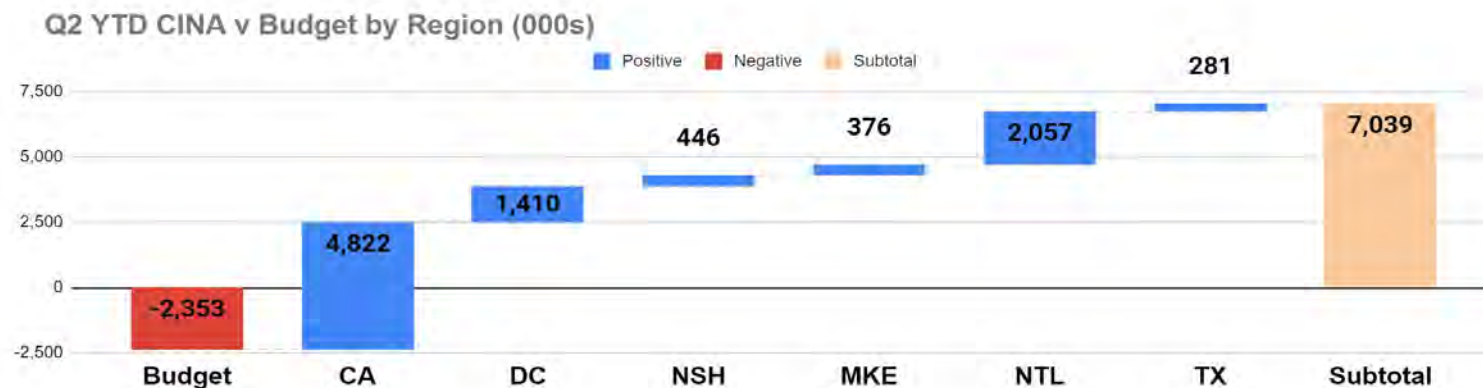
FY21 CINA Forecast v Budget by Region (\$M)



Q2 YTD continues to be favorable to plan

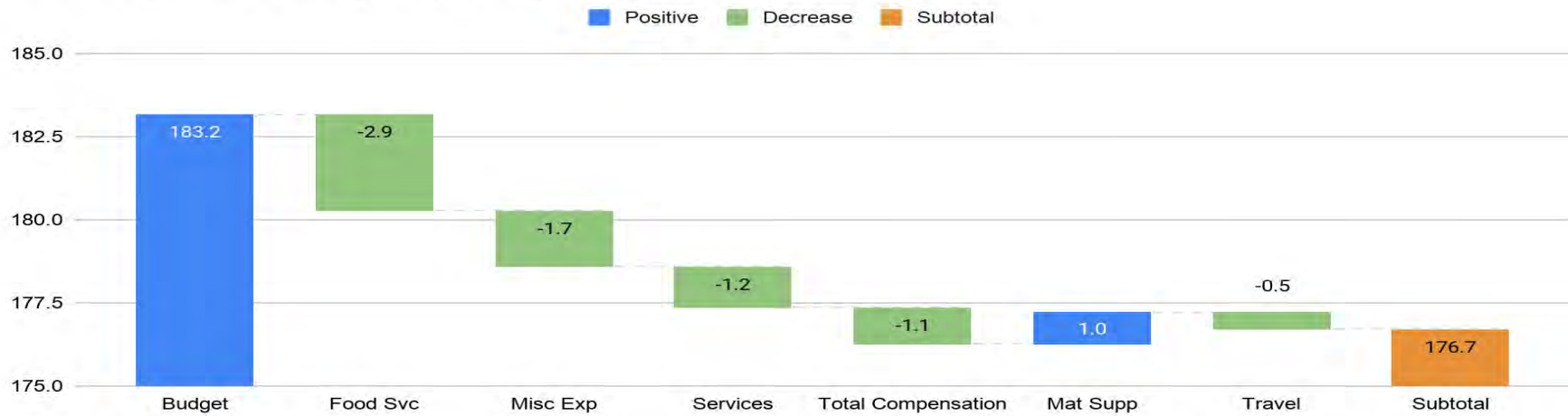
FY21 YTD Actuals Variance as of Q2			
	Forecast RPS	Budget RPS	Variance
Federal Income	10,455	14,045	(3,590)
State Revenue Sources	61,907	61,904	2
Other Local Revenues	337	474	(137)
Internal Transfers and Fees	11,051	12,183	(1,132)
Grants and Fundraising	3,991	2,905	1,086
Total Revenues	87,740	91,511	(3,770)
Expense			
Compensation	41,817	43,801	(1,984)
Non Compensation	19,545	29,838	(10,293)
Rent	9,464	9,553	(88)
Network Service Fees	9,876	10,672	(796)
Expense	80,702	93,864	(13,161)
CINA	7,038	(2,353)	9,391

- YTD variance has grown at midyear versus Q1
- CA and NTL largest driver of change
- National positive timing on philanthropy vs forecast timing as well as travel, compensation and contingency conservatism
- CA \$3.5M contingency expense awaiting reopening needs



FY21 Expense projections reflect distance learning and holding contingency for future spend

FY21 Exp Fcst V Budget by Category (\$M)

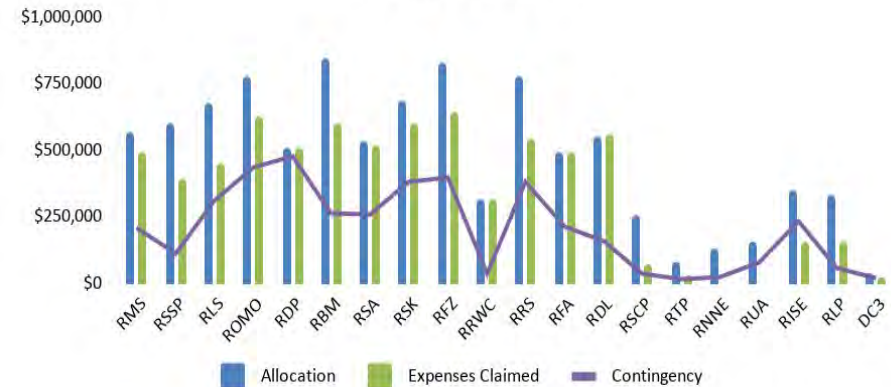


- School food services expense and revenue lower due to distance
- Significant increases in technology spend - Chromebooks and hotspots for students
- Services driven by lower building and campus opex, substitutes and consultants
- Misc expense includes lower costs with delay in TX charter
- Compensation lower due to TX delay and benefits costs improvement
- Travel has been on hold leading to lower outlook

