

**Charter School Facilities Program
2022 Filing Round
Staff Summary Report – April 2025
Item# 6 Resolution 25-13**

| | |
|--|-------------------------------------|
| 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: | Final |
| County: | Santa Clara |
| District in which Project is Located: | Gilroy Unified |
| Charter Authorizer: | Gilroy Unified |
| Rehabilitation Project Cost: | \$2,8433,40 |
| New Construction Project Cost: | \$1,837,180 |
| Total OPSC Project Cost: | \$4,680,520 |
| State Apportionment (50% Project Cost): | \$2,340,260 |
| Total CSFP Financed Amount: | \$2,340,260 |
| Length of CSFP Funding Agreement: | 30 years |
| Assumed Interest Rate: | 3.00% |
| Estimated Annual CSFP Payment: | \$119,398 |
| 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) Final Apportionment. This determination, as it relates to Final 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. Navigator Schools, the CMO, has provided an assurance letter certifying that GP will have continuous access to sufficient unrestricted cash to meet its financial obligations. 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.

As this determination is for Final Apportionment, GP will not return to the CSFA board for further consideration. Staff will monitor GP's project to ensure the school occupies its CSFP facility and payments commence pursuant to Program regulations.

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 2024-25, GP has a total enrollment of 588 students in grades K-8; the average daily attendance (ADA) rate was 95.1%, and the Unduplicated Pupil Percentage (UPP) of ADA was 67.3%. |
| Debt Service Coverage | GP's debt service coverage from adjusted net income on this CSFP loan is projected to average 147.1% 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 25, 2025, 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: GP is a member of the Navigator Schools (NS) organization. According to information provided by the School, 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 Chief Executive Officer and Superintendent of NS, Missy Corral is the current Principal of GP.

NS 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 NS, 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.

2024-25 Gilroy Prep Board of Directors

| Name | Position | Term Expiration |
|----------------|-------------------------------|------------------------|
| Nora Crivello | Board Chair | June 2026 |
| Ian Connell | Board Vice Chair | June 2026 |
| Claire Grissom | Hollister Prep Representative | June 2026 |
| JP Anderson | Member | June 2026 |
| Chuck Daggs | Member | June 2025 |
| Shara Hegde | Member | June 2025 |
| Jaime Quiroga | Member | June 2026 |

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.

English Language Arts Achievement

| | FY22 | FY23 | FY24 |
|---------------------|-------------|-------------|-------------|
| Gilroy Prep | 68% | 68% | 63% |
| El Roble Elementary | 35% | 30% | 27% |
| Brownell Middle | 48% | 48% | 50% |
| Gilroy Unified | 41% | 40% | 42% |

Mathematics Achievement

| | FY22 | FY23 | FY24 |
|---------------------|-------------|-------------|-------------|
| Gilroy Prep | 54% | 50% | 55% |
| El Roble Elementary | 28% | 27% | 30% |
| Brownell Middle | 36% | 34% | 34% |
| Gilroy Unified | 30% | 30% | 33% |

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for GP from FY 2020-21 through FY 2028-29. 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) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Enrollment | 540 | 544 | 540 | 588 | 580 | 580 | 580 | 580 |
| ADA (%) | 96.7 | 91.5 | 94.8 | 94.9 | 95.0 | 95.0 | 95.0 | 95.0 |

