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New Jersey Economic Development Authority NSA 18th Avenue LLC; Charter Schools

Primary Credit Analyst:
Avani K Parikh, New York (1) 212-438-1133; avani.parikh@spglobal.com

Secondary Contacts:
Melissa L Brown, Chicago (1) 312-233-7093; melissa.brown@spglobal.com
Laura A Kuffler-Macdonald, New York (1) 212-438-2519; laura.kuffler.macdonald@spglobal.com

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Credit Profile

Rationale

S&P Global Ratings assigned its 'BBB-' rating to New Jersey Economic Development Authority's series 2017 revenue bonds, issued for NSA 18th Avenue LLC on behalf of North Star Academy Charter School of Newark Inc. (North Star). The outlook is stable.

NSA 18th Avenue LLC, a single-purpose New Jersey limited liability company, will use the series 2017 bond proceeds, in conjunction with the proceeds of a parity project loan and a tenant improvement contribution, to renovate and construct an addition to an existing facility. Upon completion, this facility will house two North Star schools, West Side Park Elementary and West Side Park Middle. NSA 18th Avenue LLC will lease the facility to North Star, structured as five-year leases that automatically renew after each five-year term, corresponding with the length of the charter. This unique lease structure stems from New Jersey charter school law, which prevents charter schools from issuing long-term debt or entering leases that exceed the term of the charter.

The series 2017 bonds are secured by an absolute assignment of lease payments from North Star to NSA 18th Avenue, LLC, a mortgage on the financed properties, and a debt service reserve fund. The terms of the lease agreement between North Star and NSA 18th Avenue LLC require the school to make quarterly lease payments equaling 115% of annual bond debt service to the trustee. Because of details of the lease structure and security features associated with the series 2017 bonds, which are ultimately dependent on payments from the school, we view the bonds as equivalent to a general obligation of North Star and our analysis is based on the credit characteristics of the school. While NSA 18th Avenue LLC, and other single-purpose entities are the borrowers on various facility financings supporting North Star, and are not reflected on the school's audit, our analysis reflects total debt on a consolidated basis and is referred to throughout this report as indirect debt of North Star.

We assessed North Star's enterprise profile as strong, characterized by growing enrollment, exceptional demand with and solid academics, a lengthy charter history, and a sophisticated and capable management team. We assessed North Star's financial profile as vulnerable, reflecting slim coverage of pro forma lease adjusted maximum annual debt service (MADS), high leverage, both on an absolute and per-student basis, and limited days' cash on hand, offset by a history of consistently positive operating performance. We believe that combined, these credit factors lead to an indicative stand-alone credit profile of 'bbb-' and a final rating of 'BBB-'. While North Star's financial metrics are modest for the rating level, with debt that has increased rapidly in recent years, we believe that the school's rich operating history and deliberate financial planning, combined with its solid enterprise characteristics, support the rating at this time. We understand there are no plans for additional debt in the near-term and expect North Star's financial metrics will continue to improve incrementally as the school grows into these obligations.

The rating also reflects our view of North Star's:

- Growing enrollment and historically strong demand, as evidenced by the high percentage of students that rank North Star as their top choice in the district's universal enrollment system;
- History of solid academic performance, supported by unique programming that provides teacher training and retention, as well as robust mentorship opportunities for students and alumni;
- Sophisticated management team with sound governance practices, proactive oversight, and thoughtful strategic planning; and
- Good working relationship with the chartering authority, the New Jersey Department of Education (NJDOE), with a long history of successful charter renewals.

Factors currently precluding a higher rating consist of weaknesses that we believe are specific to the academy, as well as those intrinsic to charter schools in general. These factors include:

- High leverage, both on a balance-sheet and per-student basis, although North Star has received a significant amount of federal tax credit bonds, which offset interest cost on a significant portion of the outstanding debt;
- Modest unrestricted reserves for the rating level, with 51 days' cash on hand at the end of fiscal 2016;
- Complicated debt structure involving intermediary single purpose entities, third-party borrowers and security based on the automatically renewable lease with the school, due to state charter school law;
- Transition risk associated with current construction projects and associated school relocations, though North Star has handled such projects successfully in the past; and
- The inherent uncertainty associated with charter renewals, given that the final maturity on the bonds exceeds the length of the existing charter.

