



Navigator Schools

Special NS Finance Committee

Date and Time

Wednesday August 14, 2019 at 10:00 AM PDT

Location

Navigator Schools, Support Office, 650 San Benito Street, Suite 230, Hollister CA 95023

Teleconference Locations

- 827 Broadway, Suite 300, Oakland CA 94607
- 780 Broadway, Redwood City CA 94063
- 10326 Roselle Street, San Diego CA 92121

Anyone who needs a disability-related accommodation, modification, or auxiliary aid/service, should direct their request to Sean Martin, Executive Assistant to the CEO. Mr. Martin may be reached by telephone at (831) 217-4894 or by [email](mailto:smartin@navigatorschools.org) (smartin@navigatorschools.org).

An archive of board meeting agendas and minutes is available for public view at the Navigator Schools Support Office, 650 San Benito Street, Suite 230, Hollister CA 95023.

Agenda

I. Opening Items

Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

C. Approve Minutes

The committee will vote on the approval of minutes from the previous meeting.

Approve minutes for NS Finance Committee on May 30, 2019

II. Topical Items

A. Long-term Facilities Solution for WPS

The committee will discuss a potential deal structure to provide long-term facilities for Watsonville Prep School.

III. Closing Items

A. Adjourn Meeting

Coversheet

Approve Minutes

Section:	I. Opening Items
Item:	C. Approve Minutes
Purpose:	Approve Minutes
Submitted by:	
Related Material:	Minutes for NS Finance Committee on May 30, 2019

APPROVED



Navigator Schools

Minutes

NS Finance Committee

Date and Time

Thursday May 30, 2019 at 2:00 PM

Location

Navigator Schools, 650 San Benito Street, Suite 230, Hollister CA 95023

Teleconference Locations

- 827 Broadway, Suite 300, Oakland CA 94607
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Committee Members Present

Joyce Montgomery (remote), Nora Crivello (remote)

Committee Members Absent

Caitrin Wright

Committee Members who arrived after the meeting opened

Nora Crivello

Guests Present

Ami Ortiz, Kevin Sved, Rosa Segura, Sean Martin (remote), Victor Paredes-Colonia (remote)

I. Opening Items

A. Record Attendance and Guests

B. Call the Meeting to Order

Joyce Montgomery called a meeting of the Finance Committee of Navigator Schools to order on Thursday May 30, 2019 at 2:06 PM.

C. Approve Minutes

J. Montgomery expressed her approval of the minutes as written.

Joyce Montgomery made a motion to approve the minutes from NS Finance Committee on 04-09-19.

Nora Crivello seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

Caitrin Wright Absent

Nora Crivello Aye

Joyce Montgomery Aye

II. Finance

A. Approve Consolidated Application Federal Funding Request

A. Ortiz explained the document, including next steps, and J. Montgomery asked clarifying questions about key figures and categories of the various Titles (I-IV).

B. Approve STRS Agreement with Santa Clara COE

A. Ortiz explained the State Teachers Retirement System (STRS), and J. Montgomery offered further explanation comparing The Public Employee Retirement System (PERS) and STRS. V. Paredes-Colonia asked clarifying questions.

C. STRS Application for Santa Cruz County COE

J. Montgomery asked questions about STRS data and human resource procedures. K. Sved described next steps. J. Montgomery considered varying charges between counties.

D. 2018-19 Financials

A. Ortiz presented relevant tables and figures. J. Montgomery and participants discussed various items in the financials. J. Montgomery offered to provide a second review of the document prior to the next board meeting. K. Sved discussed fundraising efforts and potential policies. A. Ortiz explained support office management fees. J. Montgomery offered new approaches for organizing the data.

Participants discussed enrollment and average daily attendance. J. Montgomery offered suggestions for analyzing attendance patterns. N. Crivello suggested applying identical axis scales to relevant charts comparing sites. J. Montgomery asked questions about the attendance metrics and how they are calculated (relating to the school calendar and reporting dates).

E. LCAP Approval and Federal Addendum

There were no questions or discussions about this topic. Final versions of the documents will be presented at the next board meeting.

Nora Crivello arrived.

