

**Charter School Facilities Program
 Proposition 51 Funding Round
 Staff Summary Report – May 2022
 Item #6 Resolution 22-29**

Applicant/Obligor:	EJE Elementary Academy
Project School:	EJE Elementary Academy
CDS (County – District – School) Code:	37-67991-0108563
School Address/Proposed Site:	851 South Johnson Avenue El Cajon, CA 92020
Type of Project:	Rehabilitation
Type of Apportionment:	Final
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:	\$15,655,600
State Apportionment (50% Project Cost):	\$7,827,800
Total CSFP Financed Amount:	\$7,827,800
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.00%
Estimated Annual CSFP Payment:	\$349,511
First Year of Occupancy of New Project:	2025-26

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that EJE Elementary Academy (School or EJE) is financially sound for the purposes of 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 time period. This recommendation is contingent upon EJE 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 CSFA Board direct staff to immediately notify the Office of Public School Construction (OPSC) and the State Allocation Board (SAB) regarding this determination.

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

Criteria	Comments
Demographic Information	1. In 2020-21, EJE Academy had a total enrollment of 551 students in grades 6-8 (the ADA rate was 94.6%). 2. By 2026-27 (1 st Full Year of Expected Project Occupancy), EJE Academy projects an enrollment of 270 students.
Debt Service Coverage	EJE's debt service coverage from adjusted net income on this CSFP loan is projected to average 109% over the first three years that payments are due.
Eligibility Criteria	EJE Academy has met all eligibility criteria: (1) EJE Academy commenced operations in 2005; (2) EJE Academy's charter is in place through June 2025 - Assembly Bill 130 (Approved by Governor on July 09, 2021) extends the terms of all charter schools whose terms expire on or between January 1, 2022, and June 30, 2025, inclusive, by two years.; (3) EJE Academy is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	EJE Academy's "Smarter Balanced" assessment for 2020-21 was suppressed in order to "protect student privacy" due to low number of students tested. Additionally, the 2019-20 assessment was not done due to COVID-19. The last available year is 2018-19. In 2018-19, 54.98% of EJE Academy students met or exceeded the new English Language Arts/Literacy standard set by the California Assessment of Student Performance and Progress' (CAASPP) Smarter Balanced Assessment. That same year 38.58% of students met or exceeded the mathematics standard under CAASPP's Smarter Balance Assessment.

Program Eligibility: On April 21, 2022, at CSFA staff's request, verification was received from Cajon Valley Union School District confirming that EJE Academy (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 Academy's current charter is effective through June 2025. Assembly Bill 130 [Approved by Governor on July 09, 2021] extends the terms of all charter schools whose terms expire on or between January 1, 2022, and June 30, 2025, inclusive, by two years.

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 project includes rehabilitating 25,301 square feet in the Elementary school portion of the site. This includes the replacement of 10 old portable classrooms which will be included in the construction of new classrooms in the planned new 20 classroom two-story building and in the privately funded Kindergarten area. The replaced classrooms in the privately funded area were classrooms that did not qualify for state funding; and construction of a new 20 classroom two-story building. Four of the new classrooms are part of the state funding approval for 4 new classrooms under the new construction program

and the remaining 16 classrooms are replacement classrooms from the old portables on both the Elementary school and Middle school portions of the site.

School Organizational Information: EJE Academy is a K - 5 grade charter school with 501(c)(3) non-profit public benefit status as EJE Academies. The school received its first charter in 2005 and began instructional operations in the 2005-06 school year and currently serves 551 students. The school 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 Academy 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.

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

2021-22 EJE Academies Board Members

Name	Position	Term Expiration
Jeff Hoffmeister	President	2023
Nancy Martinez	Secretary	2023
Joe Lara	Trustee	2023
Debra Costa Hernandez	Trustee	2023
Yolanda Ramirez	Trustee	2023

School Academic Performance: The following tables represent the 2018-19 academic performance of EJE Academy, a similar local public school, Chase Avenue Elementary School, and Cajon Valley Union School District. The results are provided through CDE’s CAASPP Smarter Balanced testing data. Please note: The 2020-21 assessment for EJE for was suppressed in order to "protect student privacy" due to low number of students tested and the 2019-20 assessment was not done for any school due to COVID-19.

