



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

**FINANCE AND BUDGET COMMITTEE (FBC)  
OCTOBER 28, 2019  
MEETING SUMMARY AND RECOMMENDATIONS**

**Meeting Date and Time:** Monday, October 28, 2019, 3:30 – 5:30 PM

**Location:** College Counseling Conference Room

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

**AGENDA ITEMS**

**1. 2019 S&P Credit Review**

Peak to Peak retained its “BBB+” credit rating by S&P with a stable outlook. The S&P rationale was as follows:

*“We assessed P2P's enterprise profile as strong, characterized by the school's stable enrollment with significant demand on the waitlist, top academic performance, sophisticated management team, and exceptional district authorizer support. 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 participation that provides a diverse revenue base for the charter school, acceptable liquidity for the rating, and a debt burden that continues to moderate. We also believe the school's access to an endowment, valued over \$1.35 million as of fiscal 2018 year-end, offsets the only acceptable liquidity position. 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 diversity to the organizations revenue base;*
- *Positive relationship between the charter school and district authorizer, with a district bond issue financing providing over \$10 million for the charter school in 2016 (at no cost to the charter school) and the renewal of the charter for a 10-year period in 2015; and*
- *Capable management team that is data focused and utilizes multiyear scenario budgeting.”*

FBC Discussion

FBC members applauded the positive report, which reflects the eighth consecutive year that P2P has achieved the BBB+ rating. The stable outlook is a strong indicator that the rating will likely be retained next year, especially with the strong financial results from 2018-19. Eric Duran informed the FBC that only a few charter schools or networks in the country hold the BBB+ rating, but also indicated that one charter network received an A- rating, which is a first for the charter school sector.

## 2. 2018-19 Q4 & Year-End Financial Results and Budget Performance

The financial results for 2018-19 were very strong for all funds at Peak to Peak. See a summary of each fund's performance below:

### Charter General Fund 11

Total revenues and transferred-in fundraising donations from Friends of Peak to Peak came in at \$17.8 million, or 102.8% of budget; while expenditures came in at \$16.7 million, or 97.7% of budget. A budget surplus of \$1.1 million was generated for the fiscal year, leaving the ending fund balance (financial reserves) in good shape at nearly \$5.2 million.

### Food Services Program Fund 21

The year was finished with a \$9K surplus. This is the first year since implementing the all-organic salad bar that the program has posted a net surplus. This year's surplus reflects a \$30K improvement from the previous year. The surplus was largely achieved through expense control. Total revenues met target at 100%, but expenses came in significantly lower than budget at 94%. The ending fund balance was \$34K.

### Operations & Technology Fund 65

After the final 2018-19 budget was approved by the board for Fund 65, BVSD decided to increase the mill levy funding for the 2016 MLO. Since the P2P board decided not to appropriate the additional funding, the fund balance grew significantly in 2018-19, which will provide funding for projects in future years. Total revenues for Fund 65 in 2018-19 came in at \$1.17 million, which was 138% of the budgeted \$847K. Total expenses came in under budget at \$805K, or 95% of the budgeted \$844K. The ending fund balance was \$390K.

### FBC Discussion

FBC members commended the school for the strong financial performance in 2018-19. A few members asked why there was such a large surplus. A review of the financial results revealed a combination of exceeding revenue targets and coming under expense targets across the board.

## 3. 2018-19 Financial Audit

Eric Miller, CPA, from the auditing firm CLA will be presenting the audited financials to the board at the November 13<sup>th</sup> 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 \$1,125,391 to \$5,189,973. Unrestricted cash increased \$1,522,300 to \$6,753,276. Peak to Peak's net position increased \$3,721,306 due to a significant decrease in the net pension liability, a result of the state allocating \$225 million to PERA. Capital assets decreased by \$455,587 to \$26,333,967. There were no significant deficiencies or exceptions found by CLA in this year's audit.

