

**Charter School Facilities Program
Succession Financial Soundness Review
Staff Summary Report – September 2025
Item #7 Resolution 25-25**

Executive Summary

Applicant/Obligor:	Los Angeles Academy of Arts and Enterprise
Project School:	Los Angeles Academy of Arts and Enterprise
CDS (County – District – School) Code:	19-64733-0110304
Project Address:	1215 Miramar St, Los Angeles, CA 90026
Type of Apportionment:	Succession of CSFP Facility
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified
Charter Authorizer:	Los Angeles Unified
Total Remaining CSFP Financed Amount:	\$8,083,564.00
Remaining Funding Agreement Term:	29.88
Assumed Interest Rate:	2.0%
Estimated Annual CSFP Payment:	\$361,992.00
First Year of Occupancy of New Project:	2026-27

Staff recommends that the California School Finance Authority (Authority or CSFA) Board determine that Los Angeles Academy of Arts and Enterprise (LAAAE), is financially sound for Charter School Facilities Program (Program or CSFP) Final Conversion as a Successor assuming the Program matching share loan. This determination shall remain in effect for twelve months and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon LAAAE electing to have its CSFP payments intercepted at the state-level, under 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 LAAAE. Detailed information is contained in the body of the report:

Criteria	Comments
Demographic Information	In 2024-25, LAAAE had a total enrollment of 201 students in grades 6-12; the average daily attendance (ADA) rate was 89.8%, and the Unduplicated Pupil Percentage (UPP) of ADA was 96.35%.
Debt Service Coverage	LAAAE debt service coverage from adjusted net income on this CSFP loan is projected to average 156.2% over the first three years that payments are due.
Eligibility Criteria	LAAAE has met all eligibility criteria: (1) LAAAE commenced operations in September 2005; (2) LAAAE charter is in place through June 2028; (3) LAAAE is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	LAAAE students scored lower on California's standardized testing (CAASPP) compared to their peers in the local district, which may be attributed to the unique demographics and challenges faced by the school's student population.

Program Eligibility: Los Angeles Unified has confirmed that as of September 18, 2025, LAAAE is in compliance with the terms of its Charter Agreement and has no pending or outstanding Notices of Violation or Intent to Revoke.

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 and Background: LAAAE proposes to assume the financing obligations of the CSFP property located at 1215 Miramar St., Los Angeles, CA, 90026. This property was originally approved in 2012 for use by Camino Nuevo Charter High School (CNCHS), which ceased operations and vacated the site in 2021. The facility, a multi-level, 30,000-square-foot building containing 22 classrooms, has remained unoccupied since CNCHS's departure. As the proposed successor, LAAAE anticipates approximately \$950,000 in cosmetic improvements due to deterioration resulting from the prolonged vacancy. Given that the property is under LAUSD oversight, LAAAE intends to collaborate closely with the district to align project scopes and budgets, prevent duplication of work, and clarify roles and responsibilities.

LAAAE currently operates on a Prop 39 LAUSD campus shared with Belmont High School, located at 1575 W 2nd St, Los Angeles, CA 90026, less than a mile from the subject property at 1215 Miramar Street. If this proposal is approved, LAAAE will return approximately 15 classrooms to LAUSD and mitigate health-and-safety risks created by their current site's proximity to U.S.101.

School Organizational Information: Los Angeles Academy of Arts and Enterprise (LAAAE) mission is to prepare students for leadership roles by integrating a UC A-G aligned college-prep and career technical education curriculum with comprehensive visual and performing arts courses, business and entrepreneurship education, and character development through

community service. Their philosophy emphasizes equity and the whole-child approach, ensuring that all students have access to the resources and support they need to thrive, regardless of their background.

LAAAE operates as an independent public charter school governed by a Board of Directors, with daily leadership provided by the principal—who functions as a de facto superintendent—and an Executive Cabinet that includes a Director of Operations, Director of Student Services, Director of Development, and an Assistant Principal.

