



## MEMORANDUM

Date: **October 24, 2014**

TO: **Commissioners of San Francisco Board of Education**

From: **Steve Henderson**  
**Head of School, SF Flex Academy**

Subject: **Response to questions**

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This memorandum responds to questions raised in the Budget and Business Services Committee and the Curriculum and Program Committee.

### **Budget and Business Services Committee**

- What is a balanced budget credit?
- Why would K12 Inc. subsidize SF Flex Academy losing money?
- How can SF Flex be financially sustainable in the future?

#### **What is a balanced budget credit?**

SF Flex Academy is in the rare position of having K12 Inc., a large, New York Stock Exchange traded company, as a partner who is responsible for securing the previous school facility, assisting with marketing and enrollment, and agreeing to, in effect, guarantee that SF Flex would have a balanced budget. This amounted to a waiver of over \$5 million over the last five years, mainly caused by the extremely high cost of San Francisco real estate. SFUSD was likely not aware of this arrangement before as SF Flex is authorized by CDE; it is obviously a large amount, but it is also one that K12, with a market capitalization of nearly \$600 million, could absorb as an investment for innovating and developing blended schools nationally.

K12's guarantee of balanced budgets, the "balanced budget credit," is provided under its Educational Products and Services agreement entered into by San Francisco Flex Academy and K12 Inc. K12 Inc. has agreed to provide assurance that the school ends each year at a break-even or better fiscal position by waiving its fees. Thus, if the expenses of the School are more than the funding the School receives, K12 issues a credit against its fees or cash to offset a loss larger than the fees charged. The school only needs to repay these "waived" fees if the School has a surplus financial position at the end of the year, and there is a reasonable repayment schedule even in that case.

The past deficits were almost exclusively caused by the high rent required for operating the school. The Proposition 39 site (at Gloria R. Davis School) has changed the budget of the school such where it will be financially sustainable.

### **Why would K12 Inc. Subsidize SF Flex?**

The Flex model of Blended Learning at San Francisco Flex Academy has been an important investment for K12 to innovate the junction of online learning and facility-based, state-certified teacher led classroom instruction. K12 is developing software and blended teaching and learning methodology that can be brought to scale by offering these products and services to school districts. K12 is proud that San Francisco Flex Academy has been the first and leading effort in this initiative. Over the last several years, educators, school leaders, and researchers have come to visit San Francisco Flex Academy to see blended teaching and learning in practice.

### **How can SF Flex be financially sustainable in the future?**

Five years ago K12 misjudged the escalating cost of San Francisco commercial real estate. With the move to Gloria R. Davis in Bayview, SF Flex's facility costs have been reduced by 90% and its budget is therefore one that is reasonable and manageable. With facility costs now under control, SF Flex Academy is in a position to successfully manage a tuition free public charter school that operates at cost, and can successfully serve a diverse San Francisco student community that includes a broad range of learners with varying skill levels.

### **Curriculum and Program Committee**

- Why would SF Flex Academy be a good addition to the SFUSD portfolio of schools?
- What is the socio economic status of the students (and what are the details regarding projected Supplemental or Concentration grant revenues)?
- What is the academic achievement of students by demographic?
- What is the graduation rate by demographic?
- What are suspension and expulsions rates by demographic?

### **Why would SF Flex Academy be a good addition to the SFUSD portfolio of schools?**

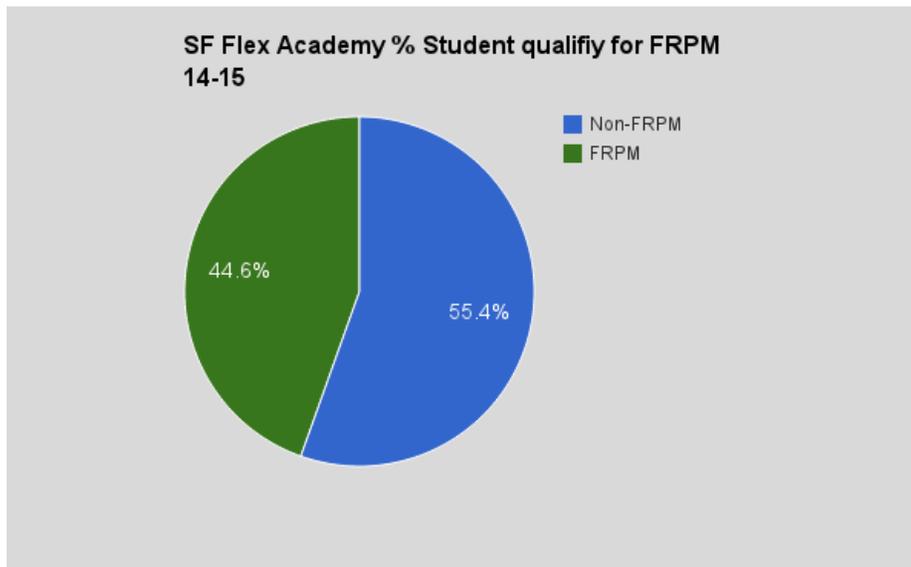
SF Flex is a tuition free public high school providing San Francisco teens a small school setting and personalized learning experience. The SF Flex community is driven by a set of Core Values that are the foundation of an inclusive, diverse, and supportive school culture. Many students at SF Flex did not feel successful or comfortable in a traditional large school and find the alternative community of this school to be a good match for their learning and personal development. Students attend school everyday from 8:45 a.m. to 3:45 p.m. (with homework support to 5:15

