

# RatingsDirect®

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**Summary:**

**Peak to Peak Charter School - Prairie  
View Inc., Colorado  
Colorado Educational & Cultural  
Facilities Authority; School State  
Program**

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## Summary:

# Peak to Peak Charter School - Prairie View Inc., Colorado

## Colorado Educational & Cultural Facilities Authority; School State Program

### Credit Profile

#### Colorado Educational & Cultural Facilities Authority, Colorado

Peak to Peak Charter School - Prairie View Inc., Colorado

Colorado Educl & Cultural Facs Auth (Peak to Peak Charter Sch - Prairie View Inc.) CHARTERSCH

<i>Long Term Rating</i>	A+/Stable	Current
<i>Underlying Rating for Credit Program</i>	BBB+/Stable	Current

### Credit Highlights

- S&P Global Ratings' underlying rating on Peak to Peak Charter School-Prairie View Inc. (P2P), Colo. is 'BBB+'.
- The outlook is stable.

### Security

The bonds are secured by the school's revenue, which consists primarily of per-pupil funding from the state. A mortgage and security interest on facilities provide additional bondholder security. As of fiscal 2023 year-end, the school had \$12.6 million in long-term debt.

### Credit overview

The rating is supported by the school's very stable enrollment at charter and facility capacity, excellent student retention, 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 with those of similarly rated peers. The financial profile can be characterized by a history of good and consistent financial performance metrics, additional support in the form of mill levy, good liquidity, and a debt burden that continues to moderate. Fiscal 2022's financial performance moderated compared with previous years as the school implemented pay increases for faculty and staff. However, financial performance bounced back to its previously strong levels in 2023 as state and local revenue increased. We assessed the enterprise profile as strong and the financial profile as adequate; combined, these credit factors lead to an anchor of 'bbb+' and a final rating of 'BBB+'.

Also supporting the rating is Boulder Valley School District (BSVD) No. RE-2's \$350 million capital construction bond issue approved by voters in November 2022, of which P2P will receive \$10.7 million by way of grant funding in fiscal years 2024-2026. This grant funding will provide a significant level of capital support in the next few years, which we

believe will allow the school to further enhance its already impressive academic results, although we do not anticipate this funding will provide an opportunity for it to increase its enrollment capacity.

The 'BBB+' rating reflects our view of the school's:

- Stable enrollment and healthy demand bolstered by P2P'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, with the expectation of material grant funding for capital purposes over the next few years; and
- Capable management team that is data focused and uses multiyear scenario budgeting.

In our opinion, partially offsetting credit factors include:

- P2P's relatively small enrollment as a single-site charter school, serving 1,445 K-12 students; and
- Revocation and renewal risk shared by all charter schools subject to charter approval prior to debt maturity.

### **Environmental, social, and governance**

We analyzed the school's environmental, social, and governance (ESG) risks and consider them neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects our opinion of P2P's very impressive enterprise profile, which we anticipate will be sustained and adequate financial performance coupled with an improving debt burden. We anticipate future performance will remain acceptable for the rating, although we acknowledge minimal flexibility at the current rating level for unfavorable variances from expectations. P2P's ability to grow liquidity over the past few years as well as more than \$10.7 million in capital grant funding over the next few years also support the stable outlook.

### **Downside scenario**

We could lower the rating during the two-year outlook if the charter school fails to maintain acceptable maximum annual debt service (MADS) coverage or days' cash on hand levels decline materially. We could also do so if P2P does not maintain its strong enterprise profile which encompasses its impressive demand profile and experienced management team.

### **Upside scenario**

We do not believe a positive rating action is likely during the outlook period given the organization's limited size compared with that of similarly rated peers, which will likely continue.

## Credit Opinion

### Enterprise Profile

#### Market position

P2P has very healthy demand, in our opinion, with stable enrollment at its facility cap of about 1,445. We consider the charter cap an offsetting factor, as it limits enrollment flexibility if the charter school needs to grow enrollment to offset the potential for state funding cuts, although mill levy funding provides a certain level of diversity and partially mitigates this risk. P2P maintains a healthy, annually purged waitlist of nearly 1,000 students that reflects the charter school's solid market position as a destination charter school. It has a history of achieving the top academic rating of performance from the state and it ranks as one of the top high schools in the country, according to "U.S. News & World Report." We do not anticipate any significant changes to the school's demand profile over the next few years.