\$9.6M Federal COVID-19 relief funds allocated to Rocketship in FY20-21

- Federal CARES Act allocations total \$9.6M
 - Received \$7.4M in payments, \$7.2M expenses claimed
 - Includes \$2.7M of expenses for Mar - June 2020 in CA
- Funds used for:
 - Student chromebooks
 - PPE, sanitization equipment and supplies
 - Staff diverted to facilitate distance learning and to mitigate or respond to COVID
 - Distance learning curriculum development and PD, ops safety, CareCorps. meal distribution, COVID task force
- \$4.1M of contingency in current forecast (schools)

CARES Act Funds



	Allocation	Funds Received	Expenses Claimed	Contingency
CA	8,199	7,102	6,767	3,671
MKE	339	0	112	57
NSH	289	0	0	108
DC	731	336	336	316
Total	9,558	7,437	7,214	4,152



FY21-22: Early news on funding

- Preliminary estimates for **new ESSER 2.0 funds**:
 - CA: \$7.3M (avg ~ \$560k per school)
 - MKE: \$1.0M
 - NSH: \$1.6M
 - DC: \$3.4M
 - Available for use **March 2020 to September 2023**
 - Allowable uses of funds emphasize safely reopening schools, addressing learning loss, maintaining quality school environments, and other activities necessary to maintain operations
 - TBD in annual plan - schools planning for timing and utilization
- Per pupil funding **early FY22 guidance**
 - CA: Governor's early budget proposed 3.9% COLA increase
 - NSH: MNPS communicated ~\$500 per pupil increase as of Feb for FY20-21 retroactive
 - Awaiting early guidance in DC, MKE and FY22 NSH

School Variance Review - Key Indicators

Highlights

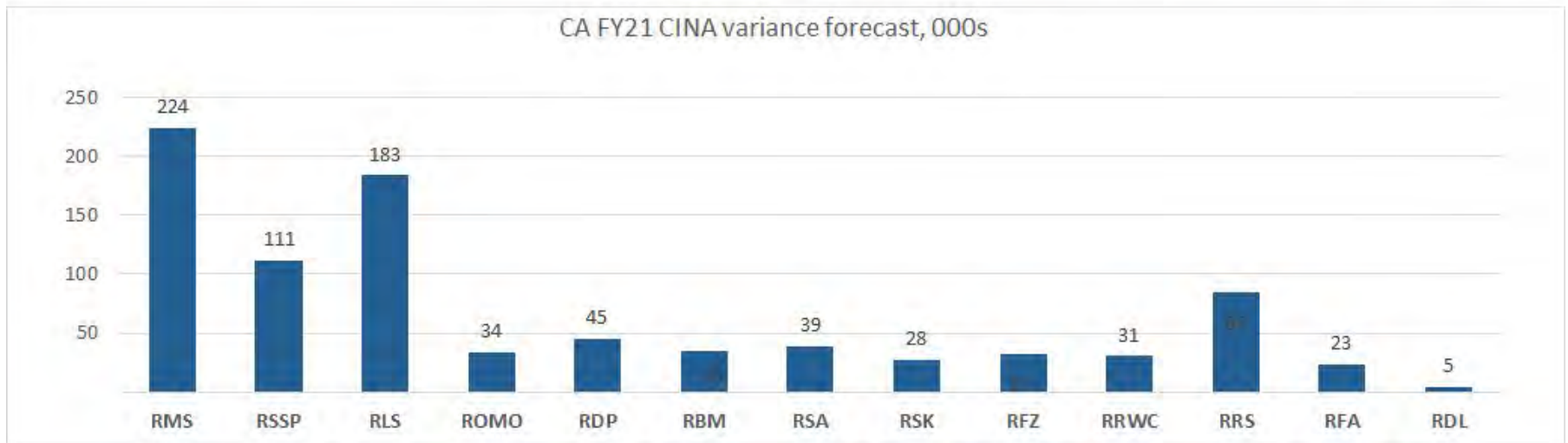
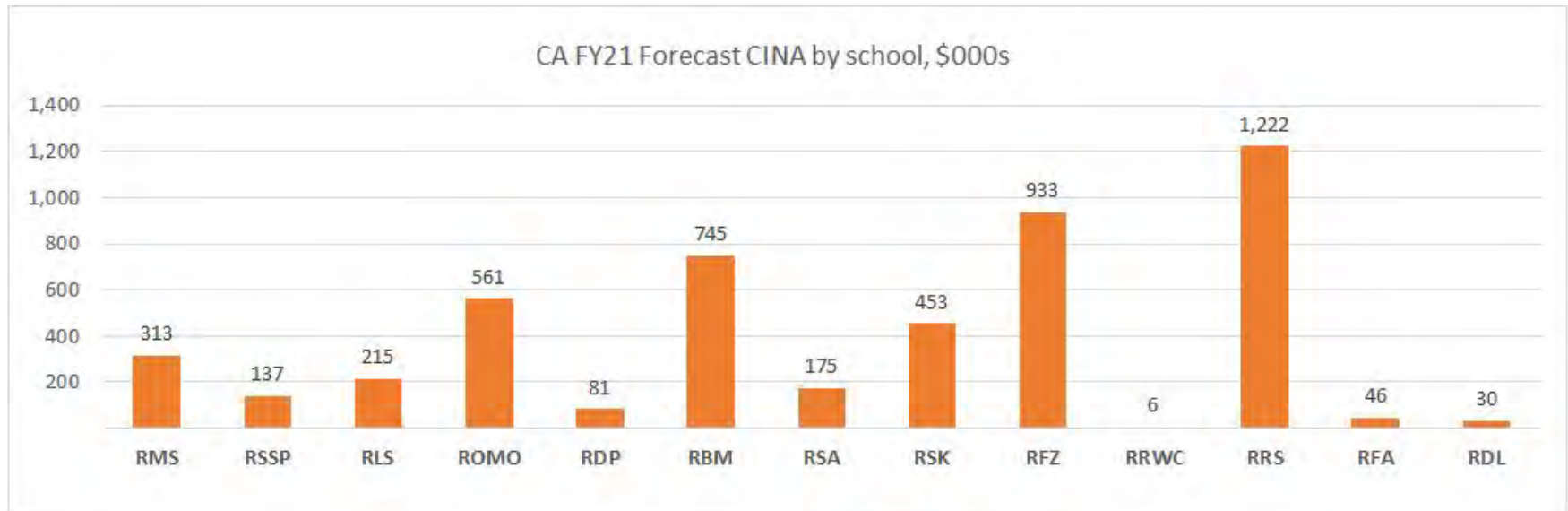
- **RMS/RSSP/RLS**
 - Cost savings from continued distance learning (contracted subs, books & supplies, operations)
- **RFA/RDL**
 - Increased revenue from ADA growth funding
 - Offset by additional compensation (paras), student computers, and facilities costs related to RFA's long-term use agreement with MDUSD
- **RISE/RLP/RIC**
 - Additional Title funds increasing CINA vs. budget and supporting funds for region growth; revenue and cost reduction for child nutrition and RocketBoosters after school program
- **RDP/RLS/ROMO/RRWC**
 - Benefit from ADA growth funding
- **NSH/RNNE**
 - Revenue increase from RNNE enrollment holding (vs. attrition in budget) and additional CARES Acts funds
 - MNPS just announced \$549 retroactive rate increase, not yet reflected; expected impact \$580k