p.m.) and are immersed in an academic program that is built on an innovative model combining on-line learning with direct instruction from on site certified teachers. Data generated from the on-line curriculum allows teachers to personalize learning for each student. With greater choice and flexibility during the school day, students have a greater responsibility in their education, which allows them develop the habits of mind that lead to independence and self-direction. The school provides a positive social setting for teens, which helps them build a greater sense of self-confidence and personal efficacy. For some San Francisco youth, SF Flex is the right supportive and nurturing learning environment.

Watch this two-minute video about SF Flex Academy.

<https://www.facebook.com/video.php?v=752448218160869&set=vb.123497734389257&type=2&theater>

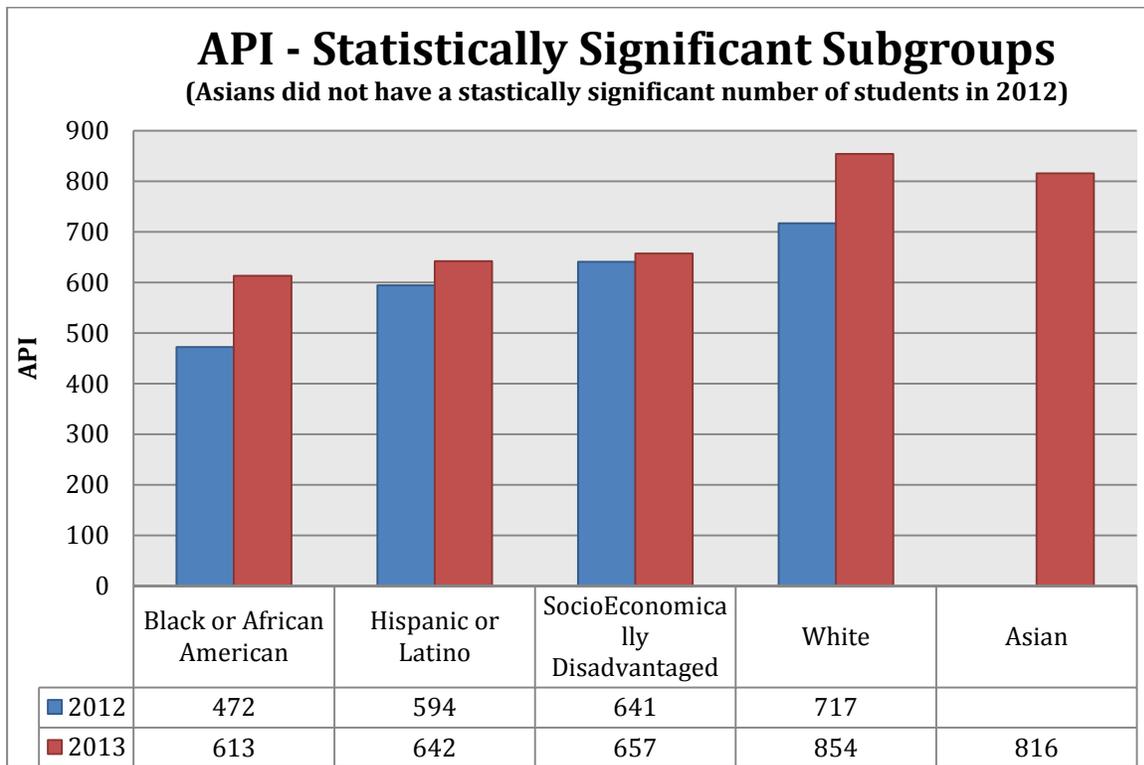
**What is the socio economic status of the students (and what are the details regarding projected Supplemental or Concentration grant revenues)?**



Details regarding the details regarding projected Supplemental or Concentration grant revenues were provided to SFUSD staff at the October 8<sup>th</sup> Curriculum and Program Committee.

