

Colorado Educational & Cultural Facilities Authority Peak to Peak Charter School - Prairie View Inc.

May 13, 2025

This report does not constitute a rating action.

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.

Rationale

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 2024 year-end, the school had \$11.8 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, top academic performance, sophisticated management team, and favorable relationship with its authorizer. These strengths are offset in part by the size of the organization, with lower enrollment levels than similarly rated peers. The financial profile can be characterized by a history of good and consistent financial performance metrics, with additional support in the form of a mill levy, good liquidity, and a debt burden that continues to moderate. While we expect P2P's fiscal 2025 operating performance and maximum annual debt service (MADS) coverage will moderate relative to the last two years, we anticipate it will be maintained in line with the current rating level. 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+'.

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;

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- Solid MADS coverage of 3x for fiscal 2024, although we expect some moderation in 2025;
- Positive and supportive relationship with its authorizer, Boulder Valley School District (BVSD), which has provided significant support from mill levy overrides and material grant funding for capital purposes; and
- Capable management team that is data focused and uses multiyear scenario budgeting.

In our opinion, partially offsetting credit factors include:

- Sufficient liquidity position of approximately 163 days' cash on hand for fiscal 2024;
- P2P's relatively small enrollment as a single-site charter school, serving 1,447 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) factors and consider them neutral in our credit rating analysis.

Outlook

The stable outlook reflects our opinion that P2P will be able to maintain its positive operating performance and solid liquidity position, supported by its stable enrollment, healthy state funding environment and additional revenues from ongoing mill levy from the local district. Although MADS coverage and operating performance is likely to moderate relative to fiscal 2024 levels, we anticipate they will be maintained in line with the current rating level. Additionally, we expect P2P will maintain its very impressive enterprise profile.

Downside scenario

We could lower the rating during the two-year outlook time frame if the charter school fails to maintain acceptable lease-adjusted MADS coverage or days' cash on hand levels decline materially. We could also lower the rating if P2P does not maintain its strong enterprise profile, which encompasses its impressive demand profile and experienced management team. Additionally, if the school were to issue material additional debt that pressures financial metrics, we would view this negatively.

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 near its facility cap of 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 of state funding cuts, although mill levy funding provides P2P a certain level of revenue diversity, which partially mitigates this risk. The school's waitlist, which is annually purged, has strengthened to 96% of total enrollment from about 67%-70% historically. Management credits the improvement to a more concerted effort around marketing and outreach, and better navigation of the open-enrollment process. The school has an excellent track record achieving the top academic rating of performance from the state, and it ranks as one of the top high schools in the state and the country. We believe this reflects the charter school's solid market position as a destination charter school.

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. We were unable to communicate with the authorizer as part of this review, but believe the charter is in good standing as the authorizer unanimously approved P2P's charter renewal application in January 2025 for a five-year term through 2030. We understand a new contract is currently being negotiated and is expected to be finalized in mid-2025.

BVSD also allows P2P to participate in six recurring mill levies that do not sunset and that generated \$6.3 million in 2024. Additionally, P2P was allotted from a districtwide referendum \$12.2 million in grant funding for capital projects, a majority of which has already been received, and 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.

Management and governance

P2P operates on a dual executive director model. Its current executive director of education, Jennifer Klein, has been with the school since 2022. Jennifer Douglas, its current executive director of operations, has been with the school since 2023. The school also has a senior accountant that has been in his position for approximately one year. The senior leadership team includes a total of 14 people.

The school has a finance committee of advisors that serves the board to aid with financial management. In our view, 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.

P2P board includes seven voting members, the majority of whom must be parents of current students per the school's bylaws. Board members can serve a maximum of two three-year terms.

Financial Profile

Financial performance

P2P has consistently produced adjusted operating surpluses on a full-accrual basis, which we view positively. In fiscal 2024, the school generated an operating surplus of \$2.4 million (8.7% excess margin), which is an improvement over the past two years, largely driven by strong per-pupil funding and sizable support from mill levies. This accounted for approximately \$6.3 million in revenues in fiscal 2024 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 but moderated to 7% in fiscal 2025 and is expected to further moderate in fiscal 2026.

For fiscal 2025, management is budgeting for a \$375,000 surplus on a general fund basis. The school continues to invest almost all the state funding increases to higher teacher salaries. For 2025, P2P gave salary increases of 5.2% for teachers, administrators, and other salaried employees and 8.2% for hourly support staff. Management expects future salary increases to be more modest.

MADS coverage for fiscal 2024 was very strong at 3x, which is an improvement from 2.3x in the prior year, although we expect coverage to moderate to the 2x range in fiscal 2025 given expectations of softer operating results.

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 2024, the school had nearly 163 days' cash on hand, and the school has maintained over 150 days' for over the past five years. P2P's unrestricted reserves as percentage of debt for fiscal 2023 improved to 90.9% from 73.2% in the prior year, which we view as good for the rating.

For fiscal 2025, the school spent down \$150,000 from reserves set aside in operations and maintenance funds to finish an auditorium construction as there were some unexpected additional costs. For now, we expect continued positive operating performance will assist the school in maintaining an acceptable liquidity position. 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 \$1.55 million as of June 30, 2024, and is not included in our calculation of unrestricted reserves.

Debt burden

As of June 30, 2024, P2P had about \$11.8 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 \$1.42 million. The debt burden is manageable, in our opinion, at 5.1% of fiscal 2024 revenues. P2P's debt-to-capitalization ratio as of fiscal 2024 was 60.6%, which we view as adequate. This ratio has continued 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 sizable grants from BVSD. Completed capital projects include a college counseling center, a tutoring center, four

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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.

