

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – May 2019**

Applicant/Obligor:	EJE Middle Academy
Project School:	EJE Middle Academy
CDS (County – District – School) Code:	37-67991-0119255
School Address/Proposed Site:	851 South Johnson Avenue, El Cajon, CA 92020
Type of Project:	Rehabilitation and New Construction
OPSC Project Numbers:	Rehabilitation - 54/67991-00-002 New Construction - 54/67991-00-003
Type of Apportionment:	Advance
County:	San Diego
District in which Project is Located:	Cajon Valley Union School District
Charter Authorizer:	Cajon Valley Union School District
Total OPSC Project Cost:*	Rehabilitation - \$5,257,666 New Construction - \$3,483,558 Total - \$8,741,224
State Apportionment (50% Project Cost):	Rehabilitation - \$2,628,833 New Construction - \$1,741,779 Total - \$4,370,612
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	Rehabilitation - \$2,628,833 New Construction - \$1,741,779 Total - \$4,370,612
Length of CSFP Funding Agreement:	30 Years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	Rehabilitation - \$134,121 New Construction - \$88,864 Total - \$222,985
First Year of Occupancy (NC Project):	2020-21

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that EJE Middle Academy (“EJE Middle”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is also contingent upon EJE Middle electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Background: EJE Middle was found sound for both Preliminary and Advance Apportionment in December 2017. The State Allocation Board award EJE Middle its Preliminary Apportionment in February 2018.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review for EJE Middle. Detailed information is contained in the body of the report.

Criteria	Comments
School Information	
Eligibility Criteria	EJE Middle has met all eligibility criteria: (1) EJE Middle commenced operations in 2009; (2) EJE Middle’s charter is in place through June 2023; (3) EJE Middle is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	EJE Middle has outperformed their local schools used for comparison, Emerald Middle and Cajon Valley Middle, and District on average in both English Language Arts and Mathematics assessment in the last three years.
Demographic Information	EJE Middle currently serves 242 students in grades 6-8. Enrollment in 2019-20 is expected to be 260 students. ADA rates are projected to be 95.8%, which staff find reasonable while being slightly higher than historical average of 95.4%. For 2018-19, the unduplicated pupil count of at EJE Middle as a percentage of ADA is 84.0%.
Debt Service Coverage	EJE’s DSC is 133.1% and 148.2% for 2022-23 and 2023-24 respectively.
Other Financial Factors	<ul style="list-style-type: none"> • EJE’s operating fund has a projected balance of \$1,036,795 as of the end of 2018-19. • EJE Middle’s expected annual total of CSFP payments only account for 7.0% operating revenue for EJE for 2022-23 through 2023-24.

Program Eligibility: On April 1 2019, at CSFA staff’s request, verification was received from Cajon Valley Union School District confirming that EJE Middle (1) has been in operation for more than 2 years, (2) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. EJE Middle’s current charter is effective through June 2023.

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: The rehabilitation project will consist of modernizing existing buildings to upgrade electrical and lighting, replace flooring and other finishes, paint and other related work. The new construction project will consist of installing modular classrooms in a single two-story building configuration. Project completion for the rehabilitation project is expected to be September 2019 while project completion for the new construction project is expected to be September 2020.

Organizational and School Information: EJE Middle is a 6-8 grade charter school with 501(c)(3) non-profit public benefit status as EJE Academies. The school received its first charter in 2009, and began instructional operations in the 2009-10 school year. EJE Academies also operates EJE Elementary Academy Charter which has been in operation in 2005.

EJE Middle describes itself as a dual-language charter school that seeks to prepare students from diverse populations to excel in higher education and to be leaders in creating a just global community. EJE Middle acts as its own fiscal agent and is governed by its own board. The Board of Trustees is authorized to create and modify its bylaws to help detail the Board's rules and procedures, including increasing its membership and setting terms of current and future Board Members.

The 2018-19 board members consist of Jerry Hoffmeister, Nancy Martinez, Joe Lara, Orlando Hernandez, and Deborah Costa. Staff has reviewed the list of board members and determined them to have the proper background and experience to govern.

Eva Pacheco is the current Executive Director of EJE Academies, which includes EJE Elementary and EJE Middle, and Janet Vasquez is the principal of EJE Middle. Staff reviewed the credentials of the Executive Director of EJE Academies and the Principal of EJE Middle and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of EJE Middle.