### FBC Discussion

FBC members lauded the clean audit. There was some discussion around the state's \$225 million contribution to PERA; and it was noted that the reason was largely to prop up the state's credit rating. However, the state's contribution came with strings attached, which allows PERA to increase both member and employer contribution rates significantly through the 'auto adjustment' provision of the legislation, SB 18-200. The employee contribution rate is currently 8.75%, but this will increase to 10% in July 2020, with the possibility of going up to 12% in the future. The employer rate is increasing to 20.9% in July 2020, with the possibility of going up to 22% in the future.

## 4. Financial Reserves

### Background and Analysis

The FBC reviewed financial reserves investment performance for 2018-19, which showed total investments of \$5.4 million with \$600K held at Great Western bank earning 0.25% interest, and \$4.8 million held at

COLOTRUST earning 2.47% interest. Total interest earnings in 2018-19 were \$92K. In 2019-20, another \$250K was deposited in COLOTRUST, and \$500K was shifted from GWB to COLOTRUST. Nearly \$5.4 million is currently earning interest at COLOTRUST.

#### FBC Discussion

FBC members supported the transfer of reserves money to COLOTRUST, where the interest rates are higher than other options available to the school.

## **5. Bank Account Recommendation**

### Background and Analysis

In March, 2016, the Peak to Peak board approved a new process to separate donations to the scholarship fund from other charitable donations, which included the establishment of two new bank accounts with Chase Bank. The Friends 'scholarship donation' bank account was established to receive and hold scholarship donations until they can be transferred to Community First Foundation (CFF). The Friends 'scholarship disbursement' account was established to receive distributions from CFF that will be held until scholarships are awarded. Since the school recently decided to move more money away from our operating accounts into the higher interest-earning accounts at COLOTRUST, we have been incurring some fees on our Chase operating accounts. The 'scholarship donation' account is underutilized since there are few, although usually large, donations to the scholarship fund. This results in the following issues:

- The accounting staff is taking on additional work load posting funds from the Friends operating account into the scholarship donation account, and then shifting funds again to CFF. Workload would be reduced by simply designating scholarship donations in the Friends operating account and only transferring them once to CFF. It would also be one less bank account to reconcile monthly.
- The chance for accounting errors is reduced by number of steps from receiving donation to depositing donation to CFF.
- Interest earnings are delayed until donations in the 'scholarship donation' account are transferred to CFF.
- Our banker with Chase and our financial software consultant both recommend that we reduce the number of bank accounts that the school holds.

### Finance Staff Recommendation

The finance staff recommendation is to close the 'scholarship donation' account and simply designate these donations upon receipt in the Friends operating account and transfer them directly to CFF. This will accomplish the following:

- Reduce the workload on the accounting staff by only transferring money once, with less reconciliation required, and reduce the chance for accounting errors.
- Increase the interest earnings on donations by transferring money sooner to CFF.
- Follow the recommendation from our banker and financial software consultant.

### FBC Discussion

The FBC asked several questions about the history and reasoning behind creating the 'scholarship donation' account. When the group was comfortable with the fact that scholarship donations would still be kept separate from other donations, the group reached consensus that it was a good move to close this account for the reasons shown above.

### FBC Recommendation

**The Finance and Budget Committee supports the recommendation of the finance staff to close the 'scholarship donation' account at Chase Bank, and follow the new procedure of directly transferring scholarship donations to CFF from the 'Friends operating account.'**

## 6. 2019-20 Final Revised Budget

The Executive Leadership Team began work on the 2019-20 budget last December and completed its work in October of this year. The healthy increase in PPR allowed the school to grant good pay increases and manage increases in teacher FTE, while still generating a projected budget surplus. See below the details of the Fund 11 budget for 2019-20.