More recently, BVSD approved a \$350 million capital construction bond issue by voters in November 2022, of which P2P will receive \$10.7 million by way of grant funding in fiscal years 2024-2026. The school received an inflationary increase during the 2024-2025 school year to \$12.2 million. The grant funding will provide a significant level of capital support for several projects that are expected to be completed by August 2025. The critical infrastructure upgrades include boiler replacements; completion of phase 1 of its master plan, which includes an auditorium and performing arts center; and minor renovations to several other internal spaces.

We understand the school is currently considering a facility expansion for its middle school and assessing plans for feasibility. The school's board has not approved and finalized the project; we will incorporate more relevant information in our analysis if the project is approved and plans become more finalized.

Peak to Peak Charter School - Prairie View Inc., Colorado--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
Enrollment					
Total headcount	1,447	1,452	1,450	1,448	1,449
Total waiting list	1,387	975	950	1,024	1,209
Waiting list as % of enrollment	95.9	67.1	65.5	70.7	83.4
Financial performance					
Accounting standard	GASB	GASB	GASB	GASB	GASB
Total revenues (\$000s)	N.A.	27,629	24,987	21,379	20,121
Total expenses (\$000s)	N.A.	25,222	23,533	21,155	18,895
EBIDA (\$000s)	N.A.	4,321	3,329	1,959	2,986
EBIDA margin (%)	N.M.	15.6	13.3	9.2	14.8
Excess revenues over expenses (\$000s)	N.A.	2,407	1,454	224	1,226
Excess income margin (%)	N.M.	8.7	5.8	1.0	6.1
Operating lease expense (\$000)	N.A.	N.A.	N.A.	N.A.	N.A.
Pension/OPEB adjustments (\$000)	N.A.	(1,231)	(535)	6,451	5,701
Lease adjusted annual debt service (\$000)	N.A.	1,594	1,656	1,522	1,522
Lease-adjusted annual debt service coverage (x)	N.M.	2.71	2.01	1.29	1.96
Lease-adjusted annual debt service burden (% total revenues)	N.M.	5.8	6.6	7.1	7.6
Lease-adjusted MADS (\$000s)	N.A.	1,422	1,442	1,422	1,422
Lease-adjusted MADS coverage (x)	N.M.	3.04	2.31	1.38	2.10
Lease-adjusted MADS burden (% total revenues)	N.M.	5.1	5.8	6.7	7.1
Total revenue per student (\$)	N.A.	19,028	17,232	14,765	13,886
Balance sheet metrics					
Unrestricted reserves (\$000s)	N.A.	10,721	9,217	9,066	8,348
Days' cash on hand	N.M.	162.6	149.9	163.8	169.8
Total long-term debt (\$000s)	N.A.	12,908	13,852	13,365	14,105
Unrestricted reserves to debt (%)	N.M.	83.1	66.5	67.8	59.2

Peak to Peak Charter School - Prairie View Inc., Colorado--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2025	2024	2023	2022	2021
Enrollment					
Unrestricted net assets as % of expenses	N.M.	31.8	29.7	30.5	33.9
Debt to capitalization (%)	N.M.	62.8	67.5	68.5	69.8
Debt per student (\$)	N.A.	8,890	9,553	9,230	9,734
Pro forma metrics					
Pro forma MADS (\$000s)	N.A.	N.A.	N.A.	N.A.	N.A.
Pro forma lease-adjusted MADS coverage (x)	N.M.	N.M.	N.M.	N.M.	N.M.
Pro forma lease-adjusted MADS burden (% total revenues)	N.M.	N.A.	N.A.	N.A.	N.A.
Pro forma unrestricted reserves (\$000s)	N.A.	N.A.	N.A.	8,366	N.A.
Pro forma days' cash on hand	N.M.	N.A.	N.A.	151.2	N.A.
Pro forma long-term debt (\$000s)	N.A.	12,908	13,852	13,365	14,105
Pro forma unrestricted reserves to debt (%)	N.M.	N.M.	N.A.	62.6	N.A.
Pro forma debt to capitalization (%)	N.M.	62.77	67.54	68.48	69.84
Pro forma debt per student (\$)	N.A.	8,889.8	9,553.1	9,230.0	9,734.3

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. N.M.--Not meaningful.

Credit Snapshot

- Organization: P2P is a K-12 charter school in BVSD, with a stable enrollment at 1,447 for fall 2024, and has operated at, or slightly above, its facility and charter cap of 1,445 students for more than five consecutive years. The school has been in operation since 2000 and is in Boulder County, approximately 30 miles northwest of Denver. The county's minor population is healthy at about 98,000 and is expected to decline moderately, with projections indicating a 3% decline over the next five 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 the charter has been renewed four times, most recently for a five-year term through 2030. The new contract is currently being negotiated, and the school anticipates it being finalized by mid-2025.
- Management type: Freestanding. P2P has a finance committee of advisors that serves the board to aid with financial management.
- State funding: 7% increase in per-pupil funding in fiscal 2025 to \$11,221 from \$10,487. The per-pupil increase anticipated for fiscal 2026 is more modest at 3.1%. For more information, see "Charter School Brief: Colorado," published Feb. 19, 2025, on RatingsDirect.
- 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. For more information on the program rating, see "U.S. State Enhancement Programs And Their Impact On Charter Schools," published May 7, 2024.

Ratings List

Current Ratings

Education

Peak to Peak Charter Sch - Prairie View Inc., CO Charter School Revenues BBB+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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