2025-26 Los Angeles Academy of Arts and Enterprise Board of Directors

Name	Position	Term Expiration
Moctesuma Esparza	Chairman	June 19, 2026
Victoria Castro	Vice Chairman	May 22, 2027
Julio Vallejo	Treasurer/Secretary	May 22, 2027
Otto Pradrón	Member	December 11, 2025
Tonantzin Esparza	Member	December 11, 2025
David Calvo	Member	October 13, 2027

School Academic Performance: The following tables represent the recent academic performance of LAAAE; two similar local schools—Sonia Sotomayor Arts and Sciences Magnet and New Designs Charter; and Los Angeles Unified. Results are provided through the California Department of Education's CAASPP Smarter Balanced testing data. Percentages represent students who met or exceeded performance standards.

English Language Arts Achievement

	FY22	FY23	FY24
LAAAE	28%	17%	11%
Sonia Sotomayor Arts and Sciences Magnet	31%	38%	42%
New Designs Charter	38%	42%	40%
Los Angeles Unified	42%	41%	43%

Mathematics Achievement

	FY22	FY23	FY24
LAAAE	4%	2%	2%
Sonia Sotomayor Arts and Sciences Magnet	12%	16%	16%
New Designs Charter	13%	19%	17%
Los Angeles Unified	28%	31%	33%

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for LAAAE from FY 2021-22 through FY 2029-30. LAAAE administration anticipates occupying the proposed project facility by the start of FY 2026. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

LAAAE Student Enrollment and Average Daily Attendance

Year (FY)	2022	2023	2024	2025	2026	2027	2028	2029	2030
Enrollment	284	265	219	201	213	429	438	453	472
ADA (%)	95.9	89.9	93.7	89.8	90.1	90.0	90.0	89.8	90.0

Financial Analysis

Financial Data Sources: This financial analysis is based on the consideration and review of the following for LAAAE: (1) audited financial statements for FYs 2021-22 through 2023-24 (2) budget projections for FYs 2024-25 through 2029-30 along with assumptions.

Assumptions: Staff's financial analysis of LAAAE is based upon the following assumptions: (1) occupancy of the project facilities in FY 2026; (2) the repayment of LAAAE's CSFP matching share loan in the amount of \$8,083,564 at 2.0% interest commencing in FY 2028; (3) school enrollment and ADA projections as provided above under Enrollment Trends and Projections.

Long-Term Liabilities: Based on available data, staff are not aware of any foreseeable long-term liabilities at this time. 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 LAAAE'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.

