



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

**FROM:** Sam Todd, EDO  
**TO:** Finance and Budget Committee (FBC) Members and Peak to Peak Board of Directors  
**DATE:** October 29, 2018  
**SUBJECT:** First Quarter 2018-19 FBC Meeting Summary and Recommendations

The Finance and Budget Committee (FBC) met on Monday, October 29, 2018, for its first quarterly meeting of the 2018-19 fiscal year. At this meeting, several financial issues were discussed and the FBC is making two recommendations to the BOD. Please see below a summary of the FBC discussions and the recommendations the FBC is offering the Peak to Peak board of directors.

**1.) Banking Platform Assessment**

In the fall of 2017, the Peak to Peak (P2P) board approved moving the school's banking platform with Chase from chase.com to JP Morgan Access. This move was made to enhance banking controls by requiring two approvers for large transactions using bank-supplied security fobs. This change came at a cost of nearly \$3,000 per year in banking fees. At the time of approval, the finance staff agreed to use the platform for one year, then assess its effectiveness at the end of that time. The following assessment was presented for the Finance and Budget Committee to review:

The following feedback was provided by members of the finance team at P2P, as well as our banking rep and auditor:

1. Wire transactions are complex and time consuming.
2. Looking up transactions and downloading reports is very time intensive.
3. More steps are required to execute banking processes.
4. The extra time it takes to login discourages staff from utilizing online banking services.
5. Access is much more expensive than Chase.com. In the past two years, most expensive month in chase.com was \$85 and least was \$0, while most expensive in Access was \$322 and least expensive was \$167 after receiving credit back from Chase. The fees associated with Access are over \$3,000 per year. With P2P's current account balances, Amy Smith is estimating that monthly fees will be near zero on Chase.com.
6. The upgrade for check processing in Access will come with additional fees.
7. Amy Smith has to adjust our fees every month in Access, by crediting some fees back to the school.
8. Amy Smith recommends that P2P move back to chase.com.
9. Airam Valdez, P2P's auditor with CLA, agrees that the Access fees are not worth the benefits received.

Amy Smith, Peak to Peak's relationship banking partner at Chase, was present for the meeting and explained to the FBC how the two banking platforms differed. The JP Morgan Access is a strong banking platform that is designed for large organizations processing multiple large wire transfers on a

daily basis. It is also complex, cumbersome and not user-friendly. While it does enhance internal banking controls, the cost is very high and similar controls can be set in place using Chase.com at little to no cost involved. P2P is not a large banking customer and only processes about one wire transfer per month. Considering the high cost for Access and the small number of transactions involved, Amy Smith recommended that P2P return to the chase.com banking platform. It will relieve the school of the high fees and still provide banking controls that automatically notify specified board members or school leaders of large transactions via email or text. The board treasurer or any other designated individuals will also have 24-7 online access to P2P's bank accounts through Chase.com. With Chase.com, all wire transfers will require two approvers (EDO and treasurer). One gap with Chase.com concerned some FBC members - the primary administrator (EDO) for P2P's bank accounts can also change the settings for email and text notifications. Amy Smith noted that Peak to Peak can add a second primary user (board treasurer), which would build-in accountability for any funds transferred from P2P accounts. With this provision in place, the FBC voted unanimously to approve the move back to Chase.com, and recommended that the Chase.com platform be reviewed in three years by the FBC.

**FBC Recommendation:**

The FBC recommends that the BOD approve moving the school move back to the Chase.com banking platform from the current JP Morgan Access platform, and conduct a review of the effectiveness of Chase.com in three years.

**2.) End of Year 2017-18 Financial Results**

General **Fund 11** revenues and transferred-in net fundraising donations from Friends of Peak to Peak totaled \$16.6 million, or 101.9% of budget; while expenditures and a transfer-out to the food services fund were \$16.4 million, or 98.2% of budget. A budget surplus of \$113K was generated for the fiscal year, leaving financial reserves in good shape at nearly \$4.1 million.

Food Service **Fund 21** total revenues were \$531K, or 100%, and total program expenses were \$553K, or 100%. The 2017-18 beginning fund balance for the Food Services Fund 21 was \$25,199. At the end of Q4, the Fund 21 fund balance was kept at the same level. At the end of the fiscal year, a transfer of \$21K was made from Fund 11 to Fund 21, which was \$2K lower than budget.

Operations & Technology **Fund 65** revenues were \$838K, or 100% of budget, and total expenses were \$1 million, or 100% of budget. The 2017-18 beginning fund balance for the operations & technology fund 65 was \$237K, which was higher than expected due to the track resurfacing project being pushed into the 2017-18 fiscal year from the previous year. At the end of the year, the Fund 65 fund balance was \$29K, exceeding the budget by \$3K.

Friends of P2P Fundraising **Fund 26** total revenues were \$563K, or 89% of budget, and total fundraising expenses were \$165K, or 85% of budget. The 2017-18 beginning fund balance in Friends was \$1,429,912. The ending fund balance increased by \$26K to \$1,455,695, of which \$1,416,263 is attributed to the Peak Scholarship Fund.

