

**Charter School Facilities Program  
Proposition 51 Funding Round  
Staff Summary Report – May 2022  
Item #7 Resolution 22-30**

|  |  |
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| <b>Applicant/Obligor:</b>                      | EJE Middle Academy                           |
| <b>Project School:</b>                         | EJE Middle Academy                           |
| <b>CDS (County – District – School) Code:</b>  | 37-67991-0119255                             |
| <b>School Address/Proposed Site:</b>           | 851 South Johnson Avenue, El Cajon, CA 92020 |
| <b>Type of Project:</b>                        | Rehabilitation and New Construction          |
| <b>Type of Apportionment:</b>                  | Final  |
| <b>County:</b>                                 | San Diego                                    |
| <b>District in which Project is Located:</b>   | Cajon Valley Union School District           |
| <b>Charter Authorizer:</b>                     | Cajon Valley Union School District           |
| <b>Total OPSC Project Cost:</b>                | \$14,749,120                                 |
| Project Cost (Rehabilitation):                 | \$9,285,124                                  |
| Project Cost (New Construction):               | \$5,463,996                                  |
| <b>State Apportionment (50% Project Cost):</b> | \$7,374,560                                  |
| Apportionment (Rehabilitation):                | \$4,642,562                                  |
| Apportionment (New Construction):              | \$2,731,998                                  |
| <b>Total CSFP Financed Amount:</b>             | \$7,374,560                                  |
| <b>Length of CSFP Funding Agreement:</b>       | 30 years                                     |
| <b>Assumed Interest Rate:</b>                  | 2.00%  |
| <b>Estimated Annual CSFP Payment:</b>          | \$329,274                                    |
| <b>First Year of Occupancy of New Project:</b> | 2025-26                                      |

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that EJE Middle 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:

| <b>Criteria</b>         | <b>Comments</b>  |
|-------------------------|--|
| Demographic Information | 1. In 2021-22, EJE Academy had a total enrollment of 235 students in grades 6-8 (the ADA rate was 95.7%).<br>2. By 2026-27 (1 <sup>st</sup> 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 156.4% 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, 52.81% 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 36.80% 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 projects include rehabilitating 15,115 square feet in the middle school portion of the site. This includes the replacement of 9 old portables and replacing them in the new 20 classroom two- story building; 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 6-8 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 235 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 Janet Vasquez is the principal of EJE Middle 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**

| <b>Name</b>           | <b>Position</b> | <b>Term Expiration</b> |
|-----------------------|-----------------|------------------------|
| 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**

|              | <b>Standard Met or Exceeded</b> | <b>All Student Performance</b> | <b>Points Difference from Standard</b> |
|--------------|---------------------------------|--------------------------------|--|
| EJE Academy  | 52.81%                          | Yellow (Avg.)                  | +8.3 pts.                              |
| Local School | 26.77%                          | Orange (Low)                   | -61.1 pts.                             |
| District     | 41.71%                          | Orange (Low)                   | -25.5 pts.                             |

**Mathematics (2018-19) – Comparison**

|              | <b>Standard Met or Exceeded</b> | <b>All Student Performance</b> | <b>Points Difference from Standard</b> |
|--------------|---------------------------------|--------------------------------|--|
| EJE Academy  | 36.80%                          | Orange (Low)                   | -34.6 pts.                             |
| Local School | 20.20%                          | Orange (Low)                   | -92.8 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 2028. 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**