School Academic Performance: The following tables represent the 2015-16, 2016-17, and 2017-18 academic performance of EJE Middle, the averages of similar local public schools (Emerald Middle and Cajon Valley Middle School), and the District. The results are provided through CDE's CAASPP Smarter Balanced testing data. The percentage of student groups performing at or below average is based on the number of student groups served, e.g. a school where one of four student groups performed below average would have a percentage of 75% since three of the four are at or above average. Student groups, as determined in Ed. Code Section 52052 (a)(2), are ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities, foster youth, and homeless youth. The data for student groups performing at or above average was first made available for 2016-17.

English Language Arts – Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
EJE Middle	68.00%	55.96%	57.65%
Local Schools	29.50%	30.41%	25.96%
District	43.00%	41.66%	41.76%

All Students Performance

	2015-16	2016-17	2017-18
EJE Middle	N/A	High	Average
Local Schools	N/A	Average	Low
District	N/A	Low	Low

Student Groups Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
EJE Middle	N/A	67%	67%
Local Schools	N/A	33%	0%
District	N/A	33%	25%

Mathematics– Comparison

% of Students Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
EJE Middle	47.00%	44.50%	42.08%
Local Schools	19.50%	16.40%	13.90%
District	34.00%	32.45%	32.37%

All Students Performance

	2015-16	2016-17	2017-18
EJE Middle	N/A	Average	Average
Local Schools	N/A	Lowest	Low
District	N/A	Low	Low

Student Groups Meeting or Exceeding Avg. Performance

	2015-16	2016-17	2017-18
EJE Middle	N/A	100%	67%
Local Schools	N/A	17%	0%
District	N/A	33%	25%

Enrollment Trends and Projections: The tables below present enrollment information for EJE Middle from 2015-16 through 2023-24. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

<u>EJE Middle</u>	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enrollment	182	195	229	242	260	260	260
ADA	94.3%	96.0%	96.0%	96.0%	95.8%	95.8%	95.8%
	<u>2022-23</u>	<u>2023-24</u>					
Enrollment	260	260					
ADA	95.8%	95.8%					

As part of Staff’s review, historical enrollment from 2015-16 through 2017-18 is used as a measure for the reasonability regarding projected enrollment for 2019-20 through 2023-24. From 2015-16 through 2017-18, EJE Middle grew an average of 10.3% with the largest increase from 2016-17 to 2017-18. The projected 7.4% growth from 2018-19 through 2019-20 is the lone projected enrollment increase which Staff considers reasonable.

Staff also compared EJE Middle’s historical enrollment changes with Local Schools and the District as an additional measure of reasonability. The Local Schools averaged about 3.7% in enrollment growth but Emerald Middle had the largest single year increase of 18.1% in 2017-18. The District’s enrollment grew by an average of 1.5% over those three years. With this information, staff considered EJE Middles averaged projected growth of 1.5% reasonable.

District Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for EJE Middle, the financial obligor and Applicant: (1) audited financial statements for 2015-16, 2016-17 and 2017-18; (2) adopted budget for 2018-19; and (4) budget projections for 2019-20 and 2022-23, along with the following assumptions.

Assumptions: EJE Middle’s financial projections are based upon the following assumptions: (1) School enrollment projections as provided above under “Enrollment Trends and Projections”; (2) Projected school ADA rates of 95.8%, which are consistent with historical performance; (3) an average projected Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,407; and (4) Annual cost-of-living adjustments (COLAs) percentage of 2.67% for EJE Middle’s projections.

Long Term Liabilities: As provided by the 2017-18 audited financial statements, EJE Middle or EJE Academies have no long-term debt.

It should be noted that EJE Academies has an additional CSFP project at EJE Elementary Academy funded through Proposition 51. Like this project, the school, EJE Elementary Academy, was the obligor reviewed. That project was approved for Preliminary and Advance apportionment in December 2017. As EJE Middle is the obligor being reviewed for this project, the EJE Elementary Academy project was listed for informational purposes only.