English Language Arts (2018-19) – Comparison

	Standard Met or Exceeded	All Student Performance	Points Difference from Standard
EJE Academy	54.98%	Green (High)	+8.0 pts.
Local School	21.30%	Orange (Low)	-68.4 pts.
District	41.71%	Orange (Low)	-25.5 pts.

Mathematics (2018-19) – Comparison

	Standard Met or Exceeded	All Student Performance	Points Difference from Standard
EJE Academy	38.58%	Green (High)	-22.4 pts.
Local School	17.05%	Orange (Low)	-67.5 pts.
District	32.56%	Orange (Low)	-52.2 pts.

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for EJE Academy from FY 2019 through FY 2027. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

EJE Student Enrollment and Average Daily Attendance

Year (FY)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enrollment	560	553	536	557	568	576	576	576	576
ADA	95.3%	95.9%	98.9%	87.6%	96.0%	96.0%	96.0%	96.0%	96.0%

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for EJE: (1) audited financial statements for FYs 2016-17 through 2020-21; (2) adopted budget for FY 2021-22; and (3) budget projections for FYs 2022-23 through 2028-29 along with assumptions.

Assumptions: Staff’s financial analysis of EJE is based upon the following assumptions: (1) occupancy of the new facility in August 2025; (2) the repayment of EJE’s CSFP matching share loan in the amount of \$7,827,800 at 2% interest commencing in FY 2026-27; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Using available data, staff projections indicate the possibility of EJE falling below 100% debt service coverage (DSC) in FY 29. However, average DSC for the period reviewed sits at 109%, and liquidity metrics are strong. 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 EBCP’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															AVERAGE	THRESHOLD LEVEL
	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029			
OPERATIONAL & FINANCIAL																
Enrollment	537	559	580	553	536	557	568	576	576	576	576	576	576			
Average Daily Attendance (ADA)	511	530	534	530	530	488	545	553	553	553	553	553	553			
Average Daily Attendance (%)	95.2%	94.8%	95.3%	95.9%	98.9%	87.6%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	95.4%	< 94.0%	
FTE Teachers	23	26	26	34	32	30	30	30	30	30	30	30	30	33		
Pupil-Teacher Ratio	23.3	21.5	21.5	16.3	16.8	15.5	15.8	16.0	16.0	16.0	16.0	16.0	16.0	17.4	> 25.0	
LCFF Sources/ADA	\$ 9,342	\$ 9,364	\$ 10,012	\$ 10,370	\$ 10,274	\$ 11,196	\$ 11,612	\$ 12,022	\$ 12,460	\$ 12,911	\$ 13,170	\$ 13,433	\$ 13,701	\$ 11,513		
% Change	2.4%	6.9%	3.6%	-0.9%	9.0%	3.7%	3.5%	3.6%	2.6%	2.0%	2.0%	2.0%	2.0%	3.5%		
Operating Revenues/ADA	\$ 11,236	\$ 11,892	\$ 12,780	\$ 13,227	\$ 13,129	\$ 15,865	\$ 14,912	\$ 15,600	\$ 15,886	\$ 15,442	\$ 15,701	\$ 15,964	\$ 16,232	\$ 14,452		
% Change	5.8%	7.5%	3.5%	-0.7%	20.8%	-6.0%	4.6%	1.8%	-2.8%	1.7%	1.7%	1.7%	1.7%	3.3%		
Operating Expenses plus CSFP Lease/ADA	\$ 11,601	\$ 11,400	\$ 12,306	\$ 12,675	\$ 12,645	\$ 15,770	\$ 14,524	\$ 14,850	\$ 14,950	\$ 15,671	\$ 16,660	\$ 17,054	\$ 17,455	\$ 14,420		
% Change	-1.7%	7.1%	3.8%	-0.2%	24.7%	-7.5%	2.3%	0.7%	4.8%	6.3%	2.4%	2.3%	2.3%	3.7%		
Free Cash Flow/ADA	\$ (366)	\$ 492	\$ 374	\$ 352	\$ 453	\$ 93	\$ 388	\$ 750	\$ 933	\$ (229)	\$ (960)	\$ (1,091)	\$ (1,223)	\$ 21	< 0	
DEBT SERVICE COVERAGE																
Total Operating Revenues	\$ 5,742,862	\$ 6,300,744	\$ 6,821,479	\$ 7,012,009	\$ 6,960,057	\$ 7,739,038	\$ 8,127,230	\$ 8,626,841	\$ 8,784,856	\$ 8,539,336	\$ 8,682,536	\$ 8,827,832	\$ 8,976,413			
