



**PEAK TO PEAK**  
CHARTER SCHOOL  
800 Merlin Drive • Lafayette, CO 80026

**FINANCE AND BUDGET COMMITTEE (FBC)  
JANUARY 31, 2022  
MEETING SUMMARY AND RECOMMENDATIONS**

**Meeting Date and Time:** Monday, January 31, 2022, 3:30 – 5:00 PM

**Location:** Remote via Google Meet

**Participants:** Present: Lynne Allen, external charter school member; Eric Duran, external banking member; Cathy Rein, accountability member; Louise Peng, accountant; Kelly Reeser, EDE; Sam Todd, EDO; Brian Boonstra, board treasurer. Not present: Jonathan Fung, external philanthropy member.

**AGENDA ITEMS**

**1. Q2 2021-22 Financial Report**

The financial results for the second quarter did not include any surprises, and showed positive results for all funds. Summarized results are provided below for each fund.

Charter General Fund 11

Revenues in Q2 totaled \$4.7 million, or 23% of budget; while expenses were \$4.9 million, or 25% of budget. A budget shortfall of \$257K was generated in Q2. YTD, revenues were \$9.5 million, or 48%; and expenses were \$8.4 million, or 43%, which generated a surplus of \$1 million. Financial reserves are in good shape at \$7.6 million. The ending fund balance for the year is projected to be \$6.6 million.

Food Services Fund 21

Total revenues in Q2 were \$262K, or 39% of budget; and total program expenses were \$194K, or 30%. YTD, revenues were \$283K, or 42% of budget; and expenses were \$326K, or 50%. The December reimbursement of \$46K was not received in Q2, which would have kept the program in the black. At the end of Q2, the Fund 21 fund balance was -\$5K. The ending fund balance for the year is projected to be \$56K.

Operations & Technology Fund 65

Revenues in Q2 were \$364K, or 24% of budget; and total expenses were \$286K, or 20% of budget. YTD, revenues were \$728K, or 48% of budget; and expenses were \$800K, or 56%. At the end of the Q2, the Fund 65 fund balance was \$306K. The budgeted fund balance at year-end is projected to be \$448K.

FBC Discussion

FBC members were pleased with the consistent strong financial performance of the school.

**2. Review of Peak to Peak's 2020 Standard & Poor's Credit Rating Report**

Peak to Peak retained its "BBB+" credit rating, with a stable outlook. P2P is among just a few charter schools in the nation to hold this high of a credit rating. Please see a few excerpts from the S&P report below:

We assessed P2P's enterprise profile as strong, characterized by the school's very stable enrollment, excellent student retention, a significant waitlist, top academic performance, sophisticated management team, and exceptional district authorizer support. In our opinion, the enterprise profile is constrained by the size of the organization with lower enrollment levels when compared to similarly rated peers. We assessed the school's financial profile as adequate based on good and consistent financial performance metrics, additional support in the form of mill levy, good and growing liquidity, and a debt burden that continues to moderate. We also believe the school's access to an endowment, valued at about \$1.7 million as of fiscal 2021 year-end, provides additional credit strength. We believe that combined, these credit factors lead to an indicative standalone credit profile of 'bbb+' and a final rating of 'BBB+'.

The rating reflects our view of:

- Stable enrollment and healthy demand bolstered by the charter school's national recognition and impressive academic performance;
- Significant support from mill levy overrides, which provides some diversity to the organization's revenue base;
- Positive relationship between the charter school and district authorizer; and
- Capable management team that is data focused and utilizes multiyear scenario budgeting.

In our opinion, partially offsetting credit factors include:

- Leveraged balance sheet with a debt-to-capitalization ratio close to 70%, although this is typical for charter school sector; and
- Revocation and renewal risk shared by all charter schools subject to charter approval prior to debt maturity.

