



Date: December 7, 2018  
To: Board of Directors  
From: Kevin Sved, CEO  
Re: 2018-19 Budget Revise

**Recommendation:**

It is recommended that the Board approve proposed 2018-19 revised budgets for Gilroy Prep (GPS) and Hollister Prep (HPS), increasing budgeted full-time equivalents (FTEs) from 123.75 to 133.60, and up to 135.60 FTEs pending SBE approval of the Watsonville Prep charter petition.

**Overview**

The revised 2018-19 budget is based on latest year-end projections reviewed by the Finance Committee and included in this agenda packet. The revised proposed budget includes

1. Adjusting budget to reflect hiring to date to meet GPS and HPS programmatic needs as discussed at the Finance Committee
2. One additional Teacher-in-Training for GPS, bringing total from 4 to 5
3. Hiring up to four additional Teachers-in-Training in January 2019 pending SBE approval of the Watsonville Prep charter petition

These budget adjustments are necessary to provide staff support for meeting special education requirements, student safety and supervision, and appropriate substitute coverage. The revised budget projects to healthy net-income for both GPS and HPS. Staff recognizes that these late changes need to be avoided in the future and will improve budgeting processes to prevent this from reoccurring. The proposed revised 2018-19 budget is attached.

**Background and Analysis**

As indicated in the Finance Report, overspending to date at GPS and HPS resulted primarily from hiring decisions that exceeded the number of FTEs included in the 2018-19 budget. These decisions were based on needs related to special education services, substitute teacher coverage, and healthy projected ending balances. Nonetheless, staff recognizes the need to obtain board approval for FTE and related changes. To prevent this from reoccurring and help mitigate the challenges of unforeseen staffing expenses, the Director of Business and Finance will work with principals and other staff to better anticipate such unexpected expenses and budget accordingly.

The table below shows the 2018-19 budget as approved by the Board in June 2018, compared to current staffing.

	<b>Budgeted FTE</b>	<b>12/2018 FTE</b>	<b>Change</b>	<b>Explanation</b>
<b>GPS</b>	57.90	61.80	3.90	.20 Counselor, .70 Yard Duty, 1 Special Ed Paraprofessional (SPED Para), 1 Small Group Instructor (SGI), 1 Teacher-in-Training (TnT)
<b>HPS</b>	48.65	54.10	5.45	1 TnT, 2 SPED Para, .75 Yard Duty, 1 SGI, .20 Speech, .50 Counselor
<b>WPS</b>	1.75	1.75	0	
<b>SO</b>	15.45	15.45	0	
<b>Total</b>	123.75	133.10	9.35	

The financial impact of these staffing changes in 2018-19 is summarized as follows:

	<b>Added Expense Salaries and Benefits</b>	<b>Current Projected Net Income</b>	<b>Net Income as % of Projected Expenditures</b>
<b>GPS</b>	\$63,239	\$269,202	5.1%
<b>HPS</b>	\$146,425	\$332,881	6.8%
<b>Total</b>	\$209,664	\$654,084	N/A

In considering the longer-term impact of these staffing changes, we do not believe these additions are unsustainable. If there is a need to eliminate positions in future fiscal years due to an economic downturn or other unforeseen situations, we anticipate that we could do so without impacting employees holding these positions as the specific positions added are frequently vacated due to these positions being part-time or early educational career entry points.

### **Additional Staffing Need**

GPS has an immediate need to increase the number of Teachers-in-Training (TnT) from 4 to 5. During the 2017-2018 school year, Gilroy Prep employed 5 TnTs. When planning for 2018-2019, leadership chose to be more conservative and budgeted for 3 TnTs. As the year unfolded, illness and professional development attendance have put a strain on the TnT pool at GPS, and we have realized that substituting for classroom teachers, SGIs, and Paraprofessionals demands 5 TnTs. Utilizing TnTs as our substitute pool allows us to maintain continuity with instruction when regularly assigned staff are not present in the classroom, and this practice has been a key contributing factor to Navigator's success. A strong TnT pool also helps us prepare for any unforeseen instructional staff departures, as TnTs are the primary source of our teacher pipeline.

With the approval of Watsonville Prep in early January 2019, we anticipate a number of the Watsonville Prep founding staff members to come from GPS and HPS. We appreciate the interest of our current staff in the start-up effort, and bringing staff experienced in our model will be a benefit

to a successful WPS launch. Our strong Teacher in Training model has proven effective in developing new teachers to fill our openings during the growth of GPS and HPS, and we are confident that this teacher development system will help fill openings created by the launch of Watsonville Prep. To help ensure that resulting vacancies in 2019-20 are filled by the best possible candidates, staff proposes beginning the hiring and training process earlier for up to four additional Teachers in Training. These new positions will fill 2019-20 openings at GPS and HPS, and they will start as early as January 14, 2019, pending the approval of WPS. These staff will benefit GPS and HPS by:

- Preparing and ensuring the presence of trained and acclimated staff to start the 2019-20 school year
- Bolstering the intervention services for students for the remainder of the year
- Providing additional substitutes to support professional development and peer observation
- Providing additional substitute coverage