Private Contributions: EJE Middle did not rely on any private contributions to meet debt service coverage.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding EJE Middle’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 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
OPERATIONAL & FINANCIAL									
Enrollment	182	195	229	242	260	260	260	260	260
Average Daily Attendance (ADA)	172	187	220	232	249	249	249	249	249
Average Daily Attendance (%)	94.3%	96.0%	96.0%	96.0%	95.8%	95.8%	95.8%	95.8%	95.8%
FTE Teachers	11	9	10	12	12	12	12	12	12
Pupil-Teacher Ratio	16.5	21.7	22.9	20.2	21.7	21.7	21.7	21.7	21.7
LCFF Sources/ADA	\$ 8,460	\$ 8,784	\$ 8,975	\$ 10,274	\$ 9,869	\$ 10,131	\$ 10,425	\$ 10,717	\$ 11,023
% Change		3.8%	2.2%	14.5%	-3.9%	2.7%	2.9%	2.8%	2.8%
Operating Revenues/ADA	\$ 11,559	\$ 10,779	\$ 11,277	\$ 11,754	\$ 11,122	\$ 11,906	\$ 12,325	\$ 12,617	\$ 12,911
% Change		-6.7%	4.6%	4.2%	-5.4%	7.0%	3.5%	2.4%	2.3%
Operating Expenses plus CSFP Lease/ADA	\$ 10,451	\$ 10,873	\$ 9,976	\$ 10,977	\$ 10,396	\$ 11,096	\$ 11,202	\$ 12,321	\$ 12,479
% Change		4.0%	-8.2%	10.0%	-5.3%	6.7%	1.0%	10.0%	1.3%
Free Cash Flow/ADA	\$ 1,108	\$ (94)	\$ 1,301	\$ 777	\$ 726	\$ 810	\$ 1,122	\$ 296	\$ 432
OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS									
	Actual FY 2016	Actual FY 2017	Actual FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 1,983,899	\$ 2,017,436	\$ 2,480,339	\$ 2,730,750	\$ 2,770,688	\$ 2,966,018	\$ 3,070,315	\$ 3,143,162	\$ 3,214,797
Total Operating Expenses	1,793,782	2,034,984	2,194,114	2,550,230	2,589,757	2,764,275	2,790,691	2,846,529	2,884,284
Total Other Sources/Uses	-	-	-	3,076	-	-	-	-	-
Net Income Available	190,117	(17,548)	286,225	183,596	180,931	201,744	279,625	296,633	330,512
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-
Add Back Depreciation	17,220	48,497	29,376	9,804	8,167	4,362	1,193	227	-
Adjusted Net Income Available	207,337	30,949	315,601	193,400	189,098	206,106	280,818	296,860	330,512
CSFP Matching Share Payments	-	-	-	-	-	-	-	222,985	222,985
Free Cash Flow	\$ 207,337	\$ 30,949	\$ 315,601	\$ 193,400	\$ 189,098	\$ 206,106	\$ 280,818	\$ 73,875	\$ 107,527
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	133.1%	148.2%
DSC from LCFF Sources subject to CSFA Intercept							N/A	950.9%	984.4%
CSFP Matching Share Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.1%	6.9%
FUNDRAISING									
Fundraising for Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fundraising/Oper. Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	133.1%	148.2%
LIQUIDITY									
Current Assets	\$ 551,150	\$ 636,430	\$ 922,477						
Current Liabilities	103,640	151,044	96,082						
Net Working Capital	\$ 447,510	\$ 485,386	\$ 826,395						
Net Working Capital/Oper. Expenses	24.9%	23.9%	37.7%						
Unrestricted Cash & Cash Equivalents	\$ 393,193	\$ 517,433	\$ 796,538						
Unrest. Cash & CE/Oper. Expenses (Days)	80	93	133						
Unrest. Cash & CE/All Expenses (Days)	80	93	133						

Benchmark Summary:

- Free Cash Flow/ADA – **Met:** \$719.82 average (>\$0)
- Free Cash Flow – **Met:** \$138,172.59 average (>\$0)
- CSFP Matching Share Payment/Operating Revenue – **Met:** 7.0% average (<15.0%)
- Debt Service Coverage (DSC) from Adj. Net Income – **Met:** 133.1 & 148.2% average (>100%)
- DSC from Adjusted Net Income without Fundraising – **Met:** 140.7% average (>100%)
- Net Working Capital/Operating Expenses – **Met:** 28.8% average (>5.0%)
- Unrestricted Cash & Cash Equivalents/All Expenses – **Met:** 101.77 days on average (> 90 days)

Strengths, Weaknesses and Mitigants:

- + EJE Middle has outperformed their local schools used for comparison and District on average in both English Language Arts and Mathematics assessment in the last three years.
- + EJE Middle’s projected debt service coverage ratios of 133.1% and 148.2% for 2022-23 and 2023-24 respectively exceed program thresholds.
- + EJE Middle’s fund balance is projected to be \$1,036,795 by June 30, 2019.
- + EJE Middle has more than 101 days operating days based on Unrestricted Cash & Cash Equivalents versus expenses.
- + EJE Middle is not dependent on fundraising contributions to meet its debt service coverage.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that EJE Middle Academy, is financially sound for the purposes of Charter School Facilities Program 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 time period. This recommendation is also contingent upon EJE Middle electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction and the State Allocation Board regarding this determination.