#### FBC Discussion

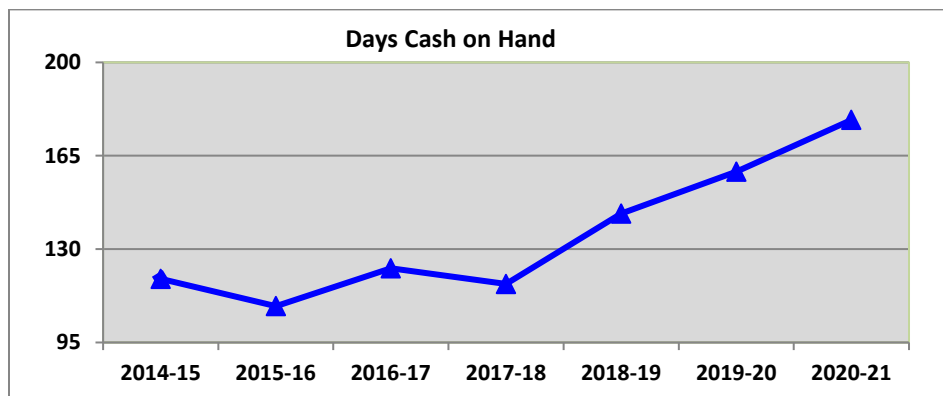
FBC members applauded the high credit rating, especially amidst the challenges of a global pandemic.

### 3. Review of Financial KPIs with 2020-21 Audited Financial Data

Peak to Peak's financial KPIs have been updated with 2020-21 audited financial data. Please see an analysis of the financial KPIs below:

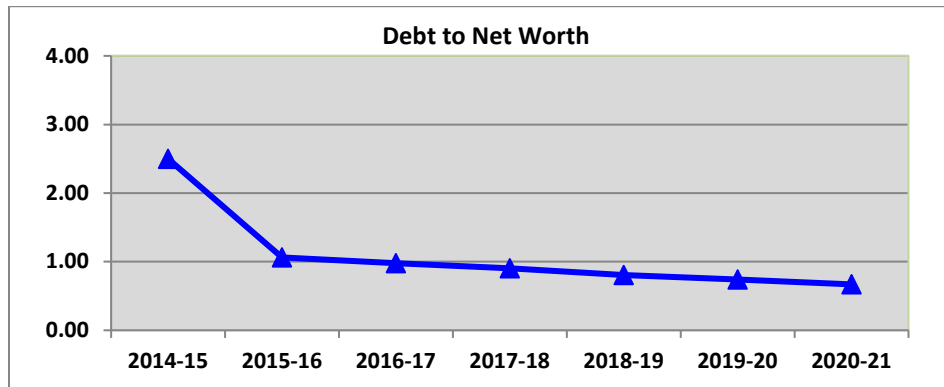
#### **Days Cash on Hand**

The 2020-21 fiscal year saw strong budget performance with the general fund posting a surplus of \$939,686. Unrestricted cash increased by \$724,148 from the prior year to \$8,347,703, which increased DCOH from 159 to 178.4. The trend line for DCOH indicates an increasing amount of financial reserves over the last several years, far exceeding the minimum threshold of 95 DCOH.



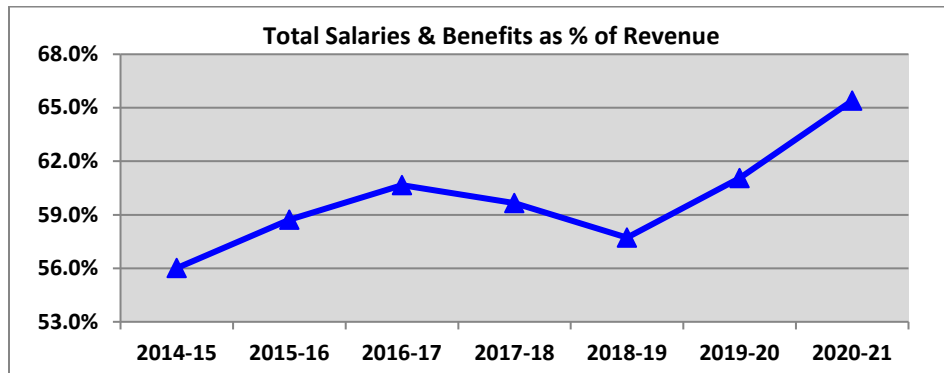
### Debt to Net Worth

Net assets of \$24.8M exceeded total liabilities of \$16.6M, dropping the ratio from 0.74 to 0.67, the lowest ever. This is far below the threshold of 4.5, indicating strong financial health.



