

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – July 2024
Item# 6 Resolution 24-27**

Applicant/Obligor:	Gilroy Prep
Project School:	Gilroy Prep
CDS (County – District – School) Code:	43-69484-0123760
School Address:	277 IOOF Ave., Gilroy, CA 95020
Type of Project:	Rehabilitation and New Construction
Type of Apportionment:	Advance
County:	Santa Clara
District in which Project is Located:	Gilroy Unified
Charter Authorizer:	Gilroy Unified
Total OPSC Project Cost:	\$5,506,096
State Apportionment (50% Project Cost):	\$2,753,048
Total CSFP Financed Amount:	\$2,753,048
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$140,458
First Year of Occupancy of New Project:	2026-27

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Gilroy Prep (School or GP), is financially sound for Charter School Facilities Program (Program or CSFP) Advance Apportionment. This determination, as it relates to Advance Apportionment, shall remain in effect for twelve months and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon GP electing to have its CSFP payments intercepted at the state-level, under Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. This recommendation also is contingent upon GP having access to unrestricted cash held at the charter management organization level given that GP does not hold any unrestricted cash at the school level. **We are awaiting approval of this contingency from Navigator Schools, GP's parent organization.** Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

Application Highlights: Below staff highlighted key criteria evaluated when conducting the financial soundness review for GP. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2023-24, GP had a total enrollment of 540 students in grades K-8; the average daily attendance (ADA) rate was 97%, and the Unduplicated Pupil Percentage (UPP) of ADA was 54.1%.
Debt Service Coverage	GP's debt service coverage from adjusted net income on this CSFP loan is projected to average 108.5% over the first three years that payments are due.
Eligibility Criteria	GP has met all eligibility criteria: (1) GP commenced operations in 2011; (2) GP's charter is in place through June 2026; (3) GP is in good standing with its chartering authority and in compliance with the terms of its charter.
Student Performance	GP students' performance consistently exceeded that of peers in their local district during the period examined, based on California standardized testing (CAASPP).

Program Eligibility: Gilroy Unified School District has confirmed that as of March 15, 2024, GP is in compliance with the terms of its Charter Agreement and has no pending or outstanding Notices of Violation or Intent to Revoke.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: GP's proposed Rehabilitation and New Construction projects consist of the modernization of 17 classrooms housing grades K-6 comprising 17,280 sq. ft. and 4 classrooms housing grades 7-8 comprising 3,840 SF, totaling 21 classrooms comprising 21,120 sq. ft. The scope also includes the modernization of student restrooms comprising 1,440 sq. ft., plus site work including a new Kindergarten play area, upper-level play area, a sports field, and a reconfigured parking lot.

School Organizational Information: As a member of the Navigator Schools (NS) organization. Using a model of data-driven instruction and blended learning, GP is dedicated to increasing high-quality educational opportunities for students in California's Central Coast region. All students are welcome at Navigator Schools, including those with limited English skills, special needs, or learning challenges.

Dr. Caprice Young is the current CEO and Superintendent of NS, Missy Corral is the current Principal of GP. Navigator Schools is governed by a volunteer board of directors, comprised of educational leaders, committed parents, and dedicated community members. With its efforts targeted on the strategic focus of Navigator Schools, the board is responsible for ensuring the organization is faithful to the terms of its charters, and that their schools are effective, equitable, and responsive to the needs of students and families.

2023-24 Gilroy Prep Board of Directors

Name	Position	Term Expiration
Nora Crivello	Board Chair	June 2025
Ian Connell	Board Vice Chair	June 2025
Claire Grissom	Hollister Prep Representative	June 2025
JP Anderson	Member	June 2025
Chuck Daggs	Member	June 2025
Shara Hegde	Member	June 2025
Jaime Quiroga	Member	June 2025

School Academic Performance: The following tables represent the recent academic performance of GP; a similar local elementary school, El Roble Elementary; a similar local middle school, Brownell Middle; and Gilroy Unified School District. Results are provided through the California Department of Education’s CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards.

*2019–20 results are not available due to the suspension of testing as a result of the novel coronavirus disease 2019 (COVID-19).

**2020-2021 testing participation varied due to factors surrounding the novel coronavirus (COVID-19) pandemic.

English Language Arts Achievement

	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Gilroy Prep	83%	85%	81%	*	**	68%	68%
El Roble Elementary	35%	34%	39%	*	**	35%	30%
Brownell Middle	53%	49%	52%	*	**	48%	48%
Gilroy Unified	48%	47%	48%	*	**	41%	40%

Mathematics Achievement

	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Gilroy Prep	75%	70%	69%	*	**	54%	50%
El Roble Elementary	29%	32%	36%	*	**	28%	27%
Brownell Middle	41%	40%	45%	*	**	36%	34%
Gilroy Unified	40%	40%	41%	*	**	30%	30%

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for GP from FY 2018-19 through FY 2029-30. GP administration anticipates occupying the proposed project facility by the start of FY 2026-27. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

GP Student Enrollment and Average Daily Attendance

Year (FY)	2021	2022	2023	2024	2025	2026	2027	2028	2029
Enrollment	539	540	544	540	588	580	580	580	580
ADA (%)	96.4	94.6	91.5	97.0	97.0	97.0	97.0	97.0	97.0

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for GP: (1) audited financial statements for FY 2020-21 through 2022-23; (2) budget projections for FYs 2023-24 through 2028-29 along with assumptions.