Watching

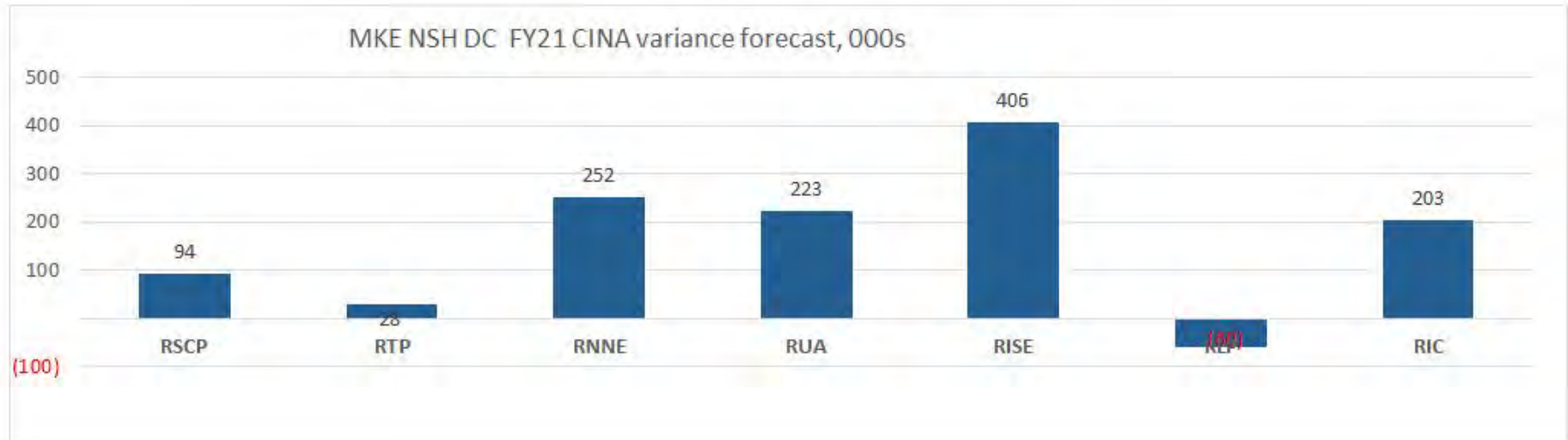
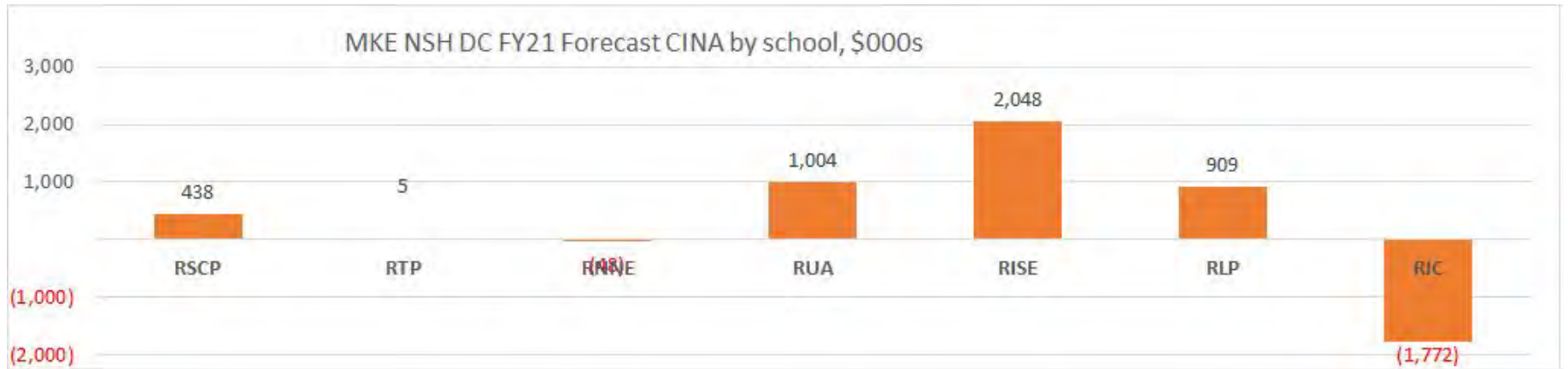
- **MKE**
 - Key year launching fundraiser
- **RSA/RDP**
 - ILPT funding resolution to be further pursued in FY21