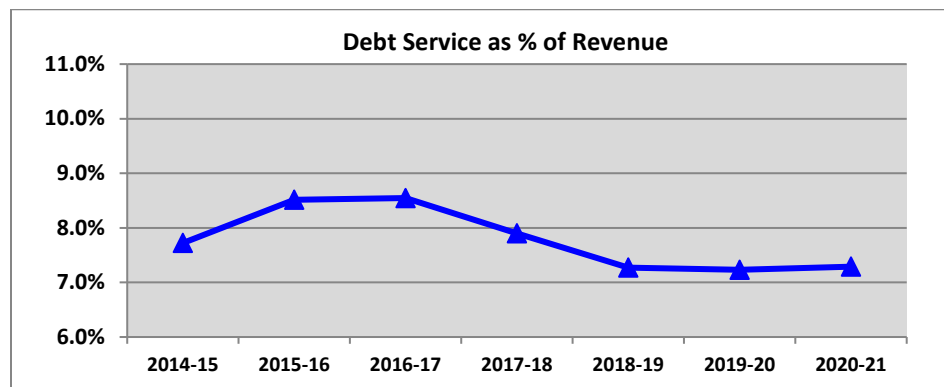
### Total Salaries & Benefits as % of Revenue

\$851K was added to employee salaries and benefits in 2020-21, which increased the salaries & benefits as a % of total revenues from 61.1% to 65.4%. This is far above the minimum threshold of 50%, and has now exceeded the maximum threshold of 65%. This demonstrates the school's commitment to improving compensation levels for employees.



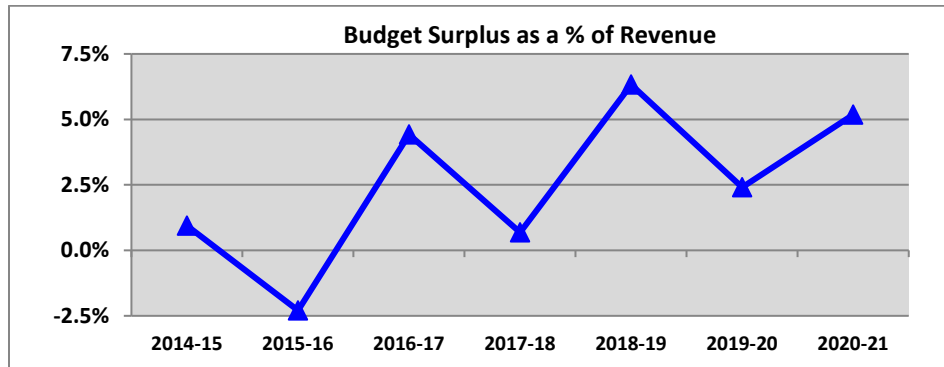
### Total Debt Service as % of Revenue

Bond payments are nearly flat year-over-year, but total revenues decreased this year due to the pandemic, total debt service as a % of total revenues increased slightly this year from 7.2% to 7.3%, which is still very strong performance. This is well below the maximum threshold of 12% and shows a steady downward trend. As revenues grow in future years, this KPI will continue its positive downward trajectory.