F. 2019-20 Budget

A. Ortiz provided an overview of important budget elements. She explained Financial Crisis Management Action Team (FCMAT) funding formulae. N. Crivello and J. Montgomery asked questions regarding a new position added to the Support Office. K. Sved described the primary functions of the position. J. Montgomery discussed skill sets, organizational charts, and funding related to new positions. J. Montgomery offered best practices for utilizing teachers on assignment. She also presented outsourcing as a strategy for conserving resources. She recommended augmenting acronyms with full titles in documents.

III. Other Business

A. Facilities Update

This topic will be presented at the next board meeting.

B. Schedule Next Meeting

This item was not discussed during the meeting.

IV. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 3:02 PM.

Respectfully Submitted,

Sean Martin

Coversheet

Long-term Facilities Solution for WPS

Section:	II. Topical Items
Item:	A. Long-term Facilities Solution for WPS
Purpose:	Discuss
Submitted by:	
Related Material:	WPS Floorplans Draft FC 2019_08_14.pdf WPS Facilities Memo FC 2019_08_14.pdf

ARTiK

ART & ARCHITECTURE

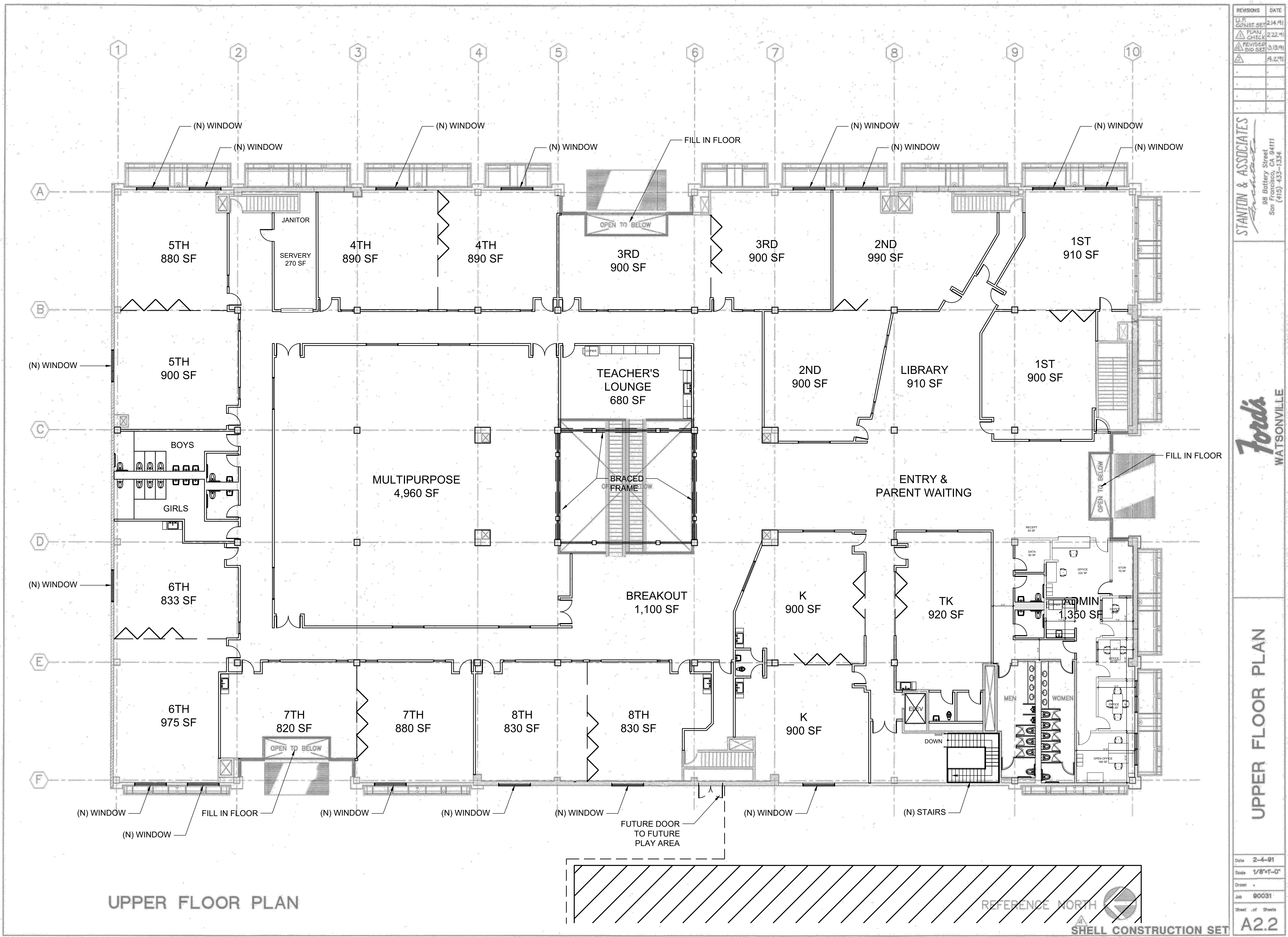
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Date: August 13, 2019