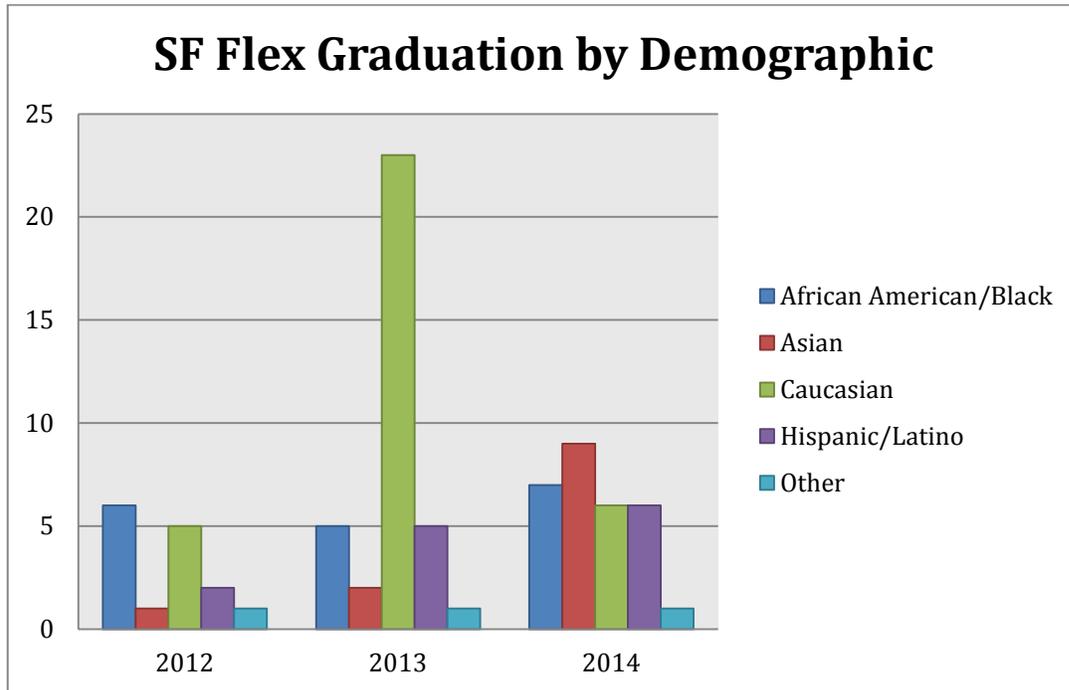
**What is the academic achievement of students by demographic?**

Academic Achievement by demographic:



**What is the graduation rate by demographic?**

Graduation rate:

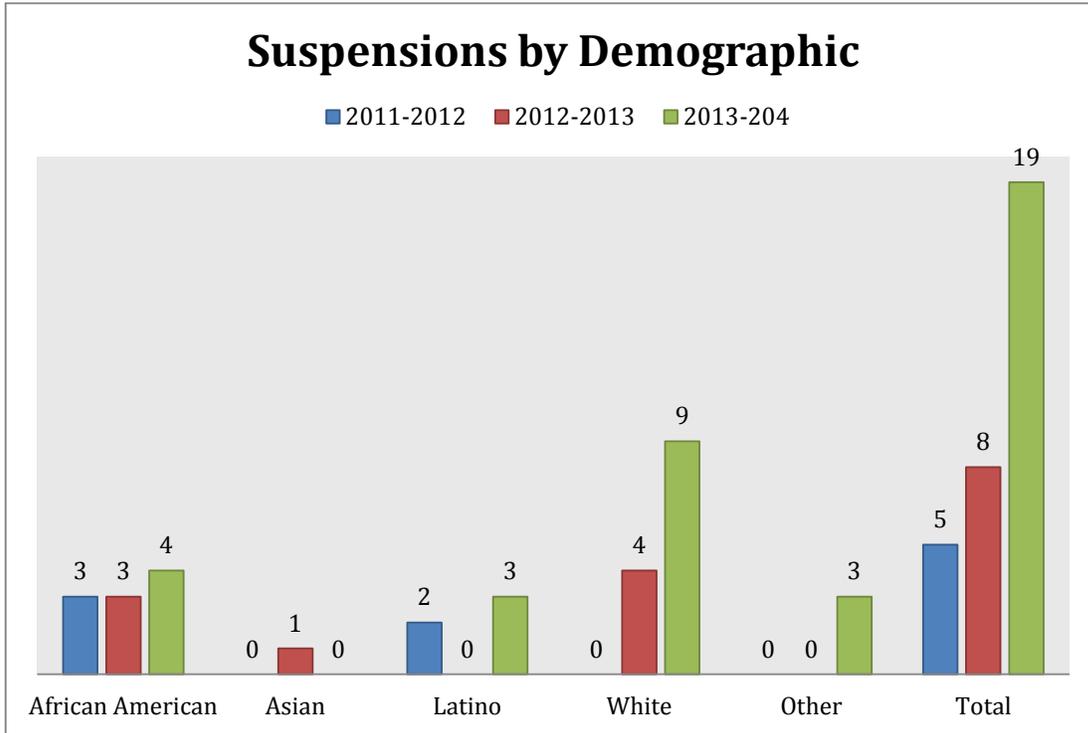


**Dropouts:**

In 2012 there were no dropouts. In 2013, two students did not graduate on time and returned in 2014 to graduate. In 2014 there was one dropout and one student has returned to finish her degree this year.

