



**PEAK TO PEAK**  
CHARTER SCHOOL  
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**FROM:** Sam Todd, EDO  
**TO:** Finance and Budget Committee Members and Peak to Peak Board of Directors  
**DATE:** April 27, 2020  
**SUBJECT:** Third Quarter 2019-20 FBC Meeting Summary and Recommendations

The Finance and Budget Committee (FBC) met on Monday, April 27, 2020, for its third quarterly meeting of the 2019-20 fiscal year. Please see below a summary of the FBC discussions and the recommendations the FBC is offering the Peak to Peak board of directors. The meeting was held virtually via Google Meet and all committee members were present, including Lynne Allen, Derek Cole, Eric Duran, Jonathan Fung, Kate Martin, Louise Peng, Kelly Reeser, Sam Todd, and Thomas Willetto.

#### **1.) Financial Overview**

Sam Todd provided an overview of financial issues before addressing the items on the agenda. Here is a summary:

- The governor closed all schools due to the COVID- 19 pandemic on March 13<sup>th</sup>, and education moved to distance learning.
- The school closing caused a loss of revenue in food services, BAASC, athletics and student fees.
- P2P investigated the Paycheck Protection Program (CARES Act) to make up the lost revenue noted above. Ultimately, the school opted not to apply due to a conflict with the school's bond covenants and the possible negative public perception of a publicly-funded charter school getting this funding.
- P2P will still receive full funding for PPR from the state, and MLOs from BVSD through Q4.
- P2P received about \$21,500 in rebates from its procard program with Chase. The board and ELT decided to transfer this money to the innovation fund in Fund 73, since there was no fundraising appeal this year with the gala being cancelled.
- Experience mod for worker's comp insurance is 0.67, which is close to the lowest possible. This, along with the school's participation in the state's WC cost containment program, will ensure low premiums for WC insurance.
- No claims with property & casualty insurance should also keep those premiums low
- P2P started serving bag lunches, but participation was low, so we passed them on to BVSD, but P2P will still get reimbursement
- Fundraising has been negatively affected by the pandemic – the gala/auction and Run for the Peak events were cancelled. The online auction still raised more than \$55K. The school lost \$8K with the Omni, but was allowed to push about \$24K in

expenses to next year's event, if held at the Omni. We are projecting that fundraising net revenues will be about \$110K short of target.

- BVSD increased the funding for the 2016 MLO by 1 mil in December, which was over \$300K for P2P. This allowed the school to shift all capital projects and other facilities expenses from Fund 11 to Fund 65. This freed up money in Fund 11 for employee salaries.

## **2.) Q3 2019-20 Financial Reports**

### **General Fund 11**

- YTD revenues came in at \$13.5 million, or 75% of budget at the end of Q3.
- YTD expenses totaled \$12 million, or 67% of budget.
- A surplus of \$110K was generated in Q3, bringing the YTD total to \$1.5 million. The Fund 11 fund balance exceeded \$6.6 million at the end of Q3.

### **Food Services Fund 21**

- YTD revenues were \$427K, or 78% of budget at the end of Q3.
- YTD expenses were \$428K, or 76% of budget.
- A shortfall of \$5K was generated in Q3, bringing the YTD total to a \$1.3K loss; which compares to an annual budgeted shortfall of \$17K. The Fund 21 fund balance at the end of Q3 was \$33K.

### **Operations and Technology Fund 65**

- YTD revenues were \$1M, or 75% of budget at the end of Q3.
- YTD expenses were \$728K, or 55% of budget. Several capital projects will be completed in Q4, which will fully expend budgeted expenses.
- A surplus of \$198K was generated in Q3, bringing the YTD total to \$309K; which compares to an annual budgeted surplus of \$66K. The Fund 65 fund balance at the end of Q3 was \$699K.

The FBC was satisfied with the positive Q3 financial results for 2019-20.

## **3.) Projected Q4/End-of-Year 2019-20 Financial Results**

### **General Fund 11**

- Total revenues and transferred-in net fundraising donations from Friends of P2P are projected to be \$17.8 million, or 99% of budget. Fundraising net revenues and A&A fees will come in below budget due to the COVID-19 pandemic.
- Total expenditures are projected to be \$17.3 million, or 97% of budget. Salaries will come in under budget due to some late hiring. Supply expenses are also expected to come in lower than budget.
- \$71K is projected to be transferred to food services due to the pandemic, to make up for lost revenue. A budget surplus of \$442K is projected for the fiscal year after transfers, leaving the Fund 11 fund balance in good shape at \$5.6 million.

### **Food Service Fund 21**

- Total revenues are projected to be \$428K, or 78% of budget. The program ceased operations on March 13<sup>th</sup>, which stopped revenue generation for the year.
- Total program expenses are projected to be \$500K, or 88% of budget. All food services staff will continue to be paid through the end of the fiscal year.
- A budget shortfall of about \$73K is projected for year-end, which compares to the budgeted shortfall of \$17K. The projected shortfall of \$73K will be transferred-in from Fund 11, leaving the year-end fund balance at \$34K.

#### **Operations & Technology Fund 65**

- Total revenues are projected to be \$1.4 million, or 100% of budget.
- Total expenses are projected to be \$1.2M, or 93% of budget. BVSD increased the 2016 MLO by 1 mil in December, increasing total revenues from last year by \$300K.
- A budget surplus of \$156K is projected for the fiscal year, leaving an ending fund balance of \$545K in Fund 65.