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Los Angeles Academy of Arts and Enterprise
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OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE M											
	Actual FY 2022	Actual FY 2023	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	AVERAGE	THRESHOLD LEVEL
OPERATIONAL & FINANCIAL											
Enrollment	296	265	219	201	213	429	438	453	472	332	
Average Daily Attendance (ADA)	284	238	205	180	192	386	394	407	425	301	
Average Daily Attendance (%)	95.9%	89.9%	93.7%	89.8%	90.1%	90.0%	90.0%	89.8%	90.0%	91.0%	< 94.0%
FTE Teachers	23	26	18	22	17	26	27	28	28	24	
Pupil Teacher Ratio	12.9	10.2	12.2	9.1	12.5	16.5	16.2	16.2	16.9	13.6	> 25.0
LCFF Sources/ADA	\$ 12,095	\$ 16,181	\$ 16,306	\$ 16,286	\$ 16,375	\$ 17,369	\$ 17,798	\$ 18,395	\$ 18,942	\$ 16,638	
% Change		33.8%	0.8%	0.1%	0.5%	6.1%	2.5%	3.4%	3.0%	6.2%	
Operating Revenues/ADA	\$ 18,486	\$ 26,063	\$ 35,240	\$ 31,989	\$ 23,408	\$ 20,487	\$ 20,940	\$ 21,535	\$ 22,068	\$ 24,468	
% Change		41.0%	35.2%	9.2%	26.8%	12.5%	2.2%	2.8%	2.5%	4.4%	
Operating Expenses plus CSFP Loan/ADA	\$ 18,863	\$ 25,452	\$ 26,890	\$ 26,843	\$ 23,199	\$ 20,214	\$ 20,974	\$ 21,191	\$ 21,142	\$ 22,752	
% Change		34.9%	5.7%	0.2%	13.6%	12.9%	3.8%	1.0%	0.2%	2.3%	
Free Cash Flow/ADA	\$ (377)	\$ 611	\$ 8,349	\$ 5,146	\$ 209	\$ 272	\$ (33)	\$ 344	\$ 926	\$ 1,716	< 0
	Actual FY 2022	Actual FY 2023	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030	AVERAGE	THRESHOLD LEVEL
DEBT SERVICE COVERAGE											
Total Operating Revenues	\$ 5,247,538	\$ 6,208,211	\$ 7,231,204	\$ 5,771,459	\$ 4,484,347	\$ 7,907,855	\$ 8,250,478	\$ 8,764,901	\$ 9,378,944		
Total Operating Expenses	5,354,647	6,062,649	5,517,910	4,842,962	4,454,268	7,802,714	7,901,591	8,262,724	8,623,511		
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-		
Net Income Available for CSFP Loan Payment	\$ (107,109)	\$ 145,562	\$ 1,713,294	\$ 928,497	\$ 40,079	\$ 105,141	\$ 348,887	\$ 502,177	\$ 755,433		
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-		
Add Back Depreciation	15,120	17,428	15,475	13,442	13,442	30,000	30,000	30,000	30,000		
Adjusted Net Income Available for CSFP Loan Payment	\$ (91,989)	\$ 162,990	\$ 1,728,769	\$ 941,939	\$ 53,521	\$ 135,141	\$ 378,887	\$ 532,177	\$ 785,433		
CSFP Loan Payments	-	-	-	-	-	-	361,992	361,992	361,992		
Free Cash Flow	\$ (91,989)	\$ 162,990	\$ 1,728,769	\$ 941,939	\$ 53,521	\$ 135,141	\$ 16,895	\$ 170,185	\$ 423,441	\$ 393,433	< 0
DSC from Adj. Net Income	-	-	-	-	-	-	104.7%	147.0%	217.0%	156.2%	< 110.0%
DSC from LCFF Sources subject to CSFA Intercept	-	-	-	-	-	-	1484.2%	1599.7%	1735.7%	1606.5%	
CSFP Loan Payments/Oper. Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%	4.1%	3.9%	4.1%	> 15.0%
FUNDRAISING											
Fundraising for Operations	\$ 152,097	\$ 9,184	\$ 14,285	\$ 49,639	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 52,801	
Fundraising/Oper. Revenues	2.9%	0.1%	0.2%	0.9%	1.1%	0.6%	0.6%	0.6%	0.5%	0.8%	> 15.0%
DSC without Fundraising	-	-	-	-	-	-	90.9%	133.2%	203.2%	142.4%	< 100.0%
% of Fundraising Required for 100% DSC	-	-	-	-	-	-	66.2%	-	-	66.2%	> 50.0%
LIQUIDITY											
Current Assets	\$ 4,147,996	\$ 4,920,260	\$ 6,800,904								
Current Liabilities	1,018,040	1,631,873	1,779,369								
Net Working Capital	\$ 3,129,956	\$ 3,288,387	\$ 5,021,535								
Net Working Capital/Oper. Expenses	58.5%	54.2%	91.0%							67.9%	< 5.0%
Unrestricted Cash & Cash Equivalents	\$ 1,313,182	\$ 1,972,813	\$ 1,283,761								
Unrest. Cash & CE/Oper. Expenses (Days)	90	119	85								
Unrest. Cash & CE/All Expenses (Days)	90	119	85							98	< 90

Benchmark Summary:

- Enrollment – Average ADA rate is projected below the 94% threshold at 91% overall.
- Free Cash Flow and/or per ADA – With the exception of FY 2027-28, LAAAE is projected to operate with positive cash flow; Staff finds projections reasonable and within tolerance given the length of the period examined.
- Debt Service Coverage from Adj. Net Income – Estimated 156.2% average debt service coverage is well above the threshold of 100%.
- CSFP Lease Payment relative to Operational Revenues: Representing an estimated 4.1% of annual operating revenues, projected CSFP lease payments are unlikely to create financial hardship.
- Net Working Capital relative to Operating Expenses – LAAAE liquidity metrics are positive with a ratio of Net Working Capital to Operational Expenses of 67.9%.
- Operating Days of Unrestricted Cash and Equivalents relative to All Expenses: LAAAE averaged 98 operating days from 2022 through 2024, surpassing the recommended threshold of 90.

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Los Angeles Academy of Arts and Enterprise (LAAAE) is financially sound for the purposes of Charter School Facilities Program (CSFP) Final Conversion as a Successor. This determination 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 Los Angeles Academy of Arts and Enterprise (LAAAE) 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.