**What are suspension and expulsions rates by demographic?**

Discipline: Suspensions and Expulsions



**Expulsions:**

SF Flex has not expelled any students.

**Other questions raised in committee:**

- The renewal petition projects 2015-2016 ADA of 105, growing to 172 in 2019-2020. The petition does not provide evidence to support this projection.

**San Francisco Flex Enrollment Projection**

**Summary**

The San Francisco Unified School District charter school enrollment has had an average growth of 10% in the past eight years (SY05-06 to SY12-13)<sup>1</sup>. There are two other high schools (district) and two middle schools (one charter, one middle school) within a 3 mile radius of San Francisco Flex<sup>2</sup>, with an average enrollment

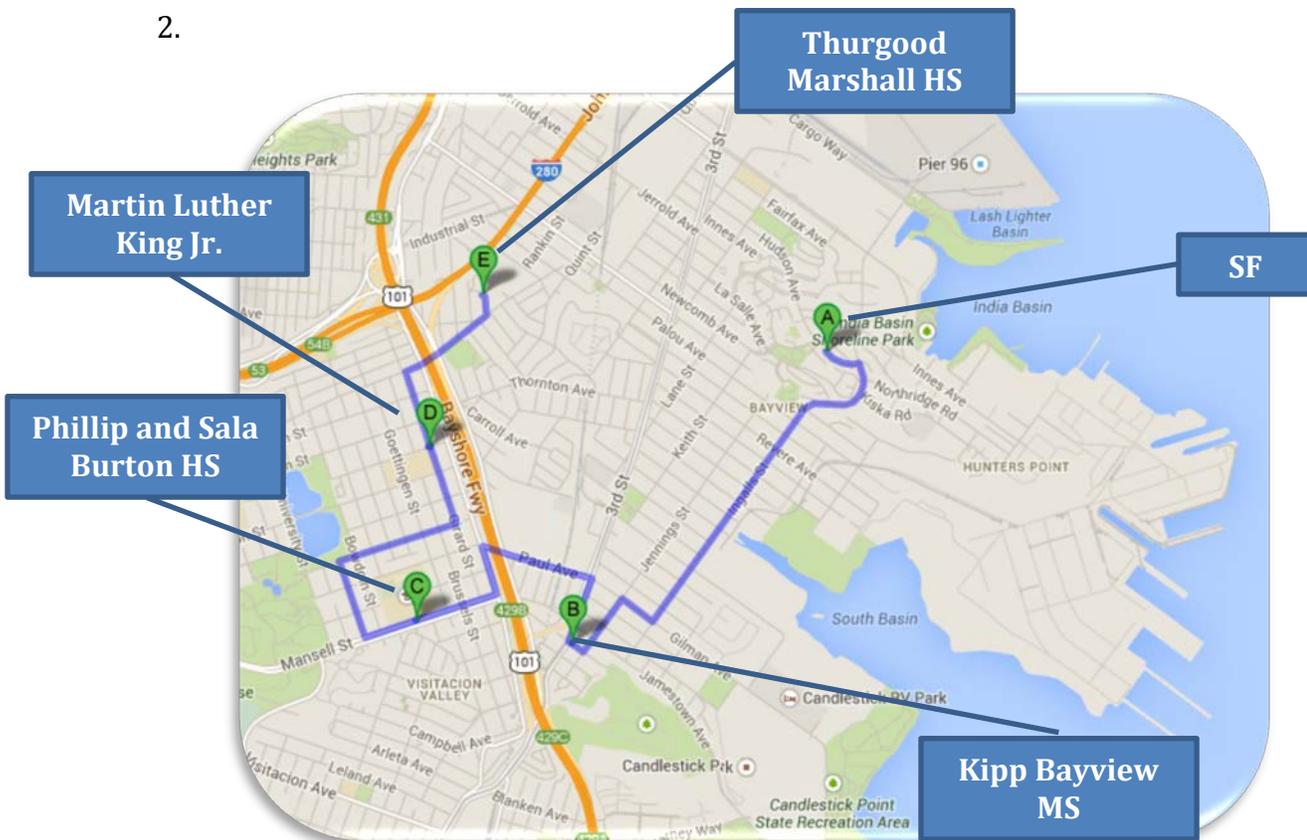
Attachment 4

decline of -4.3%. According to the U.S. Census, the population of high school aged kids within a 15 mile radius of the school in 2013 is 15,365 and is projected to grow at .9%. If we use 16,747 as our basis of high school aged kids in the next five years, we can project to have a total maximum penetration of 3%, which is 502 students.