North Star is a New Jersey public charter school, which commenced operations in 1997 with 72 students in its first middle school program. Today, North Star comprises a network of college-preparatory schools serving Newark's under-resourced communities, with enrollment of just above 4,500 for the 2016-2017 school year. For fall 2017, North Star plans to serve just shy of 5,000 students, with enrollment, as of the start of the school year, tracking to expectations. There are 13 schools under its charter: six elementary schools serving grades K-4 at full expansion; five middle schools serving grades 5-8 at full expansion; and two high schools. North Star's final middle school is slated to open in fall 2018. The schools are organized in two clusters, with three elementary and three middle schools feeding to one high schools to offer a full K-12 education. Upon completion of all planned facility projects, the schools will be housed in eight buildings, with certain schools co-located. The NJDOE's most recent charter renewal for North Star includes approval for enrollment growth that is consistent with the school's strategy.

North Star's schools and their respective grades and enrollment figures, as of fall 2016, are as follows:

- Downtown Middle (5-8, opened in 1997, enrollment of 341);
- Washington Park High (9-12, opened in 2000, enrollment of 580);
- Clinton Hill Middle (5-8, opened in 2005, enrollment of 357);
- Vailsburg Elementary (K-4, opened in 2007, enrollment of 449);
- Vailsburg Middle (5-8, opened in 2010, enrollment of 348);
- West Side Park Elementary (K-4, opened in 2010, enrollment of 446);
- Fairmount Elementary (K-4, opened in 2011, enrollment of 449);
- Westside Park Middle (5-8, opened in 2012, enrollment of 350);
- Liberty Elementary (K-4, opened in 2012, enrollment of 449);

- Alexander Street Elementary (K-4, opened in 2014, enrollment of 388);
- Central Avenue Middle (5-6, expected to serve 5-8 at full enrollment, opened in 2015, enrollment of 180);
- Lincoln Park High School (9, expected to serve 9-12 at full enrollment, opened in 2016, enrollment of 79);
- Elementary School-6 (K, expected to serve K-4 at full enrollment, opened in 2016, enrollment of 86); and
- Middle School-6 (projected to open in fall 2018 with 89 students in grade 5 and serve grades 5-8 at full capacity).

NSA 18th Avenue, LLC, will use the series 2017 bond proceeds, approximately $25 million in fixed-rate debt, in conjunction with approximately $12 million in proceeds associated the parity project loan (approximately $2.8 million) and tenant improvement contribution (approximately $9.5 million), to renovate and construct an addition to an existing facility as described above. According to management, North Star will receive grant funding of approximately $9.8 million in October 2017, which will free up unrestricted reserves to fund the tenant improvement contribution. The tenant improvement contribution will reside in an operating account of North Star on or before the execution of the bond purchase agreement. The project loan is expected to close simultaneously with security protections detailed in an intercreditor agreement between the lenders. Total project costs are estimated at approximately $34 million; the remaining proceeds will fund capitalized interest, a debt service reserve fund (DSRF), and issuance costs. The project is slated for completion prior to the 2018-2019 school year.

As of June 30, 2016, North Star, indirectly through financings supported by multiple single purpose entities, had approximately $90 million of long-term debt outstanding. The majority of debt is fixed rate, primarily through qualified zone academy bonds (QZAB) and qualified school construction bond (QSCB) financings, under which the federal government subsidizes interest expense as part of a federal bond program. These financings are supported by a number of third party loans, all which include a covenant requiring 1.05x lease coverage; we understand violations do not result in immediate acceleration. In our view, North Star has ample headroom above this covenant level, as the school makes lease payments at 115% of required debt service, and we view the risk of acceleration as remote at this time.

Pro forma debt includes the $36 million series 2017 transaction described above, as well as a $7 million loan from Local Initiatives Support Coalition (which has already closed) and a $31 million construction loan (expected to be fully drawn down during fiscal 2018). Pro forma debt is approximately $164 million; we recognize this figure is slightly overstated as it does not include amortization in fiscal 2017. The $31 million construction loan, which North Star expects to refinance in the next one to two years potentially through a tax-exempt issuance, is financing the construction of the school's Lincoln Park campus. The facility will house Lincoln Park High School and Elementary School-6 (both which opened in fall 2016), as well as Middle School-6 (expected to open in fall 2018). The project is slated for completion prior to the 2018-2019 school year. Total projected lease payments from North Star to the related single purpose entities, which will support underlying debt service on all of the financings described above, ramp up quickly in the near-term to approximately $12.1 million in fiscal 2020, after which the payments decline modestly over time. Our analysis is based on $12.1 million as pro forma lease adjusted MADS, though as required under the bond documents, the projected lease payments are calculated at 115% of required debt service on the underlying obligations and we recognize this calculation is somewhat conservative due to this security feature.