We believe P2P and its authorizer have a good relationship despite inherent conflicts of interest of being authorized by the school district in which it operates. BVSD also allows P2P to participate in six recurring mill levies that do not sunset and which generated \$5.8 million in 2023. Additionally, P2P is expected to receive \$10.7 million in grant funding for capital projects over the next two years, which was allotted to the school from a districtwide referendum, which we believe is significant. The statutory framework assessment reflects our opinion that, while there might be some areas of risk, the framework is not likely to impair its future ability to pay debt service.

Peak to Peak is in Boulder County, approximately 30 miles northwest of Denver. The county's minor population is healthy at about 99,000 and is expected to decline moderately, with projections indicating a 2.3% decline over the next five years.

#### Management and governance

P2P's former executive director of education retired in the summer of 2022 and was replaced by Jennifer Klein, who has significant educational experience, most recently with Aurora Public Schools. Additionally, the school's executive director of operations retired in summer 2023 and was replaced by Jennifer Douglas, who also has significant charter school and education industry experience, most recently in consulting. We will continue to monitor the transitions over the outlook period; but at this time, our view is that the new management team has continued P2P's strong management practices. The school has a finance committee of advisors that serves the board to aid with financial management. The management team is very sophisticated in its collection of data and monitoring progress on strategic initiatives, both academic and financial. In addition, P2P actively performs trend analysis and multiyear budgeting against benchmarks. We view these as best practices and believe there is a good track record of management successfully executing its plans.

### Financial Profile

## **Financial performance**

P2P has consistently produced adjusted operating surpluses on a full-accrual basis, which we view positively. Fiscal 2023 resulted in an adjusted surplus of about \$1.45 million (5.8% excess margin), which is an improvement over 2022 but in line with prior years' performance. In addition, MADS coverage for fiscal 2023 was approximately 2.3x, another improvement over 2022. The school benefited from strong growth in state and local revenue as well as higher investment income. We will continue to monitor operating performance; at this time, we believe results will remain acceptable for the current rating.

The charter school participates in six annual mill levies that are not scheduled to expire. This accounted for more than \$5.8 million in revenue in fiscal 2023 and makes up a significant portion (23%) of the organization's operating revenue. We believe this provides greater revenue diversity than we typically see for the charter school sector. State funding increased by 10.4% in fiscal 2024, and management expects continued moderate increases over the next few years. Management invested almost all the state funding increases in higher teacher salaries, and the fiscal 2024 budget projects positive but moderating margins. However, year-to-date, management anticipates outperforming the budget.

## **Liquidity and financial flexibility**

P2P's unrestricted reserves have shown consecutive years of good growth due to consistent operating surpluses. As of fiscal year-end 2023, the school had close to 150 days' cash on hand, which is only slightly lower than the last three fiscal years due to growth in the budget. Management anticipates that it could spend down reserves for capital projects but does not expect to do so in the next one-to-two years. While we believe P2P has capacity for a modest spend-down at the current rating level, larger declines in unrestricted reserves could pressure the rating. We expect continued positive operating performance will assist the school in maintaining an acceptable liquidity position.

P2P's unrestricted reserves as percentage of debt for fiscal 2023 came to 73.2%, which we view as good for the rating. We understand that P2P established an endowment in fiscal 2015 for assisting students with costs of higher education through scholarships. The endowment value is currently more than \$1.49 million and it is not included in our calculation of unrestricted reserves.

## **Debt burden**

As of June 30, 2023, P2P had about \$12.6 million in long-term debt, all of which consisted of the series 2014 bonds, which refunded the series 2004 bonds. Debt service is relatively level with MADS of \$1.49 million. The debt burden is manageable, in our opinion, at 6.6% of fiscal 2023 revenues. The school does not have any plans for additional debt at this time. P2P's debt-to-capitalization ratio of 65.4% is adequate and this ratio continues to improve as debt is retired and P2P receives grants for additional capital improvements.

P2P's debt levels and capital planning are good for the rating. It has a history of completing material capital plans for which it incurred very little costs due to the sizable grant from BVSD. Completed capital projects include a college counseling center, a tutoring center, four additional elementary and three additional middle school classrooms, a new varsity gymnasium, an expanded cafeteria, and enhancements to the recreation area for middle school students. P2P's most recent allocation of bond funding from BVSD will provide for boiler replacements and a generator, completion of phase 1 of its master plan which includes an auditorium and performing arts center, and minor renovations to several other internal spaces. P2P does not have any plans to take on additional debt.