To: NS Finance Committee

From: Kevin Sved, CEO

Subject: Closed Session, Real Estate Negotiations 407 Main Street

Recommendation

It is recommended that the Board delegate authority to the CEO to negotiate lease terms with the owner of 407 Main Street within the parameters set by the Board and the final lease subject to Board approval.

Background

The Pajaro Valley Unified School District (PVUSD) is providing Watsonville Prep School seven portable classrooms on the campus of E.A. Hall Middle School in the 2019-20 school year. Due to anticipated challenges with PVUSD providing appropriate facilities in the future, staff has been working with Pacific Charter School Development (PCSD) to identify a viable long-term solution. Efforts have been focused on vetting the potential of 407 Main Street, a two-story former department store building. The plan would be for Watsonville Prep to lease the entire second story of approximately 37,500 square feet to serve the full TK-8 program.

PCSD has supported Navigator with feasibility analyses and provided project management support. PCSD helped bring on an experienced architectural firm, ARTIK, to support the site feasibility process. The support from PCSD has been provided without fees, thanks to philanthropic support PCSD receives. ARTIK has created proposed floor plans and related specifications for building out the space. Additionally, structural analysis work has been completed to determine the modifications necessary to bring the building into compliance with educational occupancy requirements. PCSD has also assisted in developing a financing structure that could complete the transaction.

Feasibility Analysis

Location feasibility. The location is feasible. It is less than one-mile from E.A. Hall, so it should be accessible for most WPS families. The lot has sufficient parking and street access. The City is amenable to a conditional use permit. There are community resources nearby, including the Watsonville Library (0.2 mile), Watsonville Youth Center (0.2 mile), and YMCA (0.5 mile).

Structural feasibility. The building was evaluated by Duquette Engineering for structural integrity. The building is in good condition and will require minimal structural modifications to be in compliance with educational occupancy. Specifically, the addition of three brace frames will be necessary, with an estimated cost of less than \$100,000.

Space feasibility. The floor plans indicate that the space is sufficient to operate a full TK-8 grade program that includes the following:

1. Two classrooms per grade level, K-8, and one TK classroom; classroom size ranges from 820 to 990 square feet
2. A multi-purpose room of 4,980 square feet that will provide indoor playspace, cafeteria space, and full group meeting area
3. A 270 square-foot servery for food refrigeration and warming
4. A 910 square-foot library
5. Administrative space including rooms for special education, counseling and speech
6. First floor secure access points for students and families

Cost feasibility. The deal structure proposed has the owner as the developer of the project. Navigator's Director of Business and Finance, working with the CEO and PCSD, has developed a budget scenario that allocates \$1,000 per average daily attendance (ADA) from general operating revenues and \$1,000 per ADA from projected SB 740 revenues (SB740 refers to California Senate Bill 740 which provides reimbursement to eligible facilities expenses).