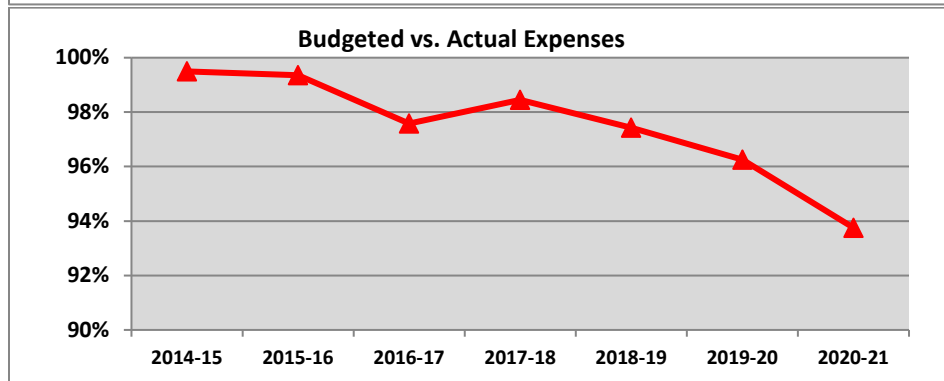
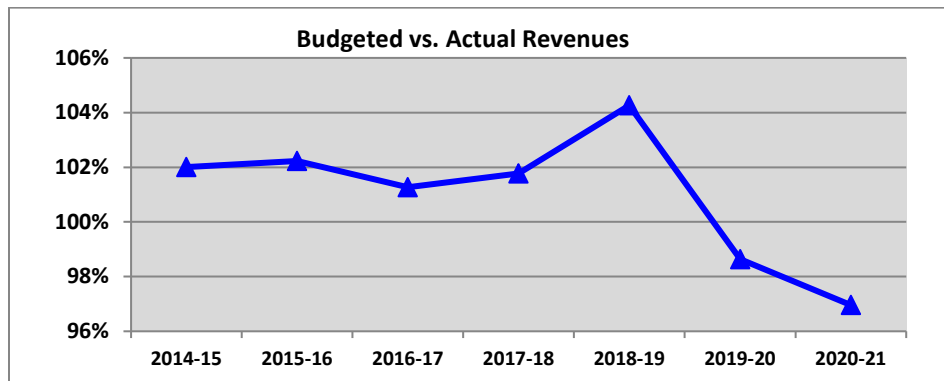
### Budget Surplus as % of Revenue

The budget surplus of \$940K was well above the minimum threshold of 0%. This healthy surplus helped grow financial reserves, despite the negative financial impact of the COVID-19 pandemic.



### Budget Performance

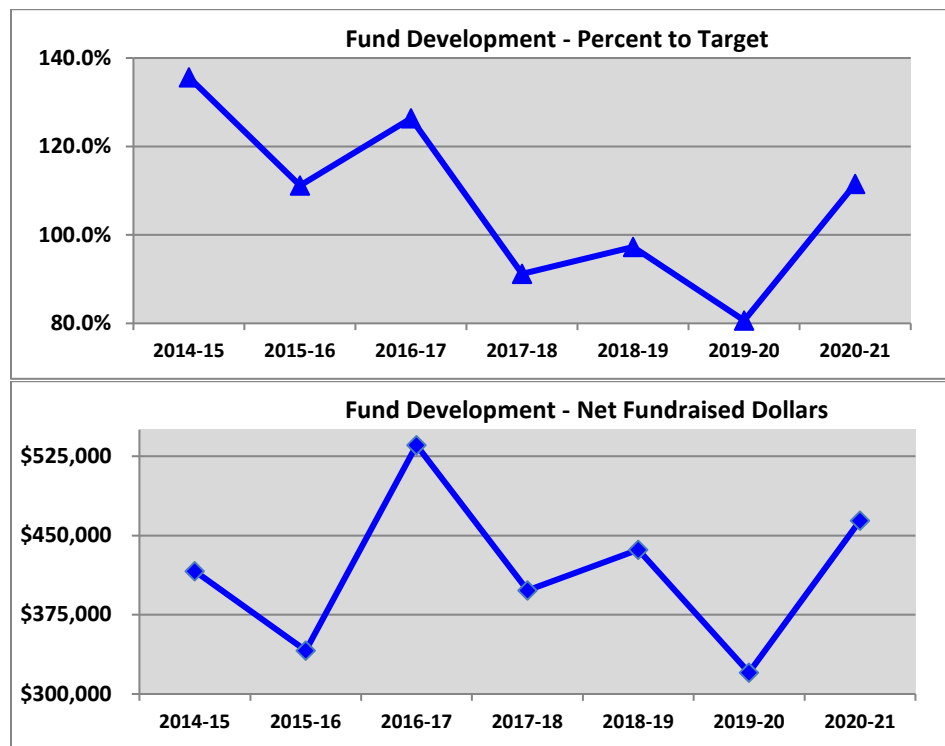
The school finished 2020-21 with better than expected budget performance with the assistance of federal relief grants to assist with recovery from the COVID-19 pandemic. Revenues came in at 97%, with higher than expected lost revenues in food services, BAASC and athletics. Expenses came in at 93.8%, resulting in a combined budget surplus of \$1.27 million.