Q2 CA School CINA Forecasts



Q2 MKE NSH and DC School CINA Forecasts



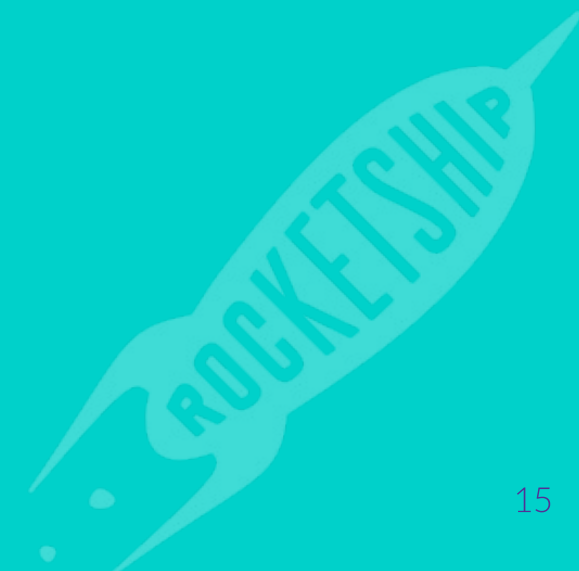
Q2 Development Update

@Q2Y21	National	CA	MKE	NSH	DC	Total
(000s)						
FY Budget	5,250	200	265	250	500	6,465
FY Forecast	4,049	246	283	251	500	5,329
YTD	3,140	146	129	185	294	3,895
Remaining	909	100	154	66	206	1,434

NTL/TX Detail	National	NTL for TX
Budget	3,000	2,250
Forecast	3,049	1,000
Q2 YTD	1,949	1,000
Remaining	1,100	0

- Primary change in total Forecast vs Plan is driven by TX strategy and timing

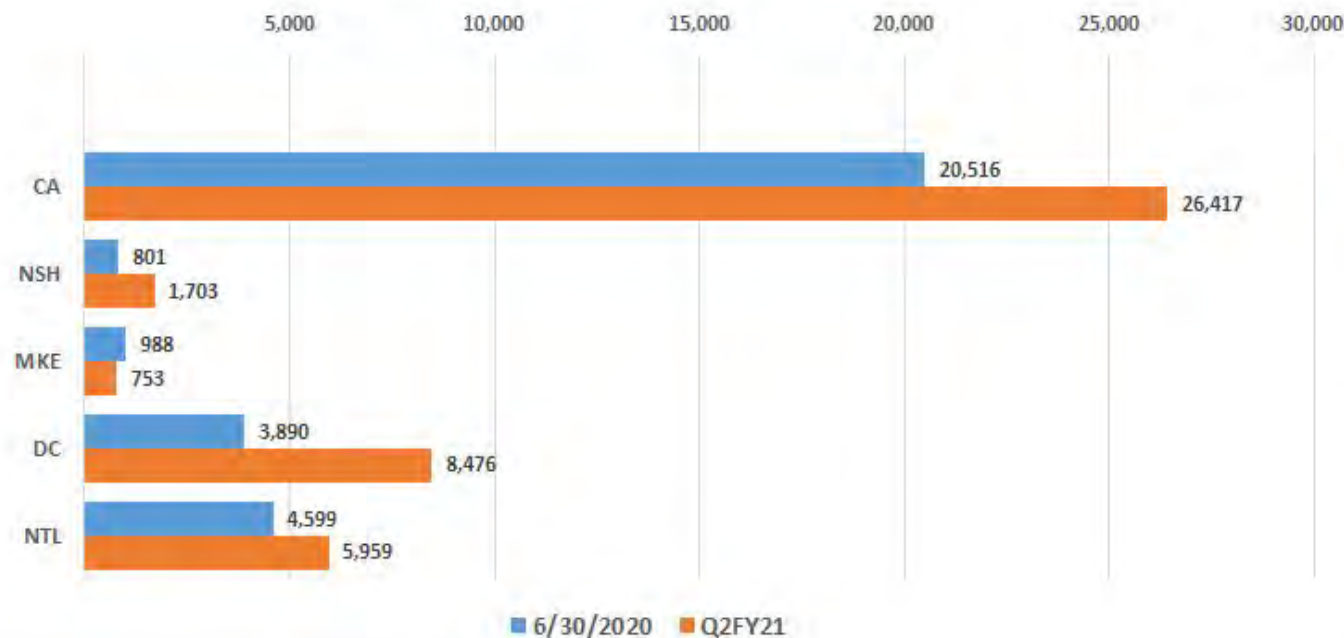
Cash Management Discussion



Cash management planning high importance in FY21

- Cash position is monitored weekly; **12/31 @ \$43.4M**
- CA deferrals announced as higher than original budget @~ 35% of annual CA payments, commencing Feb 2021, Line of credit in place with **\$10M capacity; \$3.7M drawn at 12/31 at National level**
- Goal of maintaining reasonable cash balances/reserves to support students and navigate volatile economic conditions; **Forecast YE21 of \$23M**

Q2 Cash Balances by Region, \$000s



Q2FY21 % Exp	
CA	27%
NSH	13%
MKE	9%
DC	23%
TX	7%
NTL	33%

Note:

- DC includes early receipt of payments as anticipated (\$4M unearned), quarterly network support fees due to National, also elevating DC balances, ~ \$1M
- DC Region includes DC Nest negative (\$3M) balance (not part of DC entity)



CA CDE deferrals commencing requiring cash management

- CA Budget Outlook in January was favorable for FY22, but retained the CA CDE cash deferrals planned for this current year.
- Deferrals will impact Feb - June 2021 payments, to be repaid in July - Nov 2021
- Impact is on CA LCFF and Special Education funding stream ~ \$17.1M funding delay
- Risk that impact will be higher depending on CDE timing of funding East Bay growth and changing SJUSD tax status
- Closely monitoring bond covenants to maintain 45 day liquidity thresholds for YE
- Recommend stand alone receivable financing support for RFA