Watsonville Prep's funding from Local Control Funding Formula (LCFF), the primary state funding allocation for California public schools, is projected to be at approximately \$11,000 per student, as compared to approximately \$9,800 for HPS and \$9,200 for GPS. These differences are based on the percentages of students who qualify for free or reduced price meals or are designated as English learners. Based on the higher LCFF revenue, WPS would be able to spend approximately \$1,000 per student on long-term facilities and still afford staffing structures that are more robust than HPS or GPS, a necessity to serve a higher-needs population. The attached five-year budget projections show year-end fund balances based on the rent and debt service annual allocation of \$2,000 per ADA.

Staff is working with the owner/developer and PCSD to determine if the lease and capital improvements can be paid for completely by these revenues over the course of a 20-year lease. The cost structure is significantly less than a ground-up construction project analyzed at a vacant lot. Refurbishing existing space can be much more cost effective than new construction as current costs for materials and labor are significantly higher today than 20 years ago when this building was originally built.

Background of Owner / Developer

The owners of the building are William (Bill) and Neva Hansen. Bill serves as chairman of Santa Cruz County Bank. He also owns an insurance company in Watsonville and several office, retail, and high-end housing developments in downtown Watsonville.

Further Analysis

Outdoor playspace. The location currently does not have a dedicated outdoor playspace. The space can be programmed to not require outdoor playspace but it is not optimal. One-half block away there is an outdoor field that was used by another charter school several years ago. This field is currently available for lease.

Timeline

The timeline is very tight to have the building ready to occupy in time for the start of the 2019-20 school year. Assuming that we contract with our architects to be developing construction documents by September 1, at an estimated cost of \$100,000, and we finalize the lease by October 8, occupying the completed building by August 1, 2020 is feasible if permitting is achieved in eight weeks and construction is completed in six-seven months.

Risk Analysis

One major risk of the project is SB 740 revenues are not guaranteed and future funding may be unpredictable. Relatedly, the maximum reimbursement for SB 740 is based on the appraised value of the space to be leased and determining appraised values of private school buildings can be challenging. Other risks and ways to mitigate those risks are discussed below.

Risk Factor	Mitigation of Risk Factor
SB 740 funding not guaranteed	While SB 740 has not always fully funded, risk is mitigated in that the projection of \$1,000/year is approximately 85% of funding level.
The long-term budget projections are based on 79% of students qualifying for free or reduced price lunch or English learner status. If these numbers go down, projected revenues will be reduced, making the lease more difficult to afford.	The charter prioritizes enrollment for residents of Watsonville, where the schools average 85%+ FRL. Continuing to push recruitment in the local area would help mitigate this risk.
Owner/developer does not meet the tight construction timeline	WPS would still apply for 2020-21 Prop 39 facilities as a backup plan. The facilities fees from PVUSD for 2019-20 are approximately \$30,000 so paying a similar amount in 2020-21 for a backup plan would be affordable.
Not meeting enrollment targets	GPS and HPS both have extensive waiting lists and we anticipate the same will develop for WPS.
City Planning Commission or City Council will not approve project plans	Navigator and developer will continue to cultivate relationships with local leaders to mitigate political opposition.
Limited play space	Creating a partnership with the city to access the Youth Center across the street that is underutilized during school days would mitigate this risk. Leasing the outdoor place space across the street should also be explored.

Summary

While the deal to create a permanent solution for WPS is complicated, the benefit of long-term stability afforded by a permanent facility solution for WPS could outweigh the risks. Therefore, it is recommended that the Board delegate authority to the CEO to negotiate the lease terms with the owner of 407 Main Street within the parameters set by the Board and the final lease subject to Board approval.

Attachments:

- Timeline
- Five-Year Budget Projections
- Floorplans

407 Main Preliminary Project Timeline as of August 13, 2019

Milestone	Date
Update Navigator Finance Committee on proposed deal structure	August 14
PCSD to provide details on investment.	August 20
Artik to provide final floor plans and specifications	August 20
Update Navigator Board on deal structure (greenlight to move forward on negotiations and funding for studies and construction documents development as appropriate)	August 20
Provide initial plans and design specifications to the owner with proposed deal terms	August 21
Meet with City of Watsonville to understand path to submitting for the Conditional Use Permit and studies required	August 23
Initiate traffic study (if necessary)	August 23
Finalize negotiation with Bill	September 30
Final board approval for lease and financing	October 8th
Execute lease	October 9th
Owner/developer to submit for planning approval	October 10th
Owner/developer to submit for building approval	November 1
Planning approval eight weeks	December 4th
Permit approval eight weeks	January 1 2020
Construction in six months	June 30th 2020