Assumptions: Staff’s financial analysis of GP is based upon the following assumptions: (1) occupancy of the project facilities in FY 2026-27; (2) the repayment of GP’s CSFP matching share loan in the amount of \$2,753,048 at 3% interest commencing in FY 2027-28; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Based on available data, staff are not aware of any foreseeable long-term liabilities at this time. Additionally, obligors are required to notify the Authority before taking on additional debt that exceeds certain thresholds.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding GP’s financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS											
	Actual FY 2021	Actual FY 2022	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL											
Enrollment	539	540	544	540	588	580	580	580	580	580	
Average Daily Attendance (ADA)	519	509	498	515	570	563	563	563	563		
Average Daily Attendance (%)	96.4%	94.2%	91.5%	95.4%	96.9%	97.0%	97.0%	97.0%	97.0%	95.8%	< 94.0%
LCFF Sources/ADA	\$ 9,067	\$ 9,776	\$ 10,736	\$ 11,798	\$ 11,867	\$ 12,660	\$ 13,136	\$ 13,570	\$ 14,017	\$ 11,848	
% Change		7.8%	9.8%	9.9%	0.6%	6.7%	3.8%	3.3%	3.3%	5.6%	
Operating Revenues/ADA	\$ 12,301	\$ 13,824	\$ 15,759	\$ 17,200	\$ 15,709	\$ 16,603	\$ 17,085	\$ 17,536	\$ 17,989	\$ 16,001	
% Change		12.4%	14.0%	9.1%	-8.7%	5.7%	2.9%	2.6%	2.6%	5.1%	
Operating Expenses plus CSFP Lease/ADA	\$ 6,741	\$ 7,664	\$ 10,307	\$ 16,367	\$ 15,573	\$ 16,561	\$ 16,906	\$ 17,530	\$ 17,954	\$ 13,956	
% Change		13.7%	34.5%	58.8%	-4.9%	6.3%	2.1%	3.7%	2.4%	14.6%	
Free Cash Flow/ADA	\$ 5,560	\$ 6,160	\$ 5,451	\$ 833	\$ 136	\$ 42	\$ 179	\$ 7	\$ 35	\$ 2,045	< 0
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 6,390,351	\$ 7,032,713	\$ 7,848,231	\$ 8,864,017	\$ 8,954,070	\$ 9,340,900	\$ 9,611,896	\$ 9,866,003	\$ 10,120,672		
Total Operating Expenses	3,501,757	3,898,833	5,133,330	8,434,852	8,876,573	9,317,473	9,511,460	9,721,733	9,960,271		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Lease Payment	2,888,594	3,133,880	2,714,901	429,165	77,497	23,427	100,436	144,270	160,401		
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-		
Add Back Depreciation	-	-	-	111,234	-	-	-	-	-		
Adjusted Net Income Available for CSFP Lease Pymt	2,888,594	3,133,880	2,714,901	540,399	77,497	23,427	100,436	144,270	160,401		
CSFP Lease Payments	-	-	-	-	-	-	-	140,458	140,458		
Free Cash Flow	\$ 2,888,594	\$ 3,133,880	\$ 2,714,901	\$ 540,399	\$ 77,497	\$ 23,427	\$ 100,436	\$ 3,812	\$ 19,943	\$ 1,055,877	< 0
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	102.7%	114.2%	108.5%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3257.8%	3436.6%	3347.2%	> 15.0%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.4%	1.4%	1.4%	> 15.0%
FUNDRAISING											
Fundraising for Operations	\$ 401	\$ 6,713	\$ 18,001	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,791	> 15.0%
Fundraising/Oper. Revenues	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	> 15.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	97.4%	108.9%	103.1%	< 100.0%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	49.2%	-165.9%	-58.4%	> 50.0%
LIQUIDITY											
Current Assets	\$ 2,819,766	\$ 2,955,516	\$ 3,485,363								
Current Liabilities	985,556	643,702	554,230								
Net Working Capital	\$ 1,834,210	\$ 2,311,814	\$ 2,931,133								
Net Working Capital/Oper. Expenses	52.4%	59.3%	57.1%							56.3%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ -	\$ -	\$ -								
Unrest. Cash & CE/Oper. Expenses (Days)	0	0	0								
Unrest. Cash & CE/All Expenses (Days)	0	0	0							0	< 90