### Fund 11 Revenues

- Per Pupil Revenue (PPR) increased 4.4% to \$8,411. With full-day Kindergarten increasing total enrollment to 1,445 FTE, total PPR revenue is \$12.2 million, which represents 68% of total revenues.
- Fund 11 Mill Levy Override revenues decreased 3% to \$2,394/student, or \$3.5 million, which represents 19% of revenues.
- Charter capital construction revenue decreased 7.2% at \$270/student, or \$390K, or 2% of revenues.
- Special Ed categorical funding increased by 1% to \$208/student, or \$301K, or 2% of revenues.
- English Language Proficiency funding decreased 3.1% to \$38/student, or \$54K, or 0.3% of revenues.
- Instructional student fees are projected to generate \$316K in revenues, a drop of \$20K from last year.
- TAG grant revenue is budgeted at \$14K.
- Friends of P2P is budgeted to transfer \$348K in net fundraised monies, or 2% of the total budget.
- BAASC is projected to generate revenues of \$265K, with net revenues of \$29K.
- Athletics & Activities is projected to generate \$452K in revenues, but with a net shortfall of \$52K.
- CPD is budgeted to generate revenues of \$35K, with net revenues of \$1K.
- Investment revenues are budgeted at \$100K.
- Total general fund revenues are projected to be \$17.9 million for 2019-20.

### Fund 11 Expenses

- Salary and benefits expenses represent nearly 69% of the total operating budget.
- Teachers and counselors received a 5% increase in pay, while hourly support staff received 10%, salaried support staff 6.7%, and admin 4%.
- The employer-paid PERA contribution for all employees remained the same at 20.4%.
- 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 5%.
- BVSD purchased services will have an overall increase of 1.1% to \$1,435/student.
- \$150K is planned to be transferred from the operating budget to replacement reserves.
- Instructional expenses represent 56% of the total budget, or \$9.8 million.
- Administrative expenses represent 16% of the total budget, or \$2.8 million.
- Facilities expenses are decreasing to 2% of the budget, or \$321K, with expenses moving to Fund 65.
- Bond payments are stable at \$1.44 million, representing 8% of the budget.
- Local program costs are decreasing to 5% of the budget, or \$832K, with the elimination of full-day K.
- Capital projects expenses represent 2% of the budget, or \$291K.
- BVSD purchased services represent 12% of the budget, or \$2.1 million.
- Total general fund expenses are \$17.6 million for 2019-20.
- A budget surplus of \$141K is projected, after \$150K is transferred to the replacement reserve and \$15K is transferred to food services.

### FBC Discussion

FBC members asked several questions about various revenue and expense lines. Sam Todd pointed out that the school is still waiting for final numbers from BVSD regarding purchased services from the District. This information will likely not be provided until mid-November, which will push board approval of the budget to December. Understanding that the purchased services information could cause some fluctuation in the final bottom line of the budget, the FBC reached consensus in recommending approval of the budget to the P2P board of directors.

### FBC Recommendation

The FBC unanimously approved the 2019-20 budget as presented, with the caveat that BVSD purchased services will need to be updated before the board can approve the budget.

## 7. Q1 2019-20 Financial Report

The financial results for the first quarter of 2019-20 did not include any surprises, and showed positive results for all funds. Detailed results are provided below for each fund.

### Charter General Fund 11

Revenues in Q1 totaled \$4.7 million, or 26.2% of budget; while expenses were \$3.4 million, or 19.3% of budget. A budget surplus of \$1.3 million was generated in Q1, leaving financial reserves in good shape at nearly \$6.5 million. The ending fund balance for the year is projected to be \$5.7 million.

### Food Services Fund 21

Total revenues in Q1 were \$100K, or 18.1% of budget, and total program expenses were \$110K, or 18.9%. At the end of Q1, the Fund 21 fund balance was \$24K, \$9.9K less than the beginning balance. The ending fund balance for the year is projected to be \$34K.

### Operations & Technology Fund 65

Revenues in Q1 were \$288K, or 25% of budget, and total expenses were \$236K, or 18% of budget. At the end of the Q1, the Fund 65 fund balance was \$442K. This will be spent down throughout the year and expected to finish the year at \$203K.

### 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.

## 8. The next meeting date will be **Tuesday, February 4<sup>th</sup> at 3:30 PM.**

The preliminary agenda for this meeting will include:

- Q2 financial results
- Financial KPIs
- Campus expansion
- Economic outlook for state, and implications for school funding