#### **Friends of P2P Fund 26**

- We are unable to project final revenues and expenses at this time, but have made the assumption of a \$232K EOY transfer from Fund 26 to Fund 11, which is \$116K less than budgeted.

The FBC was also pleased with the projected Q4/year-end financial performance for 2019-20, especially in light of the COVID-19 pandemic and the loss of revenue in food services, BAASC, student fees and athletics fees.

#### **4.) 2020-21 Preliminary Budget**

The biggest unknown factor for the 2020-21 preliminary budget is the level of state-funded per pupil revenue (PPR). Two scenarios were presented to the FBC, a 0% change in PPR, and a -5% decrease in PPR. The following assumptions apply to both assumptions:

##### Revenues:

- 3.2% overall increase in BVSD MLOs to \$3,480/student
- 2.2% decrease in charter school capital construction funding to \$270/student
- 1% increase in SpEd categorical funding to \$240/student
- 2.6% increase in ELPA categorical funding to \$40/student
- 1% increase in instructional fees to \$221/student

##### Expenses:

- 2.4% increase in BVSD purchased services to \$1,489/student
- 4.1% increase in health insurance premiums to \$7,517/employee
- 4.9% increase in dental insurance premiums to \$528/employee
- No increases in LTD, STD and life insurance premiums
- 2.5% increase in PERA employer contributions to 20.9%
- Bond costs remain flat at \$1.44 million

Assumptions based on a **0% change** in PPR:

- 0% change in PPR at \$8,425/student

- Employee pay increases: 5% for hourly staff and teachers, 4% for other salaried staff

Assumptions based on a **5% reduction** in PPR (~\$608K reduction in funding):

- 5% reduction in PPR at \$8,004/student
- Employee pay increases: 3% for hourly staff, 2% for all salaried staff
- Reduce instructional contingency from \$100K to zero
- Move \$125K for wall removal capital project from Fund 11 to Fund 65
- Reduce planned Fund 11 surplus by \$86K

A scenario that includes a 10% cut in PPR funding is also being developed, but it is not complete at this point in time. P2P is fortunate to be in the position of being able to grant pay increases even with a 5% reduction in PPR. This is made possible by the increase in the BVSD 2016 MLO and the transfer of expenses from Fund 11 to Fund 65. It should also be noted that P2P holds substantial reserves in excess of \$6 million. If necessary, the school could dip into reserves to keep the school running smoothly.

FBC members voiced the following:

- Could capital projects be delayed if necessary? The answer is yes, but since all capital projects have been moved to Fund 65, that would not help with Fund 11. Monies cannot be moved from Fund 65 to Fund 11 to help pay salaries.
- Do we anticipate losing any students next year due to home schooling with some families fearing to let their kids go to school? While this may affect a few families, P2P has a long waiting list, which would allow others to come to the school.
- Do we anticipate an alternate school schedule to allow for more social distancing? We have received no guidance from the state yet. This could include reduced class sizes, kids attending on alternate days of the week, or kids alternating for a portion of each day. Any of these are possible, but we will wait for guidance as the pandemic progresses. Charter schools can be more nimble than school districts since they are smaller and have no union contracts. This will allow P2P to be more creative in addressing any challenges.
- Can P2P increase its enrollment to help weather the storm? No, our enrollment is capped at 1,445 per our contract with BVSD. P2P is not interested in opening our contract with BVSD, as this could open the door to lose additional funding (2005 MLO) or increased purchased services expenses (SpEd).
- Can P2P collect insurance for lost revenues? While P2P does carry business income insurance, our agent has indicated that the pandemic does not qualify for lost revenue under our policy. The building(s) must be rendered unusable to qualify.
- What is the school's exposure for unemployment (UE) insurance? P2P has a "reimbursable" UE account with the state, so instead of paying into the fully insured UE pool, we only pay any successful claims. This has saved the school about \$130K/year for the last ten years. This arrangement could be costly for the school should layoffs be required.
- What if the PPR cut is deeper than 5%? A 10% reduction in PPR model is being developed, but not finished. First, all pay increases will be off the table. Then cuts will be required and prioritized. This will require that every budget line be examined, including supply lines, travel, professional development, memberships, food, paper, etc. The last thing to be cut will be people.

**RECOMMENDATION:** The FBC recommended approval of the budget in both scenarios presented above. The state legislature will be approving final funding for schools in late May. If state funding is reduced beyond 5%, then the FBC will be re-convened to review the budget and make a revised recommendation. The board will be asked to approve the preliminary budget at the June board meeting.

**5.) Fundraising Discussion**

As mentioned earlier, we are projecting that fundraising will fall about \$116K short of its targets for this year. This is a result of the pandemic and the cancellation of two major events – the gala and Run for the Peak. Many parents donated their ticket purchases to the school, instead of requesting a refund for the gala. In addition, the online auction generated about \$50K net revenue. However, we still had major expenses with the Omni. We were grateful the Omni allowed the school to push about \$24K in costs to next year’s gala event. Many families are hurting financially, which hampers their ability to support their school. It is not clear what fundraising will look like in the future, but we are staying very focused and engaged.