



# Committee Of the Whole

October 28, 2019

- Charter School Sustainability

# Background



City of Cape Coral Charter Schools were created in 2005.

When schools were established the community was told that no General Fund dollars would be used to support the Charter Schools. However, no Ordinances nor resolutions addresses this matter.

The Charter Schools entered into a lease agreement where they are responsible for debt service (\$3.2 million per year for buildings) plus capital and O&M (e.g. HVAC and parking lots).

# Current Status



Due primarily to debt service the Charter Schools are currently unsustainable.

Data from Stantec will be presented indicating that the Schools will be below the 5% Fund Balance requirement by 2024; rendering them unsustainable (Mr. Napoli will present).

Lee County School District Superintendent Dr. Greg Adkins advised that the School District would accept Charter School students but not the buildings – should the Charter Schools cease to exist (letter from the School District in packet).

# Current Status continued



The City is responsible for the debt service on all Charter School buildings, which carry \$61.2 million in debt including principle and interest (Vicki Bateman is available to discuss debt schedule).

According to EDO Manager Ricardo Noguera there is no suitable adaptive reuse for the Charter School buildings.

# Not A Viable Option



It is not a viable option for the City to pay \$3.2 million per year or \$61.2 million for empty school buildings

- City created the Charter School Authority in 2005
- Schools enhance the quality of life in City
- All Charter Schools have an “A” rating

Charter Schools USA (CSUSA): Financial Services determined through research and working with CSUSA that the City/Charter Schools has the ability to manage the system more efficiently and cost effectively (see memo from Financial Services in packet). CSUSA manages 5 charter schools in Lee County and none have “A” rating (Budget Administrator Chris Phillips is available to discuss)

# Recommendation



Take steps to make the Cape Coral's charter school system sustainable. This can be accomplished by:

- a. Long term loan that may turn into a subsidy contingent upon revenue/expenditures going out more than 10 yrs. from now
- b. Pay all or a portion of \$3.2 million in debt service via either a dedicated millage or General Fund budget.

Dedicated millage: In today's dollars \$1.5 million per year equals \$15 per year for valued at \$150,000.

\$3 million per year equals \$30 per year for the same home

# Recommendation continued



- c. City does not charge for administrative staff costs associated with Fleet Management, Building Maintenance, Finance/Procurement/Budgeting, Human Resources, IT, and Recordkeeping. However, we enter into a management agreement whereby the City manages all of these functions
- d. Continue to work with the Lee County School District to explore possible new partnerships as it relates to the City's charter school system
- e. Conduct future COW meetings for Council direction as we progress