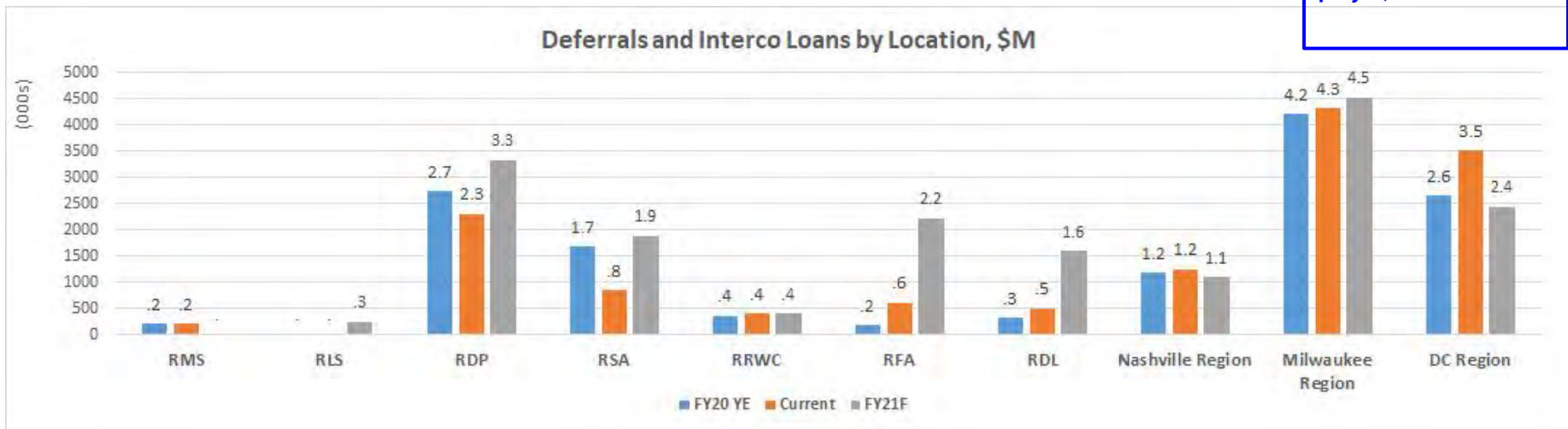
CA Deferral Summary			
	Dec Actual	YE Proj	Var
CA Schools Receivables Increase	14,524	30,254	15,730
Source of Funding			
CA Schools Cash Balances	25,443	14,890	(10,553)
Defer Svc Fee /Interco Loans	4,843	9,683	(4,840)
Source Total			(15,393)
National Cash Deferral Supports	5,959	1,751	(4,208)

Continued monitoring of deferrals and grants

	Grants From National		
	FY20	Budget FY21	Forecast FY21
RDP		100	200
RRWC	350	350	250
RFA		50	
RDL	1,052	750	351
RTP	200	200	117
Total	1,601	1,450	917

- Increased East Bay enrollment will help lower grants needed from National
- October SJUSD partial payment lowering RSA/RDP receivables and allowing reduction of interco in Q2
- Planned increased network support fee deferrals/interco short term loans at YE or borrowing due to CA cash payment deferral**

**Total Due to National:
at Q2 of \$15M; YE
proj ~\$20M**



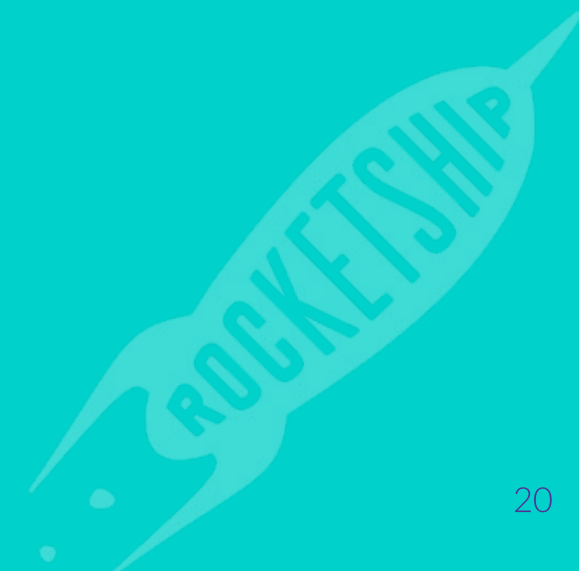
Recommend Receivable Financing for Futuro

- RFA deferral receivable financing would create more flexibility for National to support other risks to deferral levels; Collateral is limited to the specified receivable
- Proposed lender CAM, Charter Asset Management
- **Request for Board recommendation and approval**

Rocketship Futuro RFA	
Lender	CAM, Charter Asset Management
Time Period	Feb- June 2021
LCFF/Sped impacted Feb - June	\$1.6-2.0M
Funding discount	2.39%
Implied APR	6%
Example of cost:	Month of receivable \$325K Discount 2.39% or \$7.7K Net Payment to RFA: \$317.3K
Key Terms: Monthly flexibility to reduce or not draw; collateral limited to specified revenue account stream	