Upon completion of the West Side Park and Lincoln Park projects, four of the facilities will be owned by single purpose entities. The buildings for Clinton Hill Middle School and Central Avenue Middle School are leased from two separate churches on a long-term basis by the related single purpose entities, and sub-leased to North Star, for a 50-year and 75-year lease term, respectively. Finally, the buildings for Fairmount Elementary School and Liberty Elementary School (these schools are co-located) and Alexander Elementary School are leased from Newark Public Schools (NPS) building on a long-term basis with a 32-year term. North Star has no additional plans for growth beyond the 14th school slated to open for fall 2018 and all construction projects underway will account for all facility needs to support planned enrollment growth. The organization has no additional debt plans over the next two years, beyond the refinancing plans already discussed, and no significant capital projects in the near term.

Outlook

The stable outlook reflects our expectation that, over the next two years, North Star will continue to generate consistent operating surpluses with lease adjusted MADS coverage consistent with the rating level, while maintaining steady demand at each campus location, at least stable liquidity, and prudent management of construction and relocation plans.

Downside scenario

We could consider a negative rating action if liquidity is pressured from current levels. In addition, we believe the organization has very limited capacity for additional debt at the current rating level. Any further debt--although not currently planned, according to management--would likely result in a negative rating action. Finally, any enrollment or funding pressures resulting in sustained operating deficits with weakened lease adjusted MADS coverage could be viewed negatively.

Upside scenario

A positive rating action is unlikely during the next two years given our opinion of North Star's pro forma leverage, complex debt structure, and modest unrestricted reserves.

Enterprise Profile

Economic fundamentals

North Star is in Essex County, which includes a healthy minor population at about 265,000. The minor population is expected to decline modestly, by a projected 2.4%, through 2022.

Industry risk

Industry risk addresses the charter school sector's overall cyclicality and competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the charter school sector represents a moderately high credit risk when compared with other industries and sectors.

Market position

Overall, we consider North Star's enrollment and demand profile stable and solid, based on its consistently growing enrollment, solid academic performance, and good student retention. North Star's enrollment has increased every year since inception through grade expansion and additional schools. Growth over the past three years has averaged about

19% year over year, with total enrollment for fall 2016 across all 13 schools jumping 12.8% to 4,501, from 3,991 the prior year. Management has targeted fall 2017 enrollment of about 4,945 students, with current enrollment as of the start of school in line with these expectations. Consistent with historical trends, enrollment for fall 2016 exceeded original projections; the same is expected for fall 2017 as enrollment continues to ramp up through count day.

North Star participates in NPS' universal enrollment system (Newark Enrolls), which allows parents to complete a single application for both district and charter schools with a ranking for their top eight schools. Given the ranking process and universal enrollment system, we understand from management that waiting lists in the traditional sense no longer exist for schools participating in Newark Enrolls. However, according to data provided by management, over 15% of all applicants ranked North Star first, which, in our view, reflects the school's healthy demand profile. Applications are healthy at every grade level, particularly for grades K-3, with demand doubling the availability of seats. Retention rates across the North Star schools have been good, at 92% for the past two years. North Star draws from a high-needs population, with over 87% of its students qualifying for free or reduced lunch and a special education population at about 7%--higher on average than those of comparable Newark charter schools. The North Star schools differ somewhat in their respective competitive positions because of grades served, location, and access to public transportation, although we view the demand for all campuses as healthy.

Based on management's projections and growth strategy, with the addition of its last middle next year and filling in grade levels at the existing schools, North Star plans to increase enrollment steadily until reaching approximately 6,100 students system-wide by fall 2021. At full enrollment, North Star expects to serve just under 6,500 students. Based on this trajectory, management's projections reflect moderating growth at between 5%--10% annually in the near-term. We view North Star's enrollment growth plans as manageable given the strength of its demand profile. In our view, the organization has managed its recent growth very successfully, with a proven track record of effectively managing the opening of new schools and meeting enrollment targets.