Total Operating Expenses	5,929,821	6,039,839	6,515,170	6,719,232	6,703,213	7,692,544	7,915,799	8,211,955	8,267,575	8,665,826	8,863,676	9,081,400	9,302,954			
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-	-	-	-			
Net Income Available for CSFP Lease Payment	(186,959)	260,885	306,309	292,777	256,844	46,494	211,430	414,885	517,281	(126,490)	(181,140)	(253,568)	(326,540)			
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-			
Add Back Depreciation	151,001	142,519	45,547	40,347	38,140	41,080	145,764	294,551	284,763	645,849	635,641	635,459	635,391			
Adjusted Net Income Available for CSFP Lease Pymt.	(35,958)	403,403	351,856	333,124	294,984	87,574	357,195	709,437	802,044	519,359	32,500	(40,660)	(301,516)		< 0	
Free Cash Flow	\$ (35,958)	\$ 403,403	\$ 351,856	\$ 333,124	\$ 294,984	\$ 87,574	\$ 357,195	\$ 709,437	\$ 802,044	\$ 519,359	\$ 32,500	\$ (40,660)	\$ (301,516)		< 0	
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	130.0%	109.3%	88.4%	109.2%	< 110.0%	
DSC from LCFF Sources subject to CSFA Intercept	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1758.3%	1799.8%	1842.3%	1800.1%	> 15.0%	
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.0%	4.0%	3.9%	4.0%	> 15.0%	
LIQUIDITY																
Current Assets	\$ 2,484,928	\$ 2,714,651	\$ 4,123,464	\$ 4,192,793	\$ 4,012,059											
Current Liabilities	591,879	428,619	1,145,828	1,224,270	1,517,638											
Net Working Capital	\$ 1,893,049	\$ 2,286,032	\$ 2,977,636	\$ 2,968,523	\$ 2,494,421											
Net Working Capital/Oper. Expenses	31.9%	37.8%	45.7%	44.2%	37.2%									39.4%	< 5.0%	
Unrestricted Cash & Cash Equivalents	\$ 2,241,778	\$ 2,423,812	\$ 3,905,977	\$ 3,043,710	\$ 3,032,175											
Unrest. Cash & CE/Oper. Expenses (Days)	138	146	219	165	165									167	< 90	
Unrest. Cash & CE/All Expenses (Days)	138	146	219	165	165									167	< 90	

Benchmark Summary:

- Enrollment – Fluctuation in ADA rate during FY 21 related to COVID circumstances. Overall average ADA exceeds minimum threshold of 94%.
- Student to FTE teacher ratio excellent. Projections demonstrate focus on hiring additional staff to accommodate enrollment growth.
- Free Cash Flow and/or per ADA – School operates with historically positive cash flow; projections reflect deficit per ADA from FY 26 through FY 29 coinciding with cessation of Elementary and Secondary School Emergency Relief (ESSER) funding. Staff find projections reasonable and within tolerance given the length of period examined.
- Debt Service Coverage from Adj. Net Income – Staff finds estimated 109% debt service coverage reasonable and within tolerance.
- CSP Lease Payment/Operational. Revenues: Averaging 4% of annual operating revenues; proposed CSFP lease payment unlikely to present any difficulties.
- Net Working Capital as Portion of Operating Expenses – EJE liquidity metrics are strong with ratio of Net Working Capital to Operational Expenses at nearly 40%, and Unrestricted Cash and Equivalents on hand equal to 167 days’ worth of expenses.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that EJE Elementary Academy (EJE) is financially sound for the purposes of this 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 EJE electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4. 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.