1. SFUSD Enrollment Growth

| SFUSD Charter School Growth | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Avg. |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------|
|                             | 2481    | 3513    | 2912    | 3117    | 2661    | 3011    | 3275    | 4318    | -       | 3161 |
|                             |         | 42%     | -17%    | 7%      | -15%    | 13%     | 9%      | 32%     | -       | 10%  |

2.



3. Total Average Enrollment Change for the past 10 years:

Marshall

| 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Avg. |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------|
| 941     | 760     | 642     | 634     | 712     | 817     | 769     | 636     | 538     | 496     | -    |
|         |         |         |         | 12.30   | 14.70   |         |         |         |         |      |

San Francisco Flex Academy Appendices and Attachments

|  |            |            |           |   |   |           |            |            |           |           |
|--|------------|------------|-----------|---|---|-----------|------------|------------|-----------|-----------|
|  | 19.20<br>% | 15.50<br>% | 1.20<br>% | % | % | 5.90<br>% | 17.30<br>% | 15.40<br>% | 7.80<br>% | 6.14<br>% |
|--|------------|------------|-----------|---|---|-----------|------------|------------|-----------|-----------|

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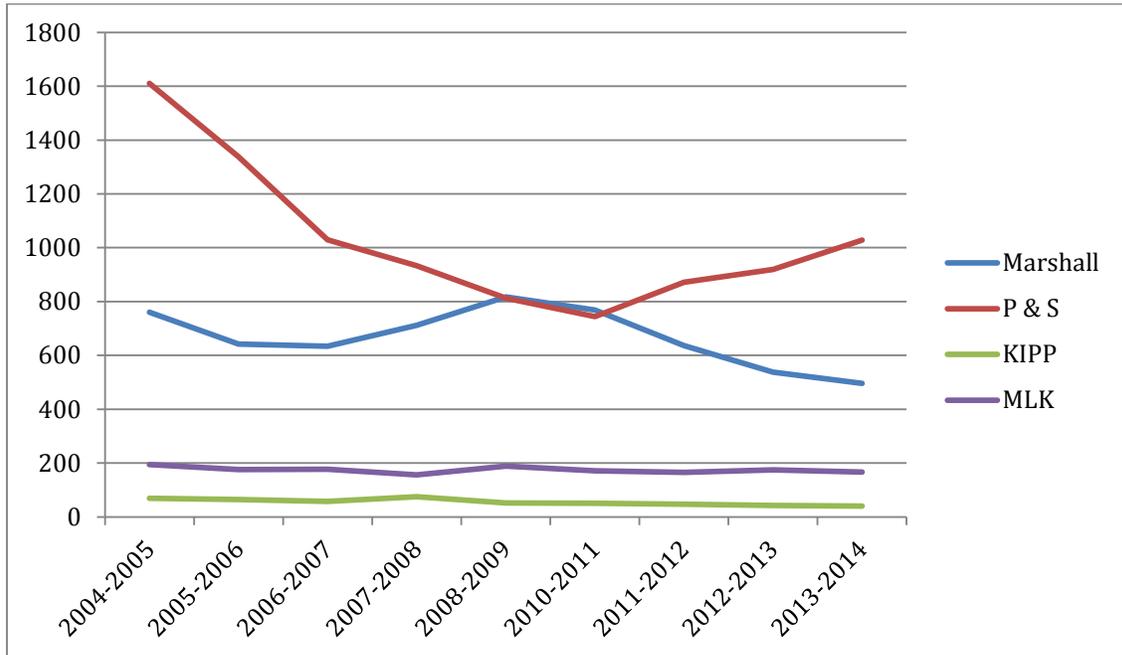
| 2004-05 | 2005-06                 | 2006-07                  | 2007-08                  | 2008-09               | 2009-10                | 2010-11               | 2011-12           | 2012-13          | 2013-14             | Avg.           |
|---------|-------------------------|--------------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------|------------------|---------------------|----------------|
| 1,780   | 1,610<br>-<br>9.60<br>% | 1,338<br>-<br>16.90<br>% | 1,030<br>-<br>23.00<br>% | 933<br>-<br>9.40<br>% | 813<br>-<br>12.90<br>% | 744<br>-<br>8.50<br>% | 872<br>17.20<br>% | 919<br>5.40<br>% | 1,028<br>11.90<br>% | -<br>5.09<br>% |