North Star's academic performance has historically been excellent, considerably outperforming the traditional Newark public schools and with performance exceeding the area's top charter schools. While test scores vary by school and grade, overall performance has generally indicated improvement over time as students stay with North Star and advance through the grades. We expect this trend will continue. North Star's curriculum has a special emphasis on preparedness for higher education, from the earliest grades, with a robust college counseling program that starts during freshman year. North Star has an impressive 100% graduation and college acceptance rate, with more than 95% of those students matriculating to college. Over the past five years, North Star's four-year college placement rate ranks highest among all high schools in the state of New Jersey. North Star's academic program is supported by dedicated teachers and staff, with a good teacher retention rate. In our view, the school's impressive academic outcomes support North Star's healthy demand profile and continued draw for students.

The NJDOE provides academic and financial oversight as the school's charter authorizer. The NJDOE granted the school's initial charter in 1997 for a four-year term and has renewed it four times for five years each (charters in New Jersey are generally renewed for five years), with the most recent five-year renewal extending through June 30, 2021. The NJDOE states that North Star is considered exemplary, with high performance academically and good financial compliance. As evidence of this view, the authorizer asked North Star to take over a failing NPS school in December of

2013. Management successfully opened the school, Alexander Street Elementary, in fall 2014 and turned around performance within a year. In our view, North Star's long operating history, with a track record of successful charter renewals and positive relationship with the authorizer, provide rating support.

New Jersey laws governing charter schools are stricter than those of many other states; the state recently adjusted its charter renewal process to include a contract between the NJDOE and each charter school. The charter renewal process includes set benchmark targets for each charter school--which, if not met, could result in the charter's revocation at the end of its term. The statutory framework assessment reflects our opinion that, while there may be some areas of risk, the framework is not likely to impair its future ability to pay debt service.

Management and governance

North Star is managed by Uncommon Schools Inc., a management organization created initially to support North Star, but which now supports the operations of over 50 schools in six regions. The regions include Newark, New Jersey; Camden, New Jersey; New York, New York; Rochester, New York; Troy, New York; and Boston, Massachusetts. Each region has executed separate management agreements with Uncommon; North Star's contract, which covers a full range of services, runs co-terminus with the charter term.

In our view, the collective oversight provided by North Star and Uncommon management is robust. The senior management team is sophisticated, dynamic and dedicated, with several long-tenured members as well as newer staff added to support strategic growth. Management indicates a succession plan is in place, coupled with cross-training and shared support of responsibilities, in the event of any changes. An active 10-member volunteer North Star board of trustees with a standard committee structure provides additional oversight. It is our understandings that ultimate decision making authority, including the potential for the school to terminate its contract with Uncommon for management services, rests with North Star's board, should it wish to do so. However, given the close relationship between the two organizations, we view this as unlikely. North Star's board members possess expertise in a variety of areas, including business and education, along with a strong community presence, which we believe adds stability to school operations and provides support for continued enrollment growth plans over the next several years. In addition, Uncommon is governed by an independent 14-member board which provides additional oversight. In our view, management has handled its growth and strategic plans deliberately, though this is offset somewhat by an aggressive increase in borrowings in recent years and the school's elevated leverage position, with only modest liquidity supporting the organization.

Uncommon also provides support for facilities acquisition and related financings. In terms of organizational structure, all of the single-purpose entities that are borrowers on North Star related financings roll up to a North Star Academy Foundation Inc. entity (the foundation), which ultimately is reported and consolidated within Uncommon's audit. The foundation was formed in 2016 to organize all of the single purpose entities within one structure; its mission is to support North Star, and the education of students in Newark, New Jersey. Based on discussions with management, it is our understanding that even though this entity currently reports up through Uncommon, should North Star terminate its management relationship with Uncommon, the foundation structure would remain intact and in place to support North Star. Finally, while Uncommon appoints the board members for the foundation board, we understand North Star's board ultimately approves all growth, facility and leasing decisions. Given the complexity of this structure, this does limit transparency, in our view, though the team is adept at explaining the overall structure and providing additional disclosures as needed. In addition, we recognize management's sophistication in creating this structure and entering into favorable financings supported by federal tax credit bonds.