### Fund Development

The COVID-19 pandemic forced the cancellation of the two largest fundraising events of the year, yet fundraising efforts exceeded the budgeted net fundraised dollars of \$416K by \$48K, which resulted in 112% of actual vs. budget.

In the second graph, net fundraised dollars are shown over time. As you can see, in 2020-21 fundraising bounced back from the previous year and exceeded \$450K in net fundraised dollars, which is the 2nd highest level, with the exception of 2016-17. This was accomplished when the school was still suffering from the pandemic.



FBC Discussion

FBC members were encouraged by the overall positive trends in the financial KPIs for the school, while acknowledging that fundraising was hampered by the loss of two major events due to the pandemic.

**4. 2021-22 Revised Supplemental Budget**

A couple of large ticket items were approved by the board in January, 2022, which will necessitate that P2P approve a supplemental budget for 2021-22. There may be additional changes in BVSD purchased services as well. Here is a summary of the changes:

- Add increased supplemental PPR funding of \$104K
- Add \$345K for charging infrastructure for electric buses. The contract cost for buses will go in 22-23 budget.
- Add \$211K for teacher and counselor back pay that was part of the prior years service proposal approved by the board.
- Add \$42K for implementation of 1:Web framework at P2P
- While these additions to the 21-22 budget will create budgeted shortfall, hopefully the surplus generated in this year's budget will cover these costs with no shortfall.

FBC Discussion

FBC members voices support for the supplemental budget. Sam Todd indicated that while the supplemental budget would need to pull from reserves to balance, he is confident that very little if any reserves will be necessary in reality.

**5. 2022-23 Preliminary Budget and State Funding Outlook**

The preliminary 2022-23 budget currently includes a 5.9% increase in PPR, as proposed in the governor's budget request. The biggest addition to the 22-23 budget is the addition of 4 electric buses, along with the costs for bus

drivers and insurance. There is also the possibility that the USDA will end its reimbursement program for all school lunches, which will alter the food services program. The ELT will begin work this week on the budget, which will continue through the spring, with the board expected to approve the preliminary budget in May. The FBC will review the 2022-23 preliminary budget at their next meeting in April, and make a recommendation for approval to the board.

## **6. Campus Expansion**

There was a brief discussion of the proposed campus expansion project. Kelly Reeser pointed out that discussions around a new bond issue at BVSD have been hampered because BVSD is facing declining enrollment, creating financial pressures on the district. This might affect P2P's ability to move forward with the campus expansion project. Sam Todd added that P2P's current bonds will be eligible for refunding in July 2024, which is another possible funding source for the project. However, bond rates are going up and it is unlikely that the school could generate any savings with its debt service.

## **7. Finance Director**

Sam Todd informed the FBC that board approval will be sought for hiring a new finance director at the February board meeting. The finance department has not changed FTE for over ten years, yet the school's revenues and expenses have doubled and the complexity of accounting has increased with designated donations, scholarship program, new 2016 mill levy funding, federal grants, and new GASB regulations.

## **8. The next FBC meeting date will be Monday, April 25<sup>th</sup> at 3:30 PM.**

The preliminary agenda for this meeting will include:

- Review of Q3 financial results
- Discussion of projected Q4/year-end financial results
- Review of fundraising results and strategy
- Review of 2022-23 preliminary budget and recommendation for board approval