KIPP Bayview  
Academy

| 2004-05 | 2005-06              | 2006-07              | 2007-08               | 2008-09          | 2009-10               | 2010-11              | 2011-12              | 2012-13               | 2013-14              | Avg.           |
|---------|----------------------|----------------------|-----------------------|------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|----------------|
| 76      | 69<br>-<br>9.20<br>% | 64<br>-<br>7.20<br>% | 57<br>-<br>10.90<br>% | 75<br>31.60<br>% | 52<br>-<br>30.70<br>% | 50<br>-<br>3.80<br>% | 47<br>-<br>6.00<br>% | 42<br>-<br>10.60<br>% | 40<br>-<br>4.80<br>% | -<br>5.73<br>% |

Martin Luther King Jr. Academic  
Middle School

| 2004-05 | 2005-06          | 2006-07               | 2007-08          | 2008-09                | 2009-10           | 2010-11               | 2011-12               | 2012-13          | 2013-14               | Avg.           |
|---------|------------------|-----------------------|------------------|------------------------|-------------------|-----------------------|-----------------------|------------------|-----------------------|----------------|
| 178     | 194<br>9.00<br>% | 176<br>-<br>9.30<br>% | 177<br>0.60<br>% | 156<br>-<br>11.90<br>% | 188<br>20.50<br>% | 171<br>-<br>9.00<br>% | 165<br>-<br>3.50<br>% | 175<br>6.10<br>% | 167<br>-<br>4.60<br>% | -<br>0.23<br>% |



**Projected Forecast**

Based on the findings outlined above, and the recent Lennar Urban investment of \$15 billion to rebuild the area in the next 7 years, we can project a modest growth of:

| School Year | Enrollment | YoY Growth |
|-------------|------------|------------|
| 14-15       | 100        | -          |
| 15-16       | 110        | 10%        |
| 16-17       | 127        | 15%        |
| 17-18       | 145        | 15%        |
| 18-19       | 160        | 10%        |
| 19-20       | 176        | 10%        |

Sources:

1:

<http://dashboard.publiccharters.org/dashboard/students/page/overview/district/CA-240/year/2013> (Original Web page is unavailable. Please view <http://dashboard2.publiccharters.org/School/?id=17689>)

2: <http://www.publiccharters.org/wp-content/uploads/2014/02/New-and-Closed-Report-February-20141.pdf>

**Another Question raised in the Budget and Business Services committee:**

- The petition does not provide a “reasonably comprehensive description” regarding requirement enacted since its charter was last renewed.

**SF Flex Academy Compliance with Legal Requirements Enacted Since Original Charter**

Governing Law: “Renewals ... are governed by the standards and criteria in Section 47605, and shall include, but not be limited to, a reasonably comprehensive description of any new requirement of Charter Schools enacted into law after the charter was originally granted or last renewed.” Education Code Section 47607(a)(2)

Governing Law “... [A] reasonably comprehensive description of how the Charter School has met all new Charter School requirements enacted into law after the charter was originally granted or last renewed.” (5 CCR 11966.4(a)(2))

| <b>Effective Date</b> | <b>Legal Citation/Description</b>  | <b>How SF Flex Academy has Met the Requirement</b>  |
|-----------------------|--|---|
| <b>July 1, 2013</b>   | Education Code Section 47605(b)(5)(a), charter must contain a description of annual goals to be achieved in the state priorities, and specific annual actions to achieve those goals | Added chart to Element 1 describing goals and annual actions in the state priorities  |
| <b>July 1, 2013</b>   | Education Code Section 47605(b)(5)(B), pupil outcomes must align with the state priorities that apply for the grade levels served or the nature of the program                       | Added chart to Element 2 to demonstrate pupil outcomes aligned to the applicable state priorities   |
| <b>July 1, 2013</b>   | Education Code Section 47605(b)(5)(C), the method for measuring pupil outcomes for state priorities shall be consistent with the way information is reported in the SARC             | Added chart to Element 2 to demonstrate that method for measuring pupil outcomes aligned to applicable state priorities are measured consistent with the SARC |