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 2021-22 through 2023-24; (2) budget projections for FYs 2024-25 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 \$2,340,260 at 3.0% 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 MET | | | | | | | | | | |
|--|-------------------|-------------------|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------|--------------------|
| | Actual FY 2022 | Actual FY 2023 | Actual FY 2024 | Projected FY 2025 | Projected FY 2026 | Projected FY 2027 | Projected FY 2028 | Projected FY 2029 | AVERAGE | THRESHOLD LEVEL |
| OPERATIONAL & FINANCIAL | | | | | | | | | | |
| Enrollment | 540 | 544 | 547 | 588 | 580 | 580 | 580 | 580 | | |
| Average Daily Attendance (ADA) | 522 | 522 | 512 | 559 | 552 | 552 | 552 | 552 | | |
| Average Daily Attendance (%) | 96.7% | 96.0% | 93.6% | 95.1% | 95.2% | 95.2% | 95.2% | 95.2% | 95.2% | < 94.0% |
| LCFF Sources/ADA | \$ 9,527 | \$ 10,243 | \$ 11,805 | \$ 12,101 | \$ 12,904 | \$ 13,389 | \$ 13,832 | \$ 14,287 | \$ 12,261 | |
| % Change | | 7.5% | 15.3% | 2.5% | 6.6% | 3.8% | 3.3% | 3.3% | 6.0% | |
| Operating Revenues/ADA | \$ 13,473 | \$ 15,035 | \$ 17,650 | \$ 15,753 | \$ 16,923 | \$ 17,414 | \$ 17,874 | \$ 18,335 | \$ 16,537 | |
| % Change | | 11.6% | 17.4% | -10.7% | 7.4% | 2.9% | 2.6% | 2.6% | 4.8% | |
| Operating Expenses plus CSFP Lease/ADA | \$ 12,663 | \$ 13,915 | \$ 18,690 | \$ 15,603 | \$ 16,601 | \$ 17,111 | \$ 17,754 | \$ 18,452 | \$ 16,349 | |
| % Change | | 9.9% | 34.3% | -16.5% | 6.4% | 3.1% | 3.8% | 3.9% | 6.4% | |
| Free Cash Flow/ADA | \$ 809 | \$ 1,120 | \$ (1,040) | \$ 150 | \$ 322 | \$ 302 | \$ 120 | \$ (117) | \$ 208 | < 0 |
| DEBT SERVICE COVERAGE | | | | | | | | | | |
| Total Operating Revenues | \$7,032,713 | \$7,848,231 | \$9,036,800 | \$8,805,857 | \$ 9,341,293 | \$ 9,612,302 | \$9,866,422 | \$10,121,104 | | |
| Total Operating Expenses | 6,610,271 | 7,263,529 | 9,569,202 | 8,721,904 | 9,163,555 | 9,326,086 | 9,680,736 | 10,066,103 | | |
| Total Other Sources/Uses | - | - | - | - | - | - | - | - | | |
| Net Income Available for CSFP Lease Payment | 422,442 | 584,702 | (532,402) | 83,953 | 177,738 | 286,216 | 185,686 | 55,001 | | |
| Add Back Capital Outlay | - | - | - | - | - | - | - | - | | |
| Add Back Depreciation | - | - | - | - | - | - | - | - | | |
| Adjusted Net Income Available for CSFP Lease Pymt. | 422,442 | 584,702 | (532,402) | 83,953 | 177,738 | 286,216 | 185,686 | 55,001 | | |
| CSFP Lease Payments | - | - | - | - | - | 119,398 | 119,398 | 119,398 | | |
| Free Cash Flow | \$ 422,442 | \$ 584,702 | \$ (532,402) | \$ 83,953 | \$ 177,738 | \$ 166,818 | \$ 66,288 | \$ (64,397) | \$ 113,143 | < 0 |
| DSC from Adj. Net Income | N/A | N/A | N/A | N/A | N/A | 239.7% | 155.5% | 46.1% | 147.1% | < 110.0% |
| DSC from LCFF Sources subject to CSFA Intercept | | | | | | | | 3992.1% | 3992.1% | > 15.0% |
| CSFP Lease Payment/Oper. Revenues | N/A | N/A | N/A | N/A | N/A | 1.2% | 1.2% | 1.2% | 1.2% | > 15.0% |
| FUNDRAISING | | | | | | | | | | |
| Fundraising for Operations | \$ 6,713 | \$ 18,001 | \$ 6,104 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 8,540 | |
| Fundraising/Oper. Revenues | 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 | 233.4% | 149.2% | 39.8% | 140.8% | < 100.0% |
| % of Fundraising Required for 100% DSC | N/A | N/A | N/A | N/A | N/A | -2124.2% | -783.8% | 958.6% | -649.8% | > 50.0% |
| LIQUIDITY | | | | | | | | | | |
| Current Assets | \$2,955,516 | \$3,485,363 | \$1,780,622 | | | | | | | |
| Current Liabilities | 643,702 | 554,230 | 721,398 | | | | | | | |
| Net Working Capital | \$2,311,814 | \$2,931,133 | \$1,059,224 | | | | | | | |
| Net Working Capital/Oper. Expenses | 35.0% | 40.4% | 11.1% | | | | | | 28.8% | < 5.0% |
| Unrestricted Cash & Cash Equivalents | \$ - | \$ - | \$ 20,733 | | | | | | | |
| Unrest. Cash & CE/Oper. Expenses (Days) | 0 | 0 | 1 | | | | | | | |
| Unrest. Cash & CE/All Expenses (Days) | 0 | 0 | 1 | | | | | | 0 | < 90 |