Business Updates



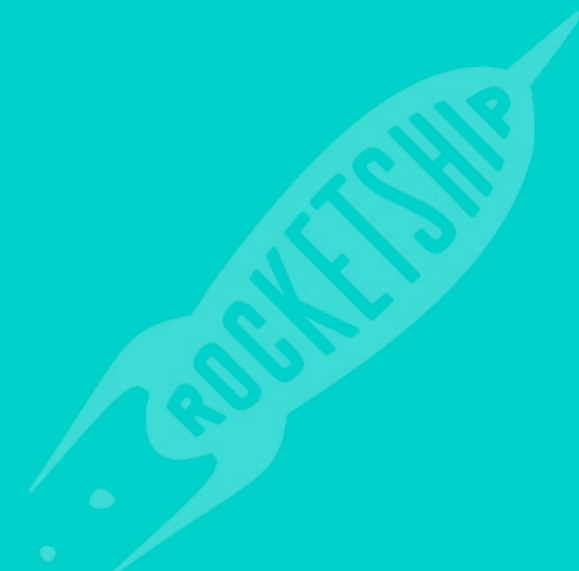
Business Updates

- DC RLP Lease Update
- NSH 3 Greenlighting
- TX Greenlighting and Charter

DC Launchpad - Legacy Bonds successfully closed

- Launchpad successfully closed purchase of RLP building from Turner via Bond offering last week with underwriter Stifel
- \$31M, 40 year term
- 3.35% rate a record low for Launchpad with credit spread under 200 bps reflecting near investment grade view ; RISE was at 4.5%
- Investor breadth reflects strong market, offering and social impact fund demand
- Annual total rent for school of \$1.8M flat vs \$2.0M prior with high upcoming escalations; **allowing more funds available for student needs**
- 6 months capitalized interest, cash of \$600K to be discussed with DC Board in Feb - recommend some NTL debt repayment

NSH3 Update



FINANCES

Nashville 3 - Projected School Level Financials

	BET					Finance Enrollment (Conservatism)				
	FY21	FY22	FY23	FY24	FY25	FY21	FY22	FY23	FY24	FY25
RNNE	512	528	552	552	552	485	518	518	518	518
RUA	564	584	555	558	562	570	562	534	542	554
NSH3	0	0	456	496	536	0	0	400	486	536
Total	1076	1112	1563	1606	1650	1055	1080	1452	1546	1608

(\$)	2021/22 Year 0	2022/23 Year 1	2023/24 Year 2	2024/25 Year 3
NSH3				
Financial Summary				
Grades		K-4	K-4	K-4
Enrollment		400	486	536
Year of Opening		1		
Revenue				
Public Revenues	\$187	\$4,992	\$5,549	\$6,119
Philanthropy	250	750	250	0
Other	0	0	0	0
Total Revenue	437	5,742	5,799	6,119
Expenses				
Compensation	188	2,222	2,440	2,533
Other	14	1,901	1,776	1,800
Management	0	707	782	862
Facilities	0	910	910	910
Total Expenses	202	5,740	5,908	6,105
Inc in Net Assets	\$235	\$2	-\$109	\$14

- NSH3 reaches breakeven, post philanthropy in year 3
- Conservative enrollment in year 1 and for RNNE
- Refinance of facility after year 4 gives opportunity to improve CINA
- Does not yet incorporate 'good news' of adjusted increased MNPS per pupil in Feb 2021
~\$500/student



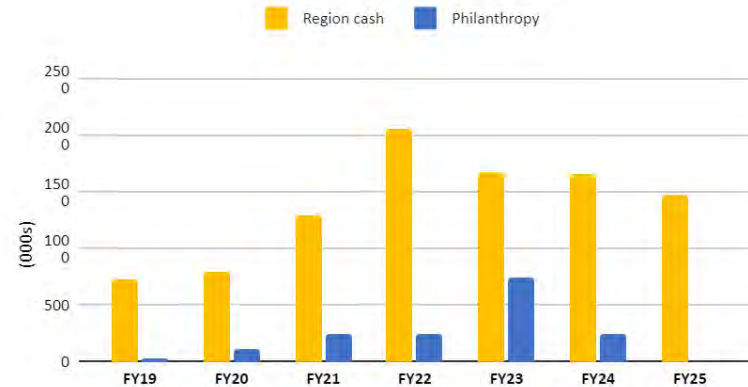
Nashville 5 year forecast financial dashboard

- Assumes flat per-pupil funding FY22; no added FY22 COVID relief funds included,
- Does not yet reflect new MNPS upward \$500/student funding at Feb 2021
- \$1.5M of fundraise assumed through FY24
- Regional CINA reaches breakeven in FY25 with no philanthropy
- \$500k added management fee deferrals, support paydown of \$800k external regional debt

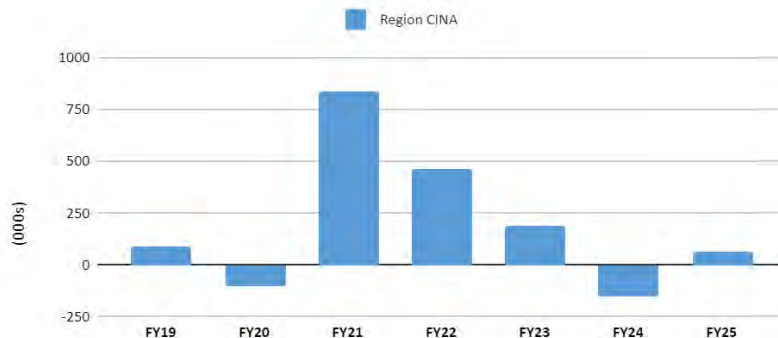
Enrollment and School Revenue



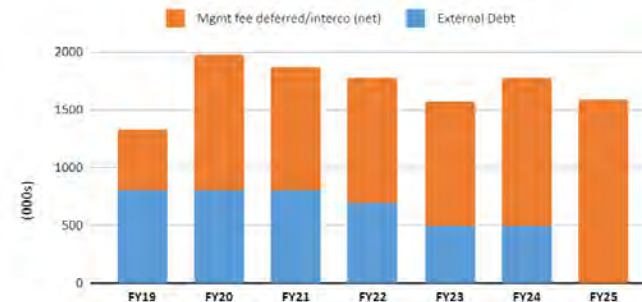
Region Cash and Philanthropy



Region CINA



Net Regional Debt and Deferred Mgmt Fees



NSH3 Lease Summaries

- The Master Lease will be dated as of Feb 2021 between Launchpad Dev Nashville Three LLC and Turner Impact Capital's newly formed LLC.
- The Sublease will bear the same date, where Launchpad Dev Nashville Three LLC is the Master Tenant and SubLandlord, and with Rocketship Public Schools as the Subtenant.
- This structure is consistent with the model for operation and management of all prior Rocketship campuses in TN.
- *As with prior projects, Rocketship Education is asked to provide a Guaranty for the Master Lease only until such time as Launchpad exercises the Option to Purchase on the agreed upon terms and timing.*
- Monetary provisions will be adjusted upon Rent Commencement for any changes (positive or negative) to the Project Costs as described in the Master Lease.
- The rent schedule provided by Turner is consistent with budgeted numbers for the School and Region.