Benchmark Summary:

- Enrollment – Average ADA rate consistently exceeds the 94.0% threshold.
- Free Cash Flow and/or per ADA – GP operates with historically positive cash flow; Staff finds projections reasonable and within tolerance given the length of the period examined.
- Debt Service Coverage from Adj. Net Income – Estimated 108.5% average debt service coverage is only slightly above the threshold of 100%. However, Free Cash Flow and Net Working Capital remain high, indicating the projection factors used are reasonable.
- CSFP Lease Payment relative to Operational Revenues: Representing an estimated 1.4% of annual operating revenues, projected CSFP lease payments are unlikely to create any financial hardship.
- Net Working Capital relative to Operating Expenses – GP liquidity metrics are strong with a ratio of Net Working Capital to Operational Expenses over 56%.
- The model reflects zero days of unrestricted cash reserves as Navigator Schools historically reserves the majority of the Cash and Cash Equivalents at the CMO level, as shown below in the Statement of Cash Flows from the 2023 audit.
- *Given GP’s net debt service coverage of 1.08% as well as zero days of cash on hand, Authority staff is recommending additional contingencies outlined below in the Recommendation section of this summary.*

**NAVIGATOR SCHOOLS
 CONSOLIDATED STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2023**

	Navigator Schools							Eliminations	Total
	CMO	Gilroy Prep	Hollister Prep	Watsonville Prep	Hayward Collegiate	407 Main St. LLC			
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	\$ 45,423	\$ 584,702	\$ 591,253	\$ 403,586	\$ 1,492,355	\$ (976,566)	\$ -	\$ 2,140,753	
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:									
Depreciation	4,698	48,746	25,762	5,794	80,387	291,097	-	456,484	
Noncash Lease Expense	479	-	-	350,855	4,697	1,275,174	(350,855)	1,280,350	
(Increase) Decrease in Assets:									
Accounts Receivable	(1,657,621)	(600,732)	(1,239,126)	(1,729,331)	(492,303)	(1,036,502)	-	(6,755,615)	
Prepaid Expenses and Other Assets	(30,698)	70,885	46,706	92,412	(51,716)	-	-	127,589	
Deferred Rent Asset	-	-	-	-	-	(350,855)	350,855	-	
Increase (Decrease) in Liabilities:									
Accounts Payable and Accrued Liabilities	1,598,126	34,146	82,777	237,223	847,405	1,970,233	-	4,769,910	
Deferred Revenue	250,000	(137,747)	492,628	523,993	151,875	-	-	1,280,749	
Deferred Rent Liability	-	-	-	-	-	(957,330)	-	(957,330)	
Net Cash Provided by Operating Activities	210,407	-	-	(115,468)	2,032,700	215,251	-	2,342,890	
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of Property, Plant, and Equipment	(56,379)	-	-	-	(165,067)	(83,396)	-	(304,842)	
Net Cash Used by Investing Activities	(56,379)	-	-	-	(165,067)	(83,396)	-	(304,842)	
CASH FLOWS FROM FINANCING ACTIVITIES									
Proceeds from Notes Payable	-	-	-	-	138,586	-	-	138,586	
Transfer of Notes Payable	(150,000)	-	-	150,000	-	-	-	-	
Repayments of Notes Payable	-	-	-	(46,194)	(46,194)	-	-	(92,388)	
Net Cash Provided by Financing Activities	(150,000)	-	-	103,806	92,392	-	-	46,198	
CHANGE IN CASH AND CASH EQUIVALENTS	4,028	-	-	(11,662)	1,960,025	131,855	-	2,084,246	
Cash and Cash Equivalents - Beginning of Year	5,978,251	-	-	-	-	331,866	-	6,310,117	
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,982,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,662)</u>	<u>\$ 1,960,025</u>	<u>\$ 463,721</u>	<u>\$ -</u>	<u>\$ 8,394,363</u>	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION									
Cash Paid for Interest	\$ -	\$ -	\$ -	\$ 11,450	\$ 1,725	\$ 568,055	\$ -	\$ 581,230	

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Gilroy Prep (GP) is financially sound for the purposes of Charter School Facilities Program (CSFP) Advance Apportionment. This determination, as it relates to Advance Apportionment, is in place for twelve months and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon GP electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4. This recommendation also is contingent upon GP having access to unrestricted cash held at the charter management organization level given that GP does not hold any unrestricted cash at the school level. We are awaiting approval of this contingency from Navigator Schools, GP's parent organization. Staff recommends that the CSFA Board direct staff to immediately notify the Office of Public School Construction and the State Allocation Board regarding this determination.