# Cape Coral Charter School Projection current long term projection

FAMS-XL

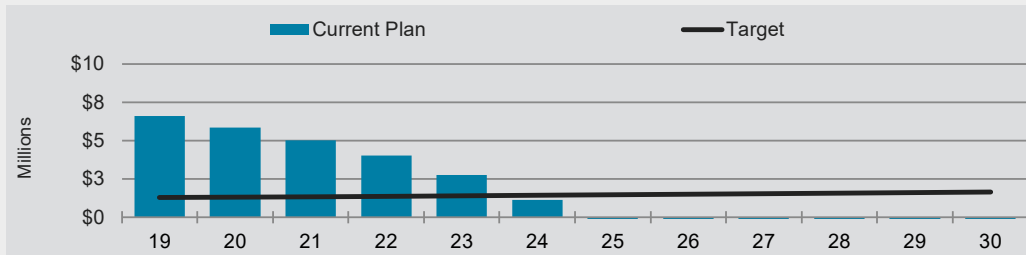
Cape Coral Charter School Authority



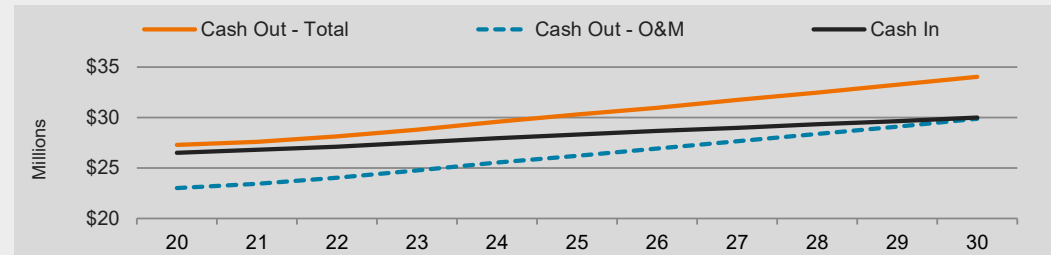
CALC SAVE LAST CTRL 5/10

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Scenario Manager
Cash Flow Surplus/(Deficit) \$M	\$ (0.73)	\$ (0.83)	\$ (0.98)	\$ (1.27)	\$ (1.64)	\$ (1.95)	\$ (2.33)	\$ (2.73)	\$ (3.15)	\$ (3.60)	\$ (4.04)	Payroll 3.00%
End of Year Fund Balance \$M	\$ 5.86	\$ 5.03	\$ 4.04	\$ 2.78	\$ 1.13	\$ (0.82)	\$ (3.15)	\$ (5.89)	\$ (9.04)	\$ (12.64)	\$ (16.68)	Operating 1.75%
Target Fund Balance \$M	\$ 1.31	\$ 1.33	\$ 1.36	\$ 1.40	\$ 1.44	\$ 1.47	\$ 1.51	\$ 1.54	\$ 1.58	\$ 1.62	\$ 1.65	
Balance % of Expenses	21.47%	18.20%	14.38%	9.64%	3.84%	-2.71%	-10.18%	-18.56%	-27.84%	-38.00%	-49.01%	
Reserve Target %	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	Total GF Support \$0.00
General Fund Support \$M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Addtl Facilities & Capital Maint \$M	\$ 0.25	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.44	\$ 0.45	\$ 0.46	\$ 0.48	\$ 0.49	\$ 0.50	\$ 0.50	
Building Rental/Lease \$M	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	