| <b>Year (FY)</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>2027</b> |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Enrollment       | 242         | 255         | 247         | 233         | 265         | 260         | 270         | 270         | 270         |
| ADA              | 95.3%       | 96.8%       | 99.9%       | 97.0%       | 96.0%       | 95.8%       | 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 \$7,374,560 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:** At the time of this analysis, EJE does not have any long-term liabilities that could impact the schools’ financial soundness. 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 |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------|--------------------|
|  | Actual<br>FY 2017 | Actual<br>FY 2018 | Actual<br>FY 2019 | Actual<br>FY 2020 | Actual<br>FY 2021 | Projected<br>FY 2022 | Projected<br>FY 2023 | Projected<br>FY 2024 | Projected<br>FY 2025 | Projected<br>FY 2026 | Projected<br>FY 2027 | Projected<br>FY 2028 | Projected<br>FY 2029 | AVERAGE    | THRESHOLD<br>LEVEL |
| <b>OPERATIONAL &amp; FINANCIAL</b>                   |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Enrollment   | 193               | 229               | 242               | 255               | 247               | 233                  | 285                  | 290                  | 270                  | 270                  | 270                  | 270                  | 270                  |            |                    |
| Average Daily Attendance (ADA)                       | 188               | 220               | 231               | 247               | 247               | 226                  | 254                  | 249                  | 259                  | 259                  | 259                  | 259                  | 259                  |            |                    |
| Average Daily Attendance (%)                         | 96.4%             | 96.0%             | 95.3%             | 96.8%             | 99.9%             | 97.0%                | 96.0%                | 95.8%                | 96.0%                | 96.0%                | 96.0%                | 96.0%                | 96.0%                | 96.4%      | < 94.0%            |
| FTE Teachers   | 9                 | 11                | 13                | 14                | 14                | 14                   | 14                   | 14                   | 14                   | 14                   | 14                   | 14                   | 14                   | 13         |                    |
| Pupil-Teacher Ratio                                  | 21.7              | 20.8              | 18.6              | 18.2              | 17.6              | 16.6                 | 18.9                 | 18.6                 | 19.3                 | 19.3                 | 19.3                 | 19.3                 | 19.3                 | 19.0       | > 25.0             |
| LCFF Sources/ADA                                     | \$ 8,748          | \$ 8,975          | \$ 9,632          | \$ 9,961          | \$ 9,866          | \$ 10,466            | \$ 11,192            | \$ 11,593            | \$ 12,021            | \$ 12,455            | \$ 12,705            | \$ 12,959            | \$ 13,218            | \$ 11,061  |                    |
| % Change   |                   | 2.6%              | 7.3%              | 3.4%              | -1.0%             | 6.1%                 | 6.9%                 | 3.6%                 | 3.7%                 | 3.6%                 | 2.0%                 | 2.0%                 | 2.0%                 | 3.5%       |                    |
| Operating Revenues/ADA                               | \$ 10,735         | \$ 11,277         | \$ 12,369         | \$ 12,390         | \$ 12,499         | \$ 13,971            | \$ 14,190            | \$ 13,555            | \$ 14,333            | \$ 14,106            | \$ 14,355            | \$ 14,609            | \$ 14,868            | \$ 13,329  |                    |
| % Change   |                   | 5.1%              | 9.7%              | 0.2%              | 0.9%              | 11.8%                | 1.6%                 | -4.5%                | 5.9%                 | -1.7%                | 1.8%                 | 1.8%                 | 1.8%                 | 2.8%       |                    |
| Operating Expenses plus CSFP Lease/ADA               | \$ 10,828         | \$ 9,976          | \$ 11,413         | \$ 11,936         | \$ 11,438         | \$ 13,783            | \$ 13,038            | \$ 13,294            | \$ 13,140            | \$ 14,311            | \$ 15,886            | \$ 16,216            | \$ 16,554            | \$ 13,216  |                    |
| % Change   |                   | -7.9%             | 14.4%             | 4.6%              | -4.2%             | 20.5%                | -5.4%                | 2.0%                 | -1.2%                | 8.9%                 | 11.0%                | 2.1%                 | 2.1%                 | 3.9%       |                    |
| Free Cash Flow/ADA                                   | \$ (93)           | \$ 1,301          | \$ 955            | \$ 454            | \$ 1,061          | \$ 188               | \$ 1,152             | \$ 261               | \$ 1,213             | \$ (206)             | \$ (1,531)           | \$ (1,607)           | \$ (1,686)           | \$ 113     | < 0                |
| <b>DEBT SERVICE COVERAGE</b>                         |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Total Operating Revenues                             | \$ 2,017,436      | \$ 2,480,339      | \$ 2,853,176      | \$ 3,058,236      | \$ 3,083,166      | \$ 3,156,009         | \$ 3,609,960         | \$ 3,376,774         | \$ 3,720,293         | \$ 3,656,191         | \$ 3,720,916         | \$ 3,786,688         | \$ 3,833,776         |            |                    |