The fiscal impact of these added positions for part of the year will not exceed \$25,000 per TnT due to working approximately half of the year, thereby adding 0.5 FTE for each added Teacher in Training. The potential fiscal impact on GPS and HPS would be:

	<b>Potential # of New Teachers in Training</b>	<b>Teacher in Training Salaries and Benefits</b>	<b>Projected Net Income</b>	<b>Net Income as % of Projected Expenditures</b>
<b>GPS</b>	2 @ .5 FTE	\$50,000	\$219,202	4.2%
<b>HPS</b>	3 @ .5 FTE	\$75,000	\$257,881	5.3%
<b>Total</b>	2.5 FTE	\$125,000	\$477,083	N/A

**Timing for Teacher in Training Recruitment**

December and January have historically proven to be optimal months to recruit and hire Teachers in Training. Potential candidates are completing undergraduate degrees and seeking employment opportunities in December. Of those who are graduating, some have a plan to become a teacher in the near future, but also need or want to work full time. Navigator has been successful at recruiting and hiring individuals who fit this description and share our mission. Time is of the essence for the recruiting and hiring of Teachers in Training mid-year. If we wait until January to begin recruiting, many potential candidates have already completed the job-seeking process and have taken positions elsewhere. Recruiting in December and onboarding new TnT hires in January allows for an opportunity to attract and hire high quality candidates.

**Summary**

It is recommended that the Board approve the proposed revised 2018-19 budget that will increase the FTE total to 133.10 for current employees and up to 135.60 pending SBE approval of the WPS charter.

Navigator Schools  
 2018-19 Proposed Revised Budget  
Summary Level

	Total 2018-19 Original Budget <i>Enrollment Projection</i> 1020	Total 2018-19 Proposed Revised Budget 1020	GPS 2018-19 Original Budget 540	GPS 2018-19 Proposed Revised Budget 540	HPS 2018-19 Original Budget 480	HPS 2018-19 Proposed Revised Budget 480	CMO 2018-19 Board Approved Budget 0	WPS 2018-19 Board Approved Budget 0
REVENUE:								
LCFF Revenue	8,998,732	8,998,732	4,633,098	4,633,098	4,365,634	4,365,634	0	0
Federal Revenue	458,362	462,392	302,050	306,080	156,312	156,312	0	0
Other State Revenue	940,887	983,529	478,150	507,503	462,737	476,026	0	0
Donations & Grants	1,380,885	1,440,885	12,885	12,885	3,000	63,000	665,000	700,000
Other Revenue	181,771	187,811	115,954	115,954	65,517	71,557	300	0
CMO Management Fees	1,529,785	1,529,785					1,529,785	
REVENUE	13,490,422	13,603,134	5,542,137	5,575,520	5,053,200	5,132,529	2,195,085	700,000
EXPENDITURES:								
Salaries	6,446,956	6,756,620	2,683,792	2,787,031	2,157,784	2,364,209	1,452,380	153,000
Benefits & Taxes	1,818,881	1,850,520	753,234	767,446	643,605	661,032	383,784	38,258
Books & Supplies	747,907	860,440	394,245	407,362	278,172	377,588	46,700	28,790
Services & Other Operating Expense	1,745,703	1,738,395	589,147	576,064	709,313	715,088	293,308	153,935
CMO Management Fees	1,529,785	1,529,785	787,627	787,627	742,158	742,158		
Capital Outlay	375,000	375,000	0	0	75,000	75,000	0	300,000
EXPENDITURES	12,664,232	13,110,760	5,208,045	5,325,530	4,606,032	4,935,075	2,176,172	673,983
REVENUE LESS EXPENDITURES	826,190	492,374	334,092	249,990	447,168	197,454	18,913	26,017
<u>GAAP Adjustments:</u>								
Revenue Less Expenditures	826,190	492,374	334,092	249,990	447,168	197,454	18,913	26,017
Add back Capita Outlay to Net income	375,000	375,000	0	0	75,000	75,000	0	300,000
Subtract Depreciation Expense	(52,000)	(52,000)	(35,000)	(35,000)	(17,000)	(17,000)	0	0
Net Income - GAAP Basis 2018-19	<b>1,149,190</b>	<b>815,374</b>	<b>299,092</b>	<b>214,990</b>	<b>505,168</b>	<b>255,454</b>	<b>18,913</b>	<b>326,017</b>
Beginning Net Assets @ 6/30/18	3,461,617	3,461,617	1,528,118	1,528,118	1,639,883	1,639,883	293,616	0
Net Income - GAAP Basis 2018-19	<b>1,149,190</b>	<b>815,374</b>	<b>299,092</b>	<b>214,990</b>	<b>505,168</b>	<b>255,454</b>	<b>18,913</b>	<b>326,017</b>
Ending Net Assets @ 6/30/19	4,610,807	4,276,991	1,827,210	1,743,108	2,145,051	1,895,337	312,529	326,017