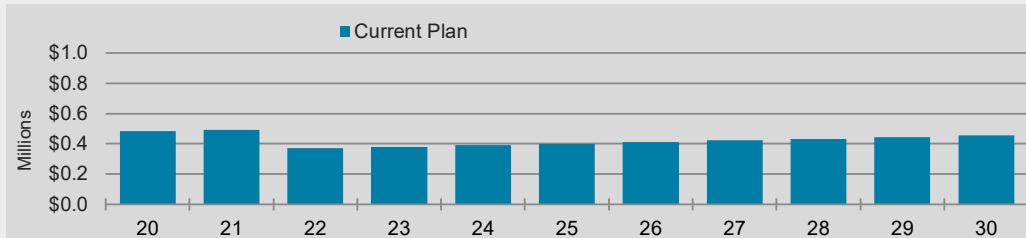
End of Year Fund Balance



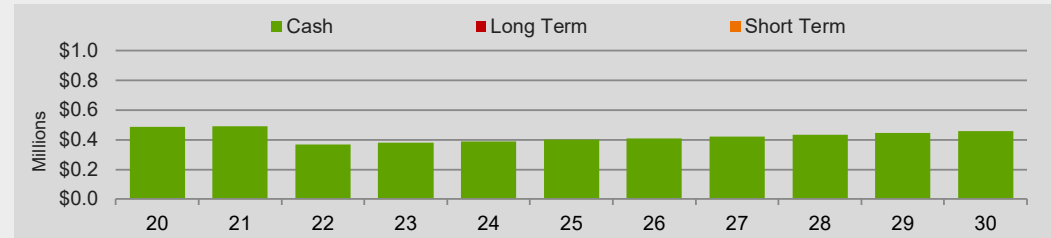
Revenues vs. Expenses



CIP Spending



CIP Funding





# Cape Coral Charter School long term Projection **with Support**

FAMS-XL

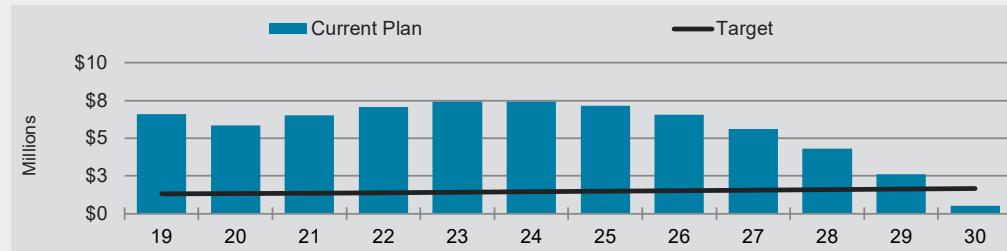
Cape Coral Charter School Authority



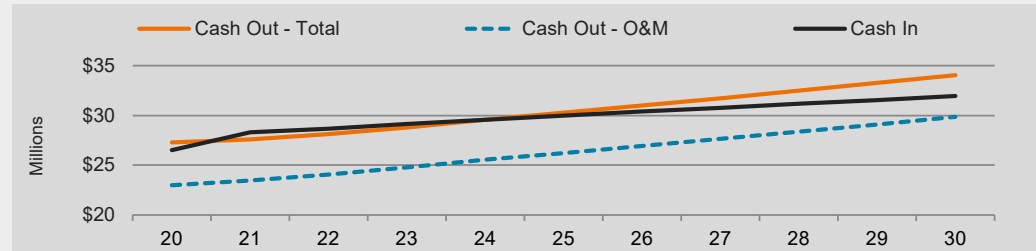
CALC SAVE LAST CTRL 5/10

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Scenario Manager
Cash Flow Surplus/(Deficit) \$M	\$ (0.73)	\$ 0.67	\$ 0.56	\$ 0.33	\$ (0.00)	\$ (0.27)	\$ (0.59)	\$ (0.94)	\$ (1.31)	\$ (1.70)	\$ (2.09)	Payroll 3.00%
End of Year Fund Balance \$M	\$ 5.86	\$ 6.53	\$ 7.09	\$ 7.41	\$ 7.41	\$ 7.14	\$ 6.55	\$ 5.61	\$ 4.30	\$ 2.60	\$ 0.52	Operating 1.75%
Target Fund Balance \$M	\$ 1.31	\$ 1.33	\$ 1.36	\$ 1.40	\$ 1.44	\$ 1.47	\$ 1.51	\$ 1.54	\$ 1.58	\$ 1.62	\$ 1.65	
Balance % of Expenses	21.47%	23.63%	25.21%	25.74%	25.06%	23.61%	21.14%	17.68%	13.24%	7.83%	1.51%	
Reserve Target %	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	Total GF Support \$17.20
General Fund Support \$M	\$ -	\$ 1.50	\$ 1.55	\$ 1.59	\$ 1.64	\$ 1.69	\$ 1.74	\$ 1.79	\$ 1.84	\$ 1.90	\$ 1.96	
Addtl Facilities & Capital Maint \$M	\$ 0.25	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.44	\$ 0.45	\$ 0.46	\$ 0.48	\$ 0.49	\$ 0.50	\$ 0.50	
Building Rental/Lease \$M	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.19	