| Effective Date         | Legal Citation/Description   | How SF Flex Academy has Met the Requirement   |
|------------------------|--|---|
| <b>July 1, 2013</b>    | Education Code Section 47606.5, on or before July 1, 2015, and annually thereafter, Charter Schools must update the goals and annual actions to achieve the goals by submitting a Local Control Accountability Plan (“LCAP”) | First LCAP was submitted by July 1, 2015; SF Flex Academy will submit reports annually by July 1, as required |
| <b>July 1, 2013</b>    | Education Code Section 47604.32(c), authorizer must ensure that the Charter School submit LCAP annually  | First LCAP was submitted by July 1, 2015; SF Flex Academy will submit reports annually by July 1, as required |
| <b>July 1, 2013</b>    | Education Code Section 47604.33(a)(2), submit LCAP annually  | First LCAP was submitted by July 1, 2015; SF Flex Academy will submit reports annually by July 1, as required |
| <b>July 1, 2013</b>    | Education Code Section 47607.3, consequences for failure to improve outcomes for 3 or more numerically significant pupil subgroups, revocation   | Not applicable; SF Flex Academy is not under threat of revocation for failure to improve pupil outcomes       |
| <b>July 1, 2013</b>    | Education Code Section 47604.5(d), State Board may revoke charter for failure to improve pupil outcomes across multiple state and school priorities  | Not applicable; SF Flex Academy is not under threat of revocation for failure to improve pupil outcomes       |
| <b>January 1, 2013</b> | Education Code Section 47605(b)(5)(B), charter petition must include pupil outcomes that address increases in pupil academic achievement both schoolwide and for all numerically significant pupil subgroups                 | Compliant language added to Element 2 of charter  |

| Effective Date         | Legal Citation/Description   | How SF Flex Academy has Met the Requirement   |
|------------------------|--|---|
| <b>January 1, 2013</b> | Education Code Section 47605.6(b)(5)(B), charter petition must include pupil outcomes that address increases in pupil academic achievement both schoolwide and for all numerically significant pupil subgroups | Not applicable (not a countywide benefit charter)   |
| <b>January 1, 2013</b> | Education Code Section 47607(a)(3) and (b)(1), factors and threshold requirements for considering renewal of charter petitions   | SF Flex Academy has met threshold requirements for renewal and has demonstrated student academic achievement; both shown in charter renewal petition  |
| <b>January 1, 2013</b> | Education Code Section 47607(c)(2), factors for considering revocation   | Not applicable; SF Flex Academy not under threat of revocation  |
| <b>January 1, 2013</b> | Education Code Section 49010, <i>et seq.</i> , prohibition on pupil fees for educational activities  | SF Flex does not charge pupil fees for educational activities.  |
| <b>January 1, 2013</b> | Education Code Section 49068, transfer of student records  | While not applicable to Charter Schools, SF Flex Academy does comply with requests for transfer of student records within 10 days   |
| <b>January 1, 2013</b> | Education Code Section 48645.5, enrollment or readmission of students who have had contact with the juvenile justice system  | While not applicable to Charter Schools, SF Flex Academy will not deny enrollment or readmission to a student solely on the basis that he or she has had contact with the juvenile justice system |
| <b>January 1, 2013</b> | Education Code Section 12001.7, application for construction bond  | Not applicable; SF Flex Academy is not applying for a construction bond   |

| <b>Effective Date</b>    | <b>Legal Citation/Description</b>   | <b>How SF Flex Academy has Met the Requirement</b>  |
|--------------------------|---|---|
| <b>January 1, 2013</b>   | Education Code Section 48900(r), suspension and expulsion offenses  | While not a requirement of Charter Schools, list of enumerated offenses was revised to account for electronic bullying  |
| <b>June 27, 2012</b>     | Education Code Section 47603, borrowing moneys from a county office of education to meet cash management needs  | Not applicable; SF Flex Academy has not borrowed money from the County  |
| <b>January 1, 2012</b>   | Education Code Section 200, Nondiscrimination   | The SF Flex Academy will not discriminate against students on the basis of gender identity and gender expression (affirmation(s) in charter renewal petition) |
| <b>January 1, 2012</b>   | Education Code Section 47605.6(b)(5)(B) (pupil outcomes demonstrate that pupils have attained ... aptitudes...) | Not applicable (not a countywide benefit SF Flex Academy)   |
| <b>January 1, 2012</b>   | Education Code Section 47605.6(e)(1) (nondiscrimination on the basis of gender identity and gender expression)  | Not applicable (not a countywide benefit SF Flex Academy)   |
| <b>January 1, 2012</b>   | Education Code Section 47612.7 (Center for Advanced Research and Technology; statute inoperative on 7/1/17)     | Not applicable (not Clovis or Fresno Unified School Districts)  |
| <b>December 16, 2011</b> | 5 CCR 11965, definitions for general provisions related to Charter Schools                                      | Not applicable; charter petition has not been nonrenewed  |
| <b>December 16, 2011</b> | 5 CCR 11968.5.1, revocation of a charter by the State Board of Education  | Not applicable; SF Flex Academy not eligible for revocation by State Board of Education   |
| <b>December 16, 2011</b> | 5 CCR 11968.5.2, charter revocation   | Not applicable; SF Flex Academy not under threat of revocation  |