Peak to Peak Charter School, CO -- Enterprise and financial statistics

	--Fiscal year ended June 30--					Educational charters rated 'BBB+'
	2024	2023	2022	2021	2020	2022
<b>Enrollment</b>						
Total headcount	1,452	1,450	1,448	1,449	1,450	2,458
Total waiting list	975	950	1,024	1,209	1,263	MNR
Waiting list as % of enrollment	67.1	65.5	70.7	83.4	87.1	29.9
<b>Financial performance</b>						
Accounting standard	GASB	GASB	GASB	GASB	GASB	MNR
Total revenues (\$000s)	N.A.	24,987	21,379	20,121	19,804	37,403
Total expenses (\$000s)	N.A.	23,533	21,155	18,895	18,467	MNR
EBIDA (\$000s)	N.A.	3,329	1,959	2,986	3,099	MNR
EBIDA margin (%)	N.A.	13.3	9.2	14.8	15.6	12.8
Excess revenues over expenses (\$000s)	N.A.	1,454	224	1,226	1,337	MNR
Excess income margin (%)	N.A.	5.8	1.0	6.1	6.8	3.7
Operating lease expense (\$000)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Pension/OPEB adjustments (\$000)	N.A.	(535)	6,451	5,701	3,419	MNR
Lease adjusted annual debt service (\$000)	N.A.	1,656	1,522	1,522	1,520	MNR
Lease-adjusted annual debt service coverage (x)	N.A.	2.01	1.29	1.96	2.04	MNR
Lease-adjusted annual debt service burden (% total revenues)	N.A.	6.6	7.1	7.6	7.7	MNR
Lease-adjusted MADS (\$000s)	N.A.	1,443	1,435	1,435	1,435	3,221
Lease-adjusted MADS coverage (x)	N.A.	2.31	1.37	2.08	2.16	1.70
Lease-adjusted MADS burden (% total revenues)	N.A.	5.8	6.7	7.1	7.2	7.3
Total revenue per student (\$)	N.A.	17,232	14,765	13,886	13,658	MNR
<b>Balance sheet metrics</b>						
Unrestricted reserves (\$000s)	N.A.	9,217	9,066	8,348	7,624	MNR
Days' cash on hand	N.A.	149.9	163.8	169.8	158.6	173.6
Total long-term debt (\$000s)	N.A.	12,595	13,365	14,105	14,815	MNR
Unrestricted reserves to debt (%)	N.A.	73.2	67.8	59.2	51.5	35.8
Unrestricted net assets as % of expenses	N.A.	29.7	30.5	33.9	30.6	34.5
Debt to capitalization (%)	N.A.	65.4	68.5	69.8	73.4	70.0
Debt per student (\$)	N.A.	8,686	9,230	9,734	10,217	19,011

Operating lease expense--Annual amount paid in facilities/capital lease payments; excludes equipment/nonfacility lease payments and excludes payments related to principal and interest on bonds. Net revenue available for debt service = EBIDA + operating lease expense. Lease-adjusted MADS coverage = (net revenue available for debt service + operating lease expense) / (lease-adjusted MADS). Total expenses include pension and OPEB adjustments. Pension and OPEB adjustments = reconciling adjustments made to financial information to account for differences in GASB 68 and GASB 75. MADS--Maximum annual debt service. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

## Credit Snapshot

- Organization: P2P is a K-12 charter school in BVSD, the charter authorizer, with a stable enrollment at 1,452 for fall 2023, above its facility and charter cap of 1,445 students for more than five consecutive years.
- Bond covenants: Covenants are consistent with other Colorado charter schools, with an 8% of operating expenses general fund balance requirement, 70 days' cash on hand, and emergency and other reserve requirements. There is no history of covenant violations.
- Charter authorizer and term: BVSD is the charter authorizer. The school was initially chartered in 2000 for a five-year period and has been renewed three times, for five years from fiscal years 2005-2010, and for 10 years from fiscal years 2015-2025. P2P is preparing for charter renewal during the 2024-2025 school year.
- Management type: Freestanding. P2P has a finance committee of advisors that serves the board to aid with financial management.
- State funding: 10.4% increase in per-pupil funding in fiscal 2024 to \$10,487 from \$9,499.
- State enhancement: The 'A+' enhanced program rating on the Colorado Educational & Cultural Facilities Authority's series 2014 revenue bonds, issued for P2P, is based on the school's inclusion in the Colorado Charter School Moral Obligation Program.

## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

This report does not constitute a rating action.

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