Financial Performance

State funding environment

In New Jersey, the state determines how much funding is appropriate to educate students in each school district and then examines each related local tax base to determine how much of the funding can be derived from the local tax levy and what portion the state must fund. In Newark, 86% currently comes from the state due to the weak local property tax base. Therefore, charter schools in low-income areas depend almost entirely on the state for operating revenue that is subject to annual appropriation by the state legislature. Charter and district schools receive funding through a student-weighted formula that takes into account the demographic factors of every student in the school. A base level of funding is provided for each student, along with additional amounts based on factors such as grade, income level, special needs, and language needs. In addition, schools in Newark and other low-income communities statewide received per-pupil "parity aid"--an amount equal to the average annual amount spent for each child by the state's wealthiest districts, which is protected by the state's School Funding Reform Act. Charter schools receive 90% of the per-pupil formula amount, with the remaining 10% assigned to the student's home district.

Overall, per-pupil funding for North Star was flat in fiscal years 2016 and 2017, and will remain flat for fiscal 2018, though longer term uncertainty remains given the state's budgetary pressures. Management is preparing accordingly and expects to manage funding levels through enrollment growth and expense reductions.

Adjusted financial statements

We have made certain adjustments to financial statements of certain public charter schools for financial results beginning with fiscal year-end June 30, 2015. These adjustments enhance analytical clarity regarding the economic substance of the funding of liabilities, expenses, and deferred inflows and outflows of resources associated with pension plan obligations, as well as a change in accounting principles under Governmental Accounting Standards Board Statements (GASB) No. 68. We believe these adjustments enhance analytical clarity from a credit perspective and result in more--comparable financial metrics.

Financial performance

North Star has reported positive operations on a consolidated basis since its founding, with healthy margins largely reflecting disciplined expense control, continued enrollment growth, and stable-to-increasing per-pupil funding. For the past three years, North Star has posted operating surpluses ranging from $1.3 million to $2 million, equating to margins between 2% and 3%. The school has maintained a steady operational history with a long track record of good performance, which we view positively. North Star's positive operations support barely sufficient pro forma lease adjusted MADS coverage of 0.99x for fiscal 2016, though we recognize this calculation is conservative given the nature of the required lease payments. In addition, our analysis includes the related payments associated with all of the planned financings but is assessed relative to fiscal 2016 audited results, absent the growth in enrollment and operations that has occurred since then. In our calculation of lease adjusted net revenues available for debt service, we add back the associated lease expenses ultimately supporting debt service on the various financings discussed above, as well as capital expenditures flowing through the statement of activities. We understand these capital expenses have been one-time in nature to support North Star's growth and facility projects over the past few years, but are required to be recorded under the statement of activities by the NJDOE, as stated in the school's audit.

Based on multi-year projections shared by management, North Star forecasts continued surpluses in the near term which we expect will support improved coverage from current levels. Though per-pupil funding could be pressured based on state's budget situation in the near-term, management has budgeted conservatively for expenses and indicates there is flexibility to manage costs, should it be needed. We expect North Star will maintain positive performance in the near term with an overall operational profile consistent with the rating level.

Liquidity and financial flexibility

Good cash flow and positive bottom lines have supported growth in North Star's liquidity position, though it remains quite modest compared to peers and medians for the rating level. Based on audited results as of June 30, 2016, North Star had $10.1 million of unrestricted cash and investments (equating to 51 days' cash on hand), including $1.3 million of unrestricted reserves sitting with the foundation, which we understand is truly unrestricted and available to North Star should it be needed for operational purposes. Management projects achieving close to 60 days' cash on hand over the next few years, with incremental growth thereafter, reflecting continued cash increases from operating surpluses as well as the excess lease payments, which will accumulate at the foundation through the payments made to the single purpose entities. North Star's unrestricted reserves to pro forma debt metric remains modest compared with category medians and comparable peers, though we expect this measure to improve as unrestricted cash grows over the next few years and the organization pays down debt, with no additional planned borrowings.

Debt burden

As stated, North Star's long-term debt is approximately $164 million. In our view, the lease adjusted MADS burden is above average at 16.2% of fiscal 2016 operating revenues. Pro forma debt-to-capitalization is high, and we consider leverage high on both an absolute and per-student basis, which limits additional debt capacity at the current rating. As stated, management reports no immediate debt plans or significant capital needs at this time, so we expect North Star's debt burden measures to improve incrementally in the near term, especially in light of expected enrollment growth and resulting increases in the school's revenue base. Our debt burden analysis also reflects potential exposure associated with the state's significantly underfunded pension plans. While currently 100% of employer contributions are made by the state for the Teachers' Pension Annuity Fund (TPAF), the largest plan in which the school participates, it is a special funding situation and we recognize there is potential that the state could shift obligations to the school.

