



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

**FINANCE AND BUDGET COMMITTEE (FBC)
MEETING SUMMARY AND RECOMMENDATIONS
OCTOBER 26, 2020**

Meeting Date and Time: Monday, October 26, 2020, 3:30 – 5:00 PM

Location: Virtual Meeting via Google Meet

Participants: Lynne Allen, External Charter School Rep; Eric Duran, External Banking Rep; Jonathan Fung, External Philanthropy Rep; Kate Martin, Accountability Chair; Louise Peng, Accountant; Kelly Reeser, EDE; Sam Todd, EDO; Thomas Willetto, Board Treasurer.

Absent: Derek Cole, Board Member

AGENDA ITEMS

1. 2019-20 Q4 & Year-End Financial Results and Budget Performance

The financial results for 2019-20 were solid for all funds at Peak to Peak, despite the COVID pandemic and school closing in March. See a summary of each fund's performance below:

Charter General Fund 11

Total Fund 11 revenues and transferred-in fundraising donations from Friends of Peak to Peak came in at \$17.8 million, or 99% of budget; while expenditures came in at \$17.3 million, or 97% of budget. A budget surplus of \$429K was generated for the fiscal year, leaving financial reserves in good shape at nearly \$5.6 million.

Food Services Fund 21

It was a difficult year for the food services program with the school closing down in mid-March due to the COVID-19 pandemic. Since the school continued to pay all food services employees throughout the shutdown, the program posted a \$51K net loss for the year. Fund 21 total revenues came in at 83% of budget at \$454K, and expenses came in at 89% of budget at \$506K. The fund balance remains at \$34K.

Operations & Technology Fund 65

Fund 65 total revenues were up \$536K from the previous year, and came in at \$1.38 million, which was 100% of the budget. Total expenses came in under budget at \$1.24 million, or 94% of the budget. The ending fund balance was \$535K, about \$80K higher than budget.

FBC Discussion

FBC members commended the school for the strong financial performance in 2019-20, despite the negative impact of the COVID-19 pandemic.

2. 2019-20 Financial Audit

Allison Slife, CPA, from the auditing firm CLA will be presenting the 2019-20 audited financials to the board at the November 18th meeting. The audit process again went smoothly this year – largely attributable to the

excellent preparation provided by Louise Peng, Amy Skinner and Terri Tarbuton on the finance staff. The general fund balance increased \$429,070 to \$5,619,043. Unrestricted cash increased \$870,279 to \$7,623,555. Peak to Peak's net position increased \$4,754,107 due to a significant decrease in the net pension liability. Capital assets increased \$157,237 to \$26,491,204. Days cash on hand increased from 143 to 159, an all-time high for Peak to Peak. There were no significant deficiencies or exceptions found by CLA in this year's audit.

FBC Discussion

FBC members lauded the clean audit and the increase in days cash on hand.

3. Financial Reserves and Investment Performance

The FBC reviewed financial reserves investment performance for 2019-20, which showed total investments of \$6.4 million. \$105K is being held at Great Western Bank earning 0.01% interest, and \$6.3 million held at COLOTRUST earning 0.5% interest. Total interest earnings in 2019-20 were \$90K. In 2019-20, an additional \$400K was deposited in COLOTRUST from operating accounts.

FBC Discussion

FBC members acknowledged that COLOTRUST was probably the best investment option at this point in time.

4. 2019-20 Fundraising Performance and Pandemic Impact on 2020-21 Fundraising

Friends of P2P Fundraising Fund 26

Friends of P2P fundraising efforts suffered in 2019-20 as a result of the COVID-19 pandemic, which closed the school in mid-March and forced the cancellation of the two largest fundraising events of the year. Total Fund 26 revenues came in at \$441K, or 75% of budget. Total Fund 26 expenses came in at \$121K, which was 64% of budget. Total net fundraising income was \$320K, which was 81% of budget. The beginning fund balance in Fund 26 was \$1.55 million, and the ending fund balance was \$1.61 million, of which \$1.52 million is attributed to the Peak Scholarship Fund.

2020-21 Fundraising

It appears unlikely that P2P will be able to hold fundraising events again this year. As a result, the fundraising team is planning to put much more emphasis on the Annual Fund campaign. The focus for the Annual Fund will be on the reduction in state support for K-12 schools, which took a 5.5% decrease in per pupil funding.

FBC Discussion

The FBC recognized that these are difficult times for fundraising. The fundraising team is concerned about parents who are unhappy that the school is still largely in distance learning mode, and may not want to financially support the school. An analysis of worst and best cases for fundraising this year estimated worst case net fundraising at \$200K, budget at \$350K, and best case \$400K. This is a large range of possibility that the FBC agreed was probably realistic. It was also pointed out that Peak to Peak maintains a large financial reserve to protect the school in catastrophic times, should fundraising fall short of budgeted goals.

5. 2020-21 Final Revised Budget

The Executive Leadership Team began work on the 2020-21 budget last December and completed its work in October of this year. Despite the decrease in PPR, the school was still able to grant pay increases and accommodate increases in teacher/counselor FTE, while still generating a projected budget surplus. This was made possible by moving more than \$500K from Fund 11 to Fund 65. In addition, \$574K in Coronavirus Relief Funds from the state also provided significant help. See below the details of the Fund 11 budget for 2020-21.