Benchmark Summary:

- Enrollment – Average ADA rate consistently exceeds the 95.2% threshold.
- Free Cash Flow and/or per ADA – GP operates with 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 147.1% average debt service coverage is well above the threshold of 100%.
- CSFP Lease Payment relative to Operational Revenues: Representing an estimated 1.2% 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 slightly over 28.8%.
- 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 2024 audit.

NAVIGATOR SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

| | Navigator Schools | | | | | | | |
|---|-------------------|------------------|------------------|-------------------|---------------------|-------------------|--------------|---------------------|
| | CMO | Gilroy Prep | Hollister Prep | Watsonville Prep | Hayward Collegiate | 407 Main St. LLC | Eliminations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Change in Net Assets | \$ (2,479,723) | \$ (532,402) | \$ (25,024) | \$ (407,027) | \$ (705,170) | \$ (755,695) | \$ 1,380,302 | \$ (3,524,739) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | | | | | |
| Depreciation | 11,276 | 34,959 | 25,519 | 5,794 | 24,518 | 308,878 | - | 410,944 |
| Noncash Lease Expense | (480) | - | - | 995,360 | 43,260 | 237,843 | (995,360) | 280,623 |
| Change In Deficit Investment in Subsidiary | 755,695 | - | - | - | - | - | (755,695) | - |
| (Increase) Decrease in Assets: | | | | | | | | |
| Accounts Receivable | (3,219,321) | 1,884,931 | 1,282,414 | 887,184 | (460,182) | 7,407 | - | 382,433 |
| Prepaid Expenses and Other Assets | 58,262 | (128,854) | (41,471) | (129,893) | (196,244) | - | - | (438,200) |
| Deferred Rent Asset | - | - | - | - | - | (370,753) | 370,753 | - |
| Increase (Decrease) in Liabilities: | | | | | | | | |
| Accounts Payable and Accrued Liabilities | (917,573) | 147,757 | (741,019) | 177,263 | 1,920,191 | 533,481 | - | 1,120,100 |
| Deferred Revenue | - | 25,684 | (470,853) | (522,694) | (97,702) | - | - | (1,065,565) |
| Net Cash Provided by Operating Activities | (5,791,864) | 1,432,075 | 29,566 | 1,005,987 | 528,671 | (38,839) | - | (2,834,404) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Purchases of Property, Plant, and Equipment | (2,917) | (1,411,342) | (14,039) | (1,833) | (459,956) | - | - | (1,890,087) |
| Net Cash Used by Investing Activities | (2,917) | (1,411,342) | (14,039) | (1,833) | (459,956) | - | - | (1,890,087) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Repayments of Notes Payable | - | - | - | (67,028) | (46,194) | (11,700) | - | (124,922) |
| Net Cash Provided by Financing Activities | - | - | - | (67,028) | (46,194) | (11,700) | - | (124,922) |
| CHANGE IN CASH AND CASH EQUIVALENTS | (5,794,781) | 20,733 | 15,527 | 937,126 | 22,521 | (50,539) | - | (4,849,413) |
| Cash and Cash Equivalents - Beginning of Year | 5,982,279 | - | - | (11,662) | 1,960,025 | 463,721 | - | 8,394,363 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 187,498</u> | <u>\$ 20,733</u> | <u>\$ 15,527</u> | <u>\$ 925,464</u> | <u>\$ 1,982,546</u> | <u>\$ 413,182</u> | <u>\$ -</u> | <u>\$ 3,544,950</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | | | | |
| Cash Paid for Interest | \$ - | \$ - | \$ - | \$ 42,715 | \$ 2,678 | \$ 319,654 | \$ - | \$ 365,047 |

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) Final Apportionment. This determination, as it relates to Final Apportionment, is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon GP electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4. Navigator Schools, the CMO, has provided an assurance letter certifying that GP will have continuous access to sufficient unrestricted cash to meet its financial obligations. 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.