NSH3 Lease Summaries

Master Lease Item	Provision	Comments
Rent Commencement Date	7/1/2022	Delayed from July 1, 2021
Lease Expiration	6/30/2051	29 Years
Base Rent	~\$891K/Ann.	To be adjusted at Rent Commencement based on actual costs
Est. Project Costs	\$11.7 million	Will adjust based on actual costs; Includes 10% hard cost contingency
Option Period for Launchpad	After month 27 of the Lease	
Est. Option Price	\$12.7 million	(Mo. 27-33 absent any Tenant contribution) Will also adjust based on final costs.
Target Delivery Date for Project	7/15/2022	Preliminary date.

- (1) Rent is expected to be revised again at the time Launchpad purchases the campus from Turner, with any savings passed through to RPS.

Sublease Item	Provision	Comments
Rent Commencement Date		Same as Master Lease.
Lease Expiration		Same as Master Lease.
Base Rent	Equivalent to Master Lease Base Rent	To be adjusted after purchase option is exercised and Launchpad owns the Premises.
Additional Rent	Yes	Will include Insurance, Taxes, Reserves and Management Fee as determined by Launchpad.
Appropriations from the District	Yes	Pledge of appropriations to the extent allowable under TN Code.
Restriction on Transfers	Yes	Need prior written consent of the Landlord and Sublandlord under the Master Lease.
Care of the Premises	By Operator	The operations and care of the Premises will be as required by the Master Lease are the responsibility of the Operator, RSED.

NSH3 Project Schedule Summary and Site Plan

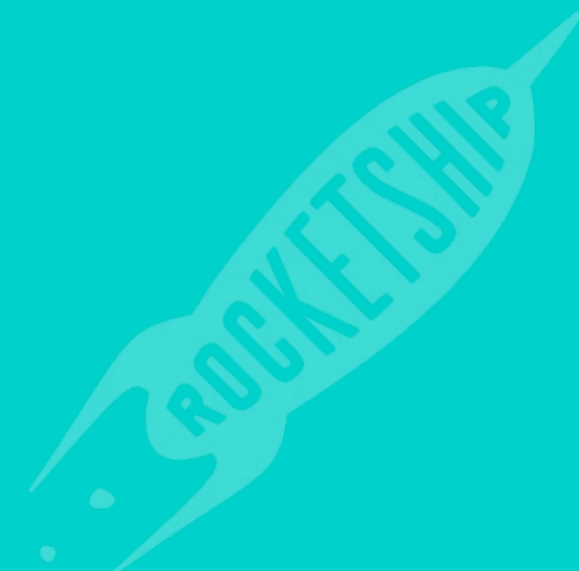
- Finalize Pre-Construction Contract - 1/22/2021
- 100% Construction Drawings Issued - 1/29/2021
- Provide GMP Amendment Pricing - 2/26/2021
- Closing is anticipated 3/1/2021
- Notice to Proceed - 3/15/2021 (Start Date TBD)
- Order Material / Long Lead Items - 4/1/2021



NSH3 Renderings



TX Update



TX: Rocketship and Launchpad Expenditures to Date

Rocketship Spend To Date (000s)	YTD Q2		Remainder	Subtotal	Fundraise contrib. To YE 20/21
	2019/20	2020/21			
TX Nest	312	355	355	1022	
National	550	300	300	1150	
Other staff (AP fellow/P)		101	101	202	
subtotal	862	756	756	2374	1554
Launchpad Predev		945		945	
Launchpad Deposits		230		230	
subtotal Launchpad		1175	0	1175	
total	862	1931	756	3549	1554

Summary - Single School Path to Sustainability

Individual school model moves to positive at year 4

Jan 2021 Update

TX 1	2021	2022	2023	2024	2025	2026	2027	2028	2029
Enrollment	0	0	387	486	580	694	694	694	694
Federal Revenue	0	185	1,113	579	690	823	823	823	823
State Revenue	0	0	3,678	4,689	5,743	6,809	6,809	6,809	6,809
Grants and Fundraise	0	0	2,000	500	0	0	0	0	0
Revenue	0	185	6,791	5,769	6,433	7,632	7,632	7,632	7,632
Compensation	0	165	2,248	2,777	3,155	3,593	3,593	3,593	3,593
Non Compensation	0	53	1,781	1,683	1,827	2,005	1,993	1,993	1,993
Rent	0	0	865	865	865	780	780	780	780
Network Service Fee	0	26	675	736	900	1,068	1,068	1,068	1,068
Expense	0	244	5,570	6,061	6,748	7,446	7,433	7,433	7,433
Net Income	0	(59)	1,221	(292)	(315)	186	198	198	198

Summary

- Texas Board and Parent Leaders continue to engage local leaders, influencers, and decision-makers and momentum is further growing; Commenced team effort to prepare **Gen 26 Charter submitted in January 2021**
- Revised financial model incorporates year delay, school opening timing shifts, and charter process learnings; Refining assumptions with continued TEA/Gen 26 application guidance
- Revised analysis indicates incremental fundraise need of \$3M - key drivers:
 - *Resubmission of charter, one year delay and extension of start-up costs ~ \$1M*
 - *Increase of Fort Worth region cash reserves to reflect TEA expectations/ratings ~ \$2M*
 - *Prior avg 6% cash/expense , Revised upward to avg of 14%*
 - *Slower growth to full region as per TEA expectations, delays path to sustainability*
- FY20-21 ask: **Conversion of \$500K region start up loan into equivalent grant**
- Rocketship/Launchpad investments through FY20-21 estimated at \$1.9M above Fort Worth fundraise contributions during same period