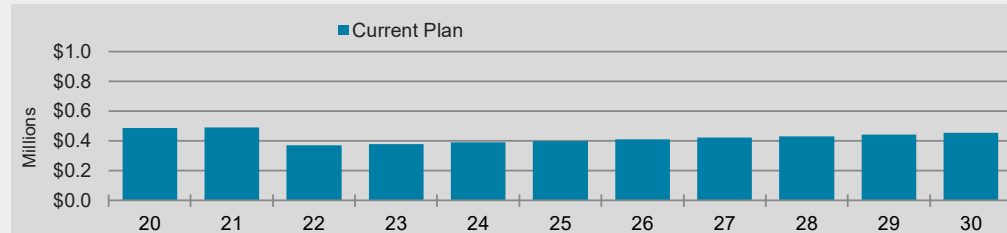
End of Year Fund Balance



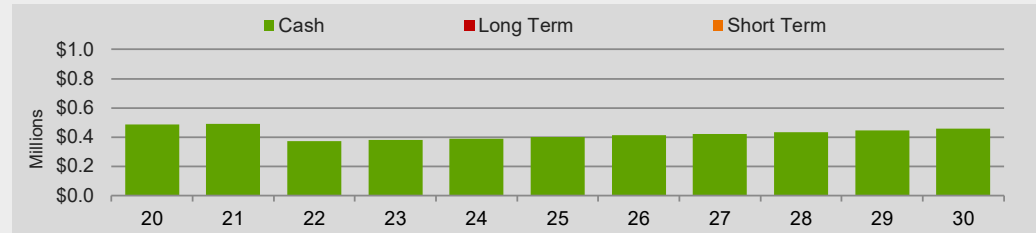
Revenues vs. Expenses



CIP Spending



CIP Funding



# Version 1 - City Makes Payments of \$1.5 million escalating 3% Thereafter

City Payment on Debt							Charter School Repayment to City					
Period Ending	Existing Charter School Debt	New Charter School Payment	(Increase)/ Decrease in Debt Payment	Charter School Payment to Debt	City Payment on Debt	Total Debt Payment	Interest Rate Paid to City: 2.00%		City Accrued Interest on Debt Payment	Total Annual Owed City	Charter School Payment To City	Ending Balance Owed to City
							Beginning Balance Owed to City	City Payment on Debt				
10/01/2020	3,351,981	1,851,981	1,500,000	1,851,981	1,500,000	3,351,981	-	1,500,000	-	1,500,000	-	1,500,000
10/01/2021	3,261,643	1,716,643	1,545,000	1,716,643	1,545,000	3,261,643	1,500,000	1,545,000	30,000	1,575,000	-	3,075,000
10/01/2022	3,192,875	1,601,525	1,591,350	1,601,525	1,591,350	3,192,875	3,075,000	1,591,350	61,500	1,652,850	-	4,727,850
10/01/2023	3,191,375	1,552,285	1,639,091	1,552,285	1,639,091	3,191,375	4,727,850	1,639,091	94,557	1,733,648	-	6,461,498
10/01/2024	3,186,125	1,497,862	1,688,263	1,497,862	1,688,263	3,186,125	6,461,498	1,688,263	129,230	1,817,493	-	8,278,991
10/01/2025	3,187,125	1,448,214	1,738,911	1,448,214	1,738,911	3,187,125	8,278,991	1,738,911	165,580	1,904,491	-	10,183,482
10/01/2026	3,183,875	1,392,797	1,791,078	1,392,797	1,791,078	3,183,875	10,183,482	1,791,078	203,670	1,994,748	-	12,178,230
10/01/2027	3,186,375	1,341,564	1,844,811	1,341,564	1,844,811	3,186,375	12,178,230	1,844,811	243,565	2,088,375	-	14,266,605
10/01/2028	3,189,125	1,288,970	1,900,155	1,288,970	1,900,155	3,189,125	14,266,605	1,900,155	285,332	2,185,487	-	16,452,092
10/01/2029	3,191,875	1,234,715	1,957,160	1,234,715	1,957,160	3,191,875	16,452,092	1,957,160	329,042	2,286,202	-	18,738,294
10/01/2030	3,184,375	1,168,500	2,015,875	1,168,500	2,015,875	3,184,375	18,738,294	2,015,875	374,766	2,390,640	-	21,128,934
10/01/2031	3,181,875	1,105,524	2,076,351	1,105,524	2,076,351	3,181,875	21,128,934	2,076,351	422,579	2,498,929	-	23,627,864
10/01/2032	3,187,425	1,048,784	2,138,641	1,048,784	2,138,641	3,187,425	23,627,864	2,138,641	472,557	2,611,199	-	26,239,062
10/01/2033	3,189,750	986,949	2,202,801	986,949	2,202,801	3,189,750	26,239,062	2,202,801	524,781	2,727,582	-	28,966,644
10/01/2034	3,186,250	917,365	2,268,885	917,365	2,268,885	3,186,250	28,966,644	2,268,885	579,333	2,848,217	-	31,814,862
10/01/2035	3,186,750	849,799	2,336,951	849,799	2,336,951	3,186,750	31,814,862	2,336,951	636,297	2,973,248	-	34,788,110
10/01/2036	3,186,550	779,490	2,407,060	779,490	2,407,060	3,186,550	34,788,110	2,407,060	695,762	3,102,822	-	37,890,932
10/01/2037	3,188,025	708,754	2,479,271	708,754	2,479,271	3,188,025	37,890,932	2,479,271	757,819	3,237,090	-	41,128,022
10/01/2038	1,192,275	3,200,000	(2,007,725)	1,192,275	-	1,192,275	41,128,022	-	822,560	822,560	2,007,725	39,942,857
10/01/2039	1,195,000	3,360,000	(2,165,000)	1,195,000	-	1,195,000	39,942,857	-	798,857	798,857	2,165,000	38,576,715
10/01/2040	1,190,800	3,528,000	(2,337,200)	1,190,800	-	1,190,800	38,576,715	-	771,534	771,534	2,337,200	37,011,049
10/01/2041	-	3,704,400	(3,704,400)	-	-	-	37,011,049	-	740,221	740,221	3,704,400	34,046,870
10/01/2042	-	3,889,620	(3,889,620)	-	-	-	34,046,870	-	680,937	680,937	3,889,620	30,838,187
10/01/2043	-	4,084,101	(4,084,101)	-	-	-	30,838,187	-	616,764	616,764	4,084,101	27,370,850
10/01/2044	-	4,288,306	(4,288,306)	-	-	-	27,370,850	-	547,417	547,417	4,288,306	23,629,961
10/01/2045	-	4,502,721	(4,502,721)	-	-	-	23,629,961	-	472,599	472,599	4,502,721	19,599,839
10/01/2046	-	4,727,857	(4,727,857)	-	-	-	19,599,839	-	391,997	391,997	4,727,857	15,263,978
10/01/2047	-	4,964,250	(4,964,250)	-	-	-	15,263,978	-	305,280	305,280	4,964,250	10,605,008
10/01/2048	-	5,212,463	(5,212,463)	-	-	-	10,605,008	-	212,100	212,100	5,212,463	5,604,645
10/01/2049	-	5,716,738	(5,716,738)	-	-	-	5,604,645	-	112,093	112,093	5,716,738	(0)
61,191,449 73,670,178 (12,478,729) 26,069,796 35,121,653 61,191,449							35,121,653 12,478,729 47,600,382 47,600,382					
Charter School Payments on Debt				26,069,796	Charter School Payments to City			47,600,382				
					Total Charter School Payments			73,670,178				
					Total Cost to Charter for Delaying Payments			(12,478,729)				
					Net Present Value Benefit			4,667,407				

\*Present valued to 6/1/19 for comparison purposes at 3.35%, which is the approximate True Interest Cost of the charter school portion of the Series 2017 Bonds.



Next Steps:  
Permission to proceed  
Questions