| Total Operating Expenses                             | 2,034,984         | 2,194,114         | 2,632,767         | 2,946,091         | 2,823,270         | 3,113,546            | 3,316,966            | 3,311,691            | 3,405,929            | 3,709,514            | 3,788,466            | 3,873,971            | 3,961,493            |            |                    |
| Total Other Sources/Uses                             | -                 | -                 | -                 | -                 | -                 | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |            |                    |
| Net Income Available for CSFP Lease Payment          | (17,548)          | 286,225           | 220,409           | 112,145           | 261,896           | 42,463               | 292,994              | 65,083               | 314,365              | (53,323)             | (67,550)             | (87,283)             | (107,717)            |            |                    |
| Add Back Capital Outlay                              |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Add Back Depreciation                                | 58,568            | 58,753            | 14,208            | 13,122            | 12,685            | 13,508               | 116,397              | 260,860              | 257,663              | 605,865              | 602,462              | 602,395              | 602,379              |            |                    |
| Adjusted Net Income Available for CSFP Lease Pymt.   | 41,020            | 344,978           | 234,617           | 125,267           | 274,581           | 55,971               | 409,392              | 325,943              | 572,028              | 552,542              | 534,913              | 515,112              | 494,662              |            |                    |
| CSFP Lease Payments                                  | -                 | -                 | -                 | -                 | -                 | -                    | -                    | -                    | -                    | -                    | 329,274              | 329,274              | 329,274              |            |                    |
| Free Cash Flow                                       | \$ 41,020         | \$ 344,978        | \$ 234,617        | \$ 125,267        | \$ 274,581        | \$ 55,971            | \$ 409,392           | \$ 325,943           | \$ 572,028           | \$ 552,542           | \$ 205,639           | \$ 185,838           | \$ 165,388           | \$ 268,708 | < 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                  | 162.5%               | 156.4%               | 150.2%               | 156.4%     | < 130.0%           |
| DSC from LCFF Sources subject to CSFP Intercept      |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      | 838.2%               | 858.1%               | 878.5%               | 858.3%     |                    |
| 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                  | 8.8%                 | 8.7%                 | 8.5%                 | 8.7%       | > 15.0%            |
| <b>LIQUIDITY</b>                                     |                   |                   |                   |                   |                   |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Current Assets                                       | \$ 634,205        | \$ 920,252        | \$ 1,166,760      | \$ 2,134,326      | \$ 1,537,642      |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Current Liabilities                                  | 151,044           | 96,082            | 183,333           | 883,063           | 693,419           |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Net Working Capital                                  | \$ 483,161        | \$ 824,170        | \$ 983,427        | \$ 1,251,263      | \$ 844,223        |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Net Working Capital/Oper. Expenses                   | 23.7%             | 37.6%             | 37.4%             | 42.5%             | 29.9%             |                      |                      |                      |                      |                      |                      |                      |                      | 34.2%      | < 5.0%             |
| Unrestricted Cash & Cash Equivalents                 | \$ 517,433        | \$ 796,538        | \$ 1,054,675      | \$ 1,673,234      | \$ 1,231,496      |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Unrest. Cash & CE/Oper. Expenses (Days)              | 93                | 133               | 146               | 207               | 159               |                      |                      |                      |                      |                      |                      |                      |                      |            |                    |
| Unrest. Cash & CE/All Expenses (Days)                | 93                | 133               | 146               | 207               | 159               |                      |                      |                      |                      |                      |                      |                      |                      | 248        | < 90               |

**Benchmark Summary:**

- Enrollment – School demonstrates strong, consistent attendance. Overall average ADA exceeds minimum threshold of 94%.
- Student to FTE teacher ratio excellent, well below threshold of 25 students per teacher.
- 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, however, total Free Cash Flow remains positive through the period projected.
- Debt Service Coverage from Adj. Net Income – Exceeds threshold at 156% average per year.
- CSP Lease Payment/Operational. Revenues: Averaging 8.7% of annual operating revenues, meets threshold of less than 15%. 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 35%, and Unrestricted Cash and Equivalents on hand equal to 148 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.