TX1 Project Schedule Summary

Berry Street Site Acquisition - Closed end of January

- The acquisition of the **land closed on Jan 22nd for \$930K**
- The Kleinheinz Family Foundation for the Arts & Education provided the acquisition financing for the purchase by Launchpad, ~\$738K including closing costs.
- Launchpad contributed equity via deposits of \$230K
- Launchpad retained responsibility for entitlement/predev costs pre charter approval - currently at ~\$550K

Entitlements - Ongoing

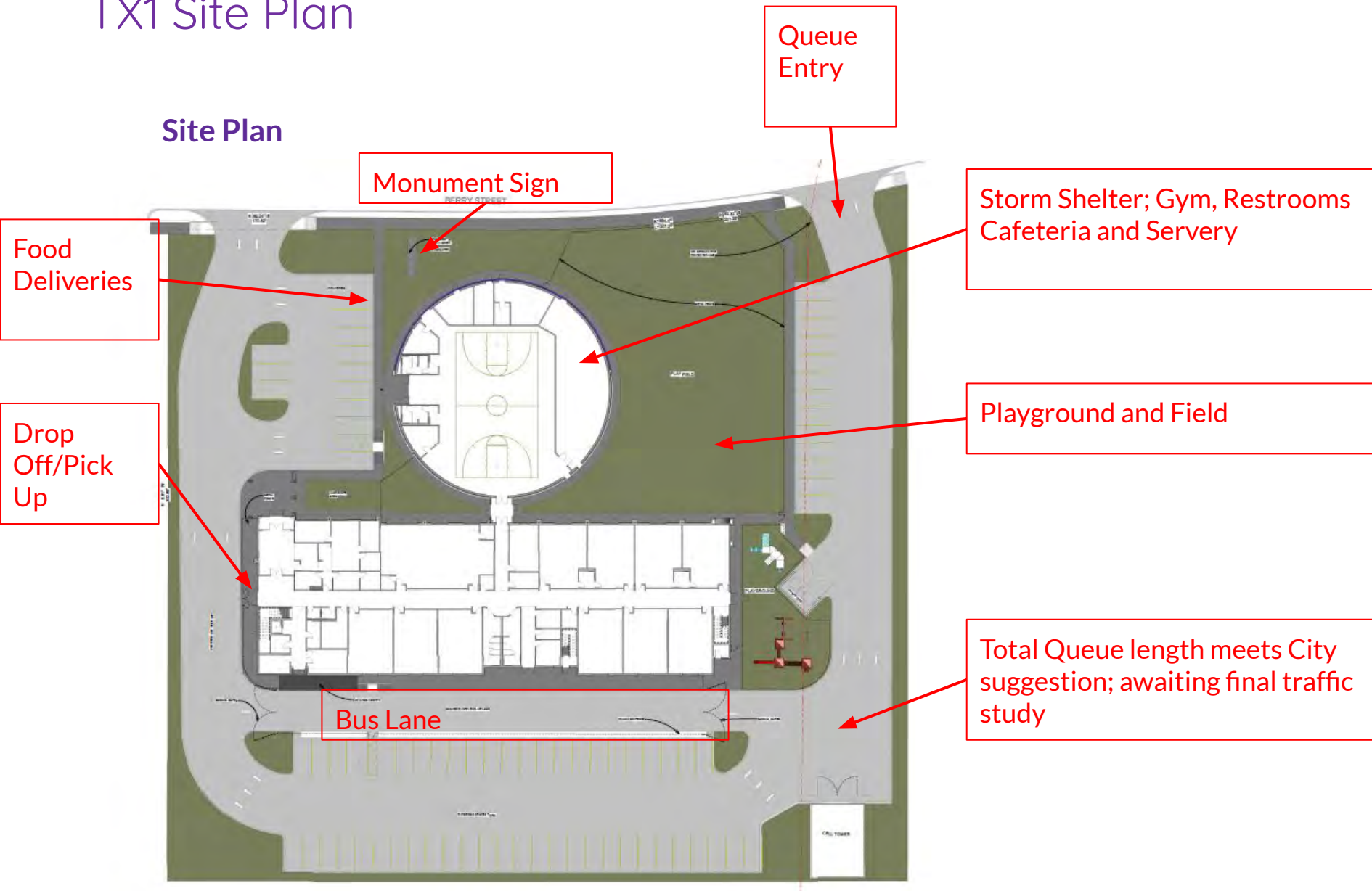
- The RPS / Launchpad team and consultants are proceeding with the restart of the entitlement and permitting process.
- The replat has been approved by the City. No additional public hearings required.

Permitting and Construction

- Remaining permits will be pursued from Feb - May
- **We anticipate start of construction to be July 1st.**

TX1 Site Plan

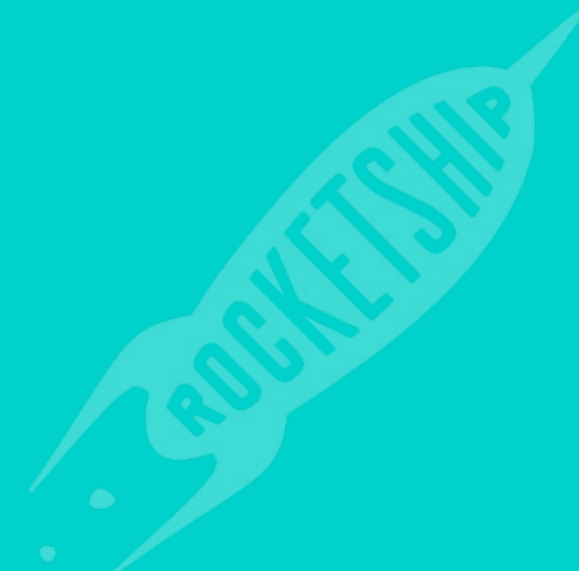
Site Plan



TX1 Renderings



Summary Approval Requests



Business Committee: Approval Requests

- Proposed Network Service Fee deferrals and Intercompany short term loan support schedules to CA schools associated with CA CDE cash deferrals in Feb -June 2021
- RFA Futuro Receivables Financing proposal, associated with CA CDE cash deferrals
- NSH3 long term lease and Rocketship guarantee