Financial policies

The school meets standard annual disclosure requirements. The financial policies assessment reflects our opinion that, while there may be some areas of risk, the organization's overall financial policies are not likely to impair its future ability to pay debt service. Our analysis of financial policies includes a review of the organization's financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure and a comparison of these policies with comparable providers.

Bond provisions

According to documents provided to S&P Global Ratings, bondholders are provided operating and liquidity covenants, tested annually as of June 30. The liquidity covenant requires North Star to maintain 30 days' cash on hand effective fiscal 2018 and for the next five years, after which the covenant increases to 45 days'; the operating covenant requires annual lease coverage of 1.05x. Violations of these covenants could be deemed an event of default if they cannot be reasonably cured within a 60 day cure period. A prospective additional bonds test is also included, as a certificate attached to the lease agreement, requiring pro forma lease coverage of at least 1.05x for each fiscal year following the effective date of the new or amended lease. We view this additional bonds test as less conservative than traditional terms, though we recognize that the underlying lease payments are already at 115% of required debt service.

North Star Academy Charter School, New Jersey Financial Statistics

	--Fiscal year ended June 30--				Medians for 'BBB-' rated charter schools
	2017	2016	2015	2014	2016
Enrollment					
Total headcount	4,501	3,991	3,435	2,711	932
Waiting list as % of enrollment*	N.A.	N.A.	N.A.	N.A.	37.5
Financial performance					
Total revenues ($000s)	N.A.	74,799	65,621	51,654	7,657
Total expenses ($000s)	N.A.	72,747	63,656	50,333	MNR
EBIDA ($000s)	N.A.	2,621	2,450	1,689	MNR
EBIDA margin (%)	N.A.	3.50	3.73	3.27	17.70
Excess revenues over expenses ($000s)	N.A.	2,052	1,965	1,321	MNR
Excess income margin (%)	N.A.	2.74	2.99	2.56	4.5
Lease adjusted annual debt service coverage (x)	N.A.	2.59	2.17	2.21	MNR
Lease adjusted annual debt service burden (% total revenues)	N.A.	6.2	5.6	6.9	MNR
Lease adjusted annual debt service burden (% total expenses)	N.A.	6.4	5.8	7.0	MNR
Pro forma MADS ($000s)	N.A.	12,129	12,129	12,129	977
Pro forma lease adjusted MADS coverage (x)	N.A.	0.99	0.66	0.65	1.5
Pro forma lease adjusted MADS burden (% total revenues)	N.A.	16.2	18.5	23.5	12.0
Pro forma lease adjusted MADS burden (% total expenses)	N.A.	16.7	19.1	24.1	MNR
Total revenue per student ($)	N.A.	18,742	19,104	19,053	MNR
Balance Sheet Metrics					
Days' cash on hand	N.A.	51.1	35.2	42.2	138.00
Total long-term debt ($000s)	N.A.	90,055	51,424	52,817	MNR
Unrestricted reserves to debt (%)	N.A.	11.2	11.8	10.9	22.0
Unrestricted net assets as % of expenses	N.A.	13.0	11.8	11.8	32.4
General fund balance ($000s)	N.A.	9,364	7,432	5,885	MNR
Debt to capitalization (%)	N.A.	90.6	87.4	90.0	84
Debt per student ($)	N.A.	22,565	14,971	19,482	13,571

North Star Academy Charter School, New Jersey Financial Statistics (cont.)

	--Fiscal year ended June 30--				Medians for 'BBB-' rated charter schools
	2017	2016	2015	2014	2016
Pro forma Metrics					
Pro forma long-term debt ($000s)	N.A.	163,645	51,424	52,817	MNR
Pro forma debt to capitalization (%)	N.A.	94.60	87.36	89.96	MNR
Pro forma debt per student ($)	N.A.	41,004	14,971	19,482	MNR

N.A.--not available. N/A--not applicable. MNR--median not reported. MADS--maximum annual debt service. *Not available due to district's universal enrollment system, for more information see Market Position discussion.