The FBC was satisfied with the positive financial results for 2017-18.

**3.) 2018 S&P Credit Review**

S&P provided the following rationale for the 2018 credit rating of BBB+:

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 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 \$1.3 million as of fiscal 17 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+'.

FBC members were pleased with Peak to Peak's high credit rating, which only a couple of charter schools in the country now hold.

#### **4.) 2017-18 Audited Financial Statements**

The audit process again went smoothly this year – largely attributable to having experienced CPAs from CLA working on our audit, and the excellent preparation provided by Louise Peng, Amy Skinner and Terri Tarbutton on the finance staff. The general fund balance increased \$113,209 to \$4,064,582. Unrestricted cash decreased \$58,128 to \$5,230,976. Peak to Peak's net position decreased \$9,081,664 due to an increase in the net pension liability, which had the added OPEB liability this year. Capital assets increased by \$464,832 to \$26,789,554. There were no significant deficiencies found by CLA in this year's audit.

The FBC was satisfied with the results of the 2017-18 financial audit, and acknowledged that the net pension liability greatly distorts the school's net position.

#### **5.) 2018-19 Final Revised Budget**

The FBC reviewed and discussed the proposed 2018-19 final revised budget, with the following assumptions:

##### **REVENUES**

- Per Pupil Revenue (PPR) increased 6.3% to \$8,046.
- Mill Levy Override revenue increase by 2.5% over last year to \$3,059/student.
- Charter capital construction revenue increased 10.6% at \$292/student.
- Special Ed categorical funding is increased by 3.2% to \$203/student.
- English Language Proficiency categorical funding increased 3.2% to \$40/student.
- Instructional student fees are projected to generate \$338K in revenues.
- Friends of P2P is expected to transfer \$391K in net fundraised monies to Peak to Peak's operating budget.
- BAASC is projected to generate \$9K in net revenues.
- Kindergarten enrichment is projected to generate \$113K in net revenues.
- Food services is expected to breakeven with a \$27K transfer from Fund 11.
- Athletics & Activities is projected to generate a shortfall of \$108K.
- Total general fund revenues are projected to be \$17.3 million for 2018-19.

##### **EXPENSES**

- Salary and benefits expenses represent nearly 67% of the total operating budget.
- Teachers and counselors received a 2% increase in the pay scales, and also received a 2% step increase, for a total increase of 4%. Support staff received a 6.7% increase, and admin received a 4% increase in pay.
- The employer-paid PERA contribution for all employees increased from 19.9% to 20.4%.
- P2P currently has a two-year rate guarantee on LTD, STD and Life/ADD insurance employee benefits, so no increase in premiums.
- Health and dental insurance, which is purchased through BVSD, saw premiums increase by 5% and 5.2% respectively.
- BVSD purchased services will have an overall increase of 3.4% to \$1,974,750, or \$1,396/student.
- \$150K is planned to be transferred from the operating budget to replacement reserves.
- Bond payments are stable at \$1,433,483.

- Instructional expenses are increasing 6.6% over last year, representing 47.7% of the total budget. This is largely driven by the increase in pay scales and higher PERA costs.
- Admin, library and counseling expenses are increasing 6.8% over last year, representing 20.6% of the total budget.
- Facilities expenses are decreasing 25% over last year, since more of this budget was moved into Fund 65 this year.
- Local program costs are increasing by 16.4%, since the A&A and BAASC programs are more realistic in their expense projections. The revenues also reflect this increase.
- Capital projects expenses are decreasing by 43%, since no land purchase is scheduled for this year.
- Total general fund expenses are \$17,066,227 for 2018-19.
- A budget surplus of \$71K is projected after \$150K is transferred to the replacement reserve and \$26,705 is transferred to food services.

There were no objections voiced by FBC members concerning the budget as presented.

**FBC Recommendation:**

The FBC recommends that the proposed 2018-19 final revised budget be approved by the BOD.

**6.) Q1 2018-19 Financial Reports**

General **Fund 11** revenues in Q1 totaled \$4.6 million, or 26.6% of budget; while expenses were \$3.4 million, or 19.9% of budget. A budget surplus of \$1.2 million was generated in Q1, leaving financial reserves in good shape at nearly \$5.3 million. The ending fund balance for the year is projected to be \$4.3 million.

Food Service **Fund 21** total revenues in Q1 were \$97K, or 18.4% of budget, and total program expenses were \$100K, or 18%. At the end of Q1, the Fund 21 fund balance was \$22K, \$3K less than the beginning balance. The ending fund balance for the year is projected to be \$25K.

Operations & Technology **Fund 65** revenues in Q1 were \$211K, or 25% of budget, and total expenses were \$294K, or 35% of budget, driven by a large project being completed in Q1. At the end of the Q1, the Fund 65 fund balance was (\$54K). This will be improved throughout the year and expected to finish the year at \$32K.

The Q1 financial results for Friends of P2P Fundraising **Fund 26** were not yet available at the time of the FBC meeting.

The FBC members were satisfied with the positive financial results in Q1.