Watsonville Prep School - Projection
Five Year Projection
2019-20 to 2023-24

	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24
Enrollment	180	240	300	360	420
ADA	169.20	225.60	282.00	338.40	394.80
Unduplicated	78.75	78.75	78.75	78.75	78.75
REVENUE:					
8000 · Gnl Purpose Entitlement LCFF					
8011 · Charter Schools General Purpose	1,161,863	1,592,593	1,995,967	2,420,158	2,735,514
8012 · Education Protection Account	33,840	45,120	56,400	67,680	78,960
8096 · Charter Schools in Lieu of Prop	674,940	926,918	1,193,406	1,475,050	1,772,519
Total 8000 · Gnl Purpose Entitlement LCFF	1,870,643	2,564,631	3,245,773	3,962,888	4,586,993
Total 8100 · 8299 Federal Revenue	198,442	298,533	380,628	465,889	554,409
8300 · 8599 State Revenues					
8570 SB740 Revenue	0	225,600	282,000	338,400	394,800
Total 8300 · 8599 State Revenues	142,464	419,352	529,034	640,768	754,618
Total 8600 · 8699 Other Local Revenue	6,428	8,742	11,146	13,642	16,234
8800-89 · Donations					
8802 · Donations	425,000	290,000	125,000	25,000	
Total 8800-89 · Donations	425,000	290,000	125,000	25,000	0
Total Revenue	2,642,977	3,581,258	4,291,581	5,108,187	5,912,254
EXPENSES:					
Certificated Salaries	801,997	930,788	1,117,894	1,319,839	1,528,311
Classified Salaries	331,252	554,016	656,387	763,621	839,765
Salaries	1,143,249	1,506,803	1,799,281	2,110,460	2,398,077
Total Taxes & benefits	321,200	420,150	520,104	620,345	732,583
Total 4000 · 4999 Books & Supplies	478,421	309,267	384,660	462,744	543,153
5611 Rent - Facilities (debt service)	23,781	451,200	564,000	676,800	789,600
Total 5000 · 5999 Services & Other Oper. Exp	668,807	1,175,623	1,431,647	1,700,389	1,969,468
Total Expenses	2,611,676	3,412,453	4,136,167	4,894,280	5,643,489
Net Income - Accrual Basis	31,300	168,805	155,414	213,907	268,765
Beginning of Year Fund Balance	51,673	82,973	251,778	407,192	621,099
End of Year Fund Balance	82,973	251,778	407,192	621,099	889,864
Fund Balance as a Percentage of Expenses	3.18%	7.38%	9.84%	12.69%	15.77%
Cash Flow:					
Net Income - Accrual Basis	31,300	168,805	155,414	213,907	268,765
Proceeds from Revolving Loan	250,000	0	0	0	0
Repayments of Revolving Loan		(49,732)	(49,866)	(50,000)	(50,134)
Increase in Accounts Receivable	(245,546)	(137,710)	(97,852)	(101,210)	(104,688)
Increase in Accounts Payable	24,978	293	5,567	5,557	5,723
Change in Cash	60,732	(18,343)	13,263	68,254	119,666
Beginning Cash	51,673	112,405	94,062	107,325	175,579
Ending Cash	112,405	94,062	107,325	175,579	295,245
Facility Calculations					
Difference (Rent - SB 740)		225,600	282,000	338,400	394,800
Difference (Rent - SB 740) as Percent of LCFF		8.8%	8.7%	8.5%	8.6%
Percent Rent/Debt Service of Total State Revenues		15.1%	14.9%	14.7%	14.8%
Bldg SF		30,500	32,500	34,500	37,500
Cost/SF/Month		\$ 1.23	\$ 1.45	\$ 1.63	\$ 1.75
Days of Cash in Ending Fund Balance	16	10	9	13	19