Fund 11 Revenues

- Per Pupil Revenue (PPR) decreased 5.5% to \$7,959. Total PPR revenue is \$11.5 million, which represents 64% of total revenues.

- Fund 11 Mill Levy Override revenues increased 2.3% to \$2,533/student, or \$3.8 million, which represents 21% of revenues.
- Charter capital construction revenue decreased 2.2% at \$270/student, or \$390K, or 2.2% of revenues.
- Special Ed categorical funding increased by 0.7% to \$240/student, or \$351K, or 2% of revenues.
- English Language Proficiency funding decreased 2.6% to \$40/student, or \$57K, or 0.3% of revenues.
- TAG grant revenue is budgeted at \$14K.
- Governor Polis directed a large portion of the state's CARES Act funding to K-12 schools in the form of one-time Coronavirus Relief Funds, which amounted to \$610K for P2P.
- Instructional student fees are projected to generate \$190K in revenues, a drop of \$126K from last year, due to no field trips being offered this year.
- Friends of P2P is budgeted to transfer \$351K in net fundraised monies, or 1.9% of the total budget.
- BAASC is projected to generate revenues of \$268K.
- Athletics & Activities is projected to generate \$456K in revenues.
- CPD is budgeted to generate revenues of \$26K.
- Investment revenues are budgeted at \$70K.
- Total general fund revenues are projected to be \$18 million for 2020-21.

Fund 11 Expenses

- Salary and benefits expenses represent nearly 70% of the total operating budget at \$12.6 million.
- Teachers and counselors received a 3% increase in pay, while hourly support staff received 4%, salaried support staff 3%, and administrators 3%.
- The employer-paid PERA contribution for all employees increased to 20.9%.
- P2P currently has a two-year rate guarantee on LTD, STD and Life/ADD insurance employee benefits with no increase.
- Health and dental insurance, which is purchased through BVSD, saw premiums increase by 4-5%.
- BVSD purchased services are currently budgeted to increase 2.4% to \$1,489/student, but final numbers have not yet been provided by BVSD and they are signaling these will go even higher.
- Instructional expenses represent 61% of the total budget, or \$10.9 million.
- Administrative expenses represent 14% of the total budget, or \$2.6 million.
- Facilities expenses are decreasing to 0.7% of the budget, or \$128K, with more facilities expenses moving to Fund 65.
- Bond payments are stable at \$1.43 million, representing 8% of the budget.
- Local program costs remain stable at 5% of the budget, or \$919K.
- Capital projects expenses represent 1% of the budget, or \$250K.
- BVSD purchased services represent 10% of the budget, or \$1.7 million.
- Total general fund expenses are \$17.9 million for 2020-21.
- A budget surplus of \$50K is projected, after \$94K is transferred to food services.

FBC Discussion

FBC members asked several questions about various revenue and expense lines. The school is still waiting for final numbers from BVSD regarding purchased services from the district, which could push board approval of the budget to December. Understanding that the purchased services information could cause some fluctuation in the bottom line of the budget, in addition to uncertainty about fundraising, food services and BAASC; the FBC agreed that these are unprecedented times and could possibly warrant dipping into reserves. It was also pointed out that an analysis of local programs showed that there is about a \$500K range of possible fluctuation in either revenues or expenses. The school may push capital projects to the future years until financial resources are stable again. Though there was a suggestion that the school also needs to consider the higher construction costs if these projects are done in later years

FBC Recommendation

The FBC unanimously approved the 2020-21 budget as presented, with the caveat that BVSD purchased services will need to be updated before the board can approve the budget, and that fluctuations in local program revenues/expenses could force the school to dip into reserves.

6. Q1 2020-21 Financial Report

The financial results for the first quarter of 2020-21 did not include any surprises, and showed positive results overall. Detailed results are provided below for each fund.

Charter General Fund 11

Total revenues in Q1 totaled \$4.3 million, or 24% of budget; while expenses were \$3.3 million, or 18% of budget. A budget surplus of \$1 million was generated in Q1, leaving financial reserves in good shape at nearly \$6.6 million. The ending fund balance for the year is projected to be \$5.4 million.

Food Services Fund 21

Total revenues in Q1 were \$3.4K, or 1% of budget, and total program expenses were \$52K, or 9% of budget. At the end of Q1, the Fund 21 fund balance was (\$14K). The ending fund balance for the year is projected to be \$34K.

Operations & Technology Fund 65

Revenues in Q1 were \$342K, or 25% of budget, and total expenses were \$359K, or 22% of budget. At the end of the Q1, the Fund 65 fund balance was \$518K. This will be spent down throughout the year and expected to finish the year at \$115K.

FBC Discussion

FBC members were pleased with the consistent strong financial performance of the school, and acknowledged that Q1 results are skewed high due to the teacher salary and benefit accrual, which will balance out in Q4. While the school is operating in remote learning mode, Food Services is not receiving revenues, but is still paying its employees. For the first semester these costs may largely be offset by the ESSER Funds (Federal CARES Act funding). The second semester outcome will depend on if school will be back in full session and the cafeteria can be up and running again.

7. The next meeting date will be **Monday, January 25th at 3:30 PM**

The preliminary agenda for this meeting will include:

- Q2 financial results
- 2020 S&P Credit Review
- Financial KPIs update
- Campus expansion and potential capital campaign
- Economic outlook for state, and implications for school funding next year