| <b>Effective Date</b>    | <b>Legal Citation/Description</b>   | <b>How SF Flex Academy has Met the Requirement</b>   |
|--------------------------|---|--|
| <b>December 16, 2011</b> | 5 CCR 11968.5.3, charter revocation if severe and imminent threat to health and safety of pupils          | Not applicable; SF Flex Academy not under threat of revocation   |
| <b>December 16, 2011</b> | 5 CCR 11968.5.4, appeal of a district charter revocation to a county board of education                   | Not applicable; SF Flex Academy not under threat of revocation   |
| <b>December 16, 2011</b> | 5 CCR 11968.5.5, appeal of a county board of education charter revocation to the State Board of Education | Not applicable; SF Flex Academy not under threat of revocation   |
| <b>November 23, 2011</b> | 5 CCR 11966.4, renewals, appeals, and statewide benefit Charter Schools                                   | Compliant language added to Introduction section of charter and appendix   |
| <b>November 23, 2011</b> | 5 CCR 11966.5, appeals of nonrenewed charters to county board of education                                | Not applicable; charter petition has not been nonrenewed   |
| <b>November 23, 2011</b> | 5 CCR 11966.6, appeals of nonrenewed charters to State Board of Education                                 | Not applicable; charter petition has not been nonrenewed   |
| <b>November 23, 2011</b> | 5 CCR 11966.7, categorical funding for Charter Schools renewed by a different authorizer                  | Not applicable; charter petition has not been nonrenewed   |
| <b>November 23, 2011</b> | 5 CCR 11967, appeals of petitions for the establishment of a Charter School                               | Not applicable; SF Flex Academy is not a new SF Flex Academy   |
| <b>November 23, 2011</b> | 5 CCR 11967.5.1   | Not applicable; SF Flex Academy is not currently appealing to State Board of Education                                   |
| <b>February 13, 2011</b> | 5 CCR 11968.5, revocation by State Board of Education   | Not applicable; SF Flex Academy not eligible for revocation by State Board of Education                                  |
| <b>January 1, 2011</b>   | Education Code Section 48900(r), suspension and expulsion offenses  | While not a requirement of SF Flex Academics, list of enumerated offenses was revised to account for electronic bullying |

| <b>Effective Date</b>     | <b>Legal Citation/Description</b>   | <b>How SF Flex Academy has Met the Requirement</b>   |
|---------------------------|---|--|
| <b>January 1, 2011</b>    | Education Code Section 48000 (transitional kindergarten)  | Not applicable; SF Flex Academy does serve elementary grades   |
| <b>January 1, 2011</b>    | Education Code Section 47614.5(i) (distribution of facilities grants)                                       | Not applicable; Superintendent is responsible for change, not SF Flex Academy  |
| <b>January 1, 2011</b>    | Education Code Section 48000 (minimum age for admission)  | The SF Flex Academy complies with minimum age for admission by screening all applicants for birthdates in accordance with Education Code Section 48000 |
| <b>September 18, 2010</b> | 5 CCR 11967.6, statewide benefit charter petition   | Not applicable; SF Flex Academy is not a statewide benefit SF Flex Academy   |
| <b>September 18, 2010</b> | 5 CCR 11967.6.1, statewide benefit charter petition notifications   | Not applicable; SF Flex Academy is not a statewide benefit SF Flex Academy   |
| <b>January 1, 2010</b>    | Education Code Section 47614.5(i) (distribution of facilities grants)                                       | Not applicable; Superintendent is responsible for change, not SF Flex Academy  |
| <b>January 1, 2010</b>    | Education Code Section 47634.1(e) (limitation on funding deficiency)  | Not applicable; SF Flex Academy is not responsible for change  |
| <b>January 1, 2010</b>    | Education Code Section 47660(c) (inapplicability to conversion Charter Schools)                             | Not applicable; SF Flex Academy is not a conversion Charter School.  |
| <b>January 1, 2009</b>    | Education Code Section 47605(h) (definition of academically low achieving)                                  | Not applicable; SF Flex Academy is not a new Charter School  |
| <b>January 1, 2009</b>    | Education Code Section 47612.7 (Center for Advanced Research and Technology; statute inoperative on 7/1/17) | Not applicable (not Clovis or Fresno Unified School Districts)   |

**Another Question raised in the Budget and Business Services committee:**

- The petitioner (should) provide interim reports, unaudited actual and independent audit reports for the past four years.

Complete independent audit reports were provided to staff at the October 1<sup>st</sup> Budget and Business Services Committee.