



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

**FINANCE AND BUDGET COMMITTEE (FBC)
MEETING SUMMARY AND RECOMMENDATIONS
OCTOBER 31, 2022**

Meeting Date and Time: Monday, October 31, 2022, 3:30 – 5:00 PM

Location: College Counseling Center

Participants:

Present: Lynne Allen, external charter school rep; Eric Duran, external banking rep; Jonathan Fung, external philanthropy rep; Jennie Klein, EDE; Dan Koerner, director of finance; Louise Peng, senior accountant; Cathy Rein, accountability chair; Sam Todd, EDO; Marcus Watkins, board member; and David Woo, board member.

Absent: Brian Boonstra, board treasurer

AGENDA ITEMS

1. 2021-22 Q4 & Year-End Financial Results and Budget Performance

The financial results for 2021-22 were solid for all funds at Peak to Peak. See a summary of each fund's performance below:

Charter General Fund 11

Total Fund 11 revenues and transferred-in fundraising donations from Friends of Peak to Peak came in at \$19.5 million, or 98% of budget; while expenditures came in at \$19.3 million, or 94% of budget. A budget surplus of \$216K was generated for the fiscal year, leaving financial reserves in good shape at nearly \$6.8 million.

Food Services Fund 21

It was a banner year for the food services program due to the "free food for all students" program sponsored by the federal government, which resulted in record levels of participation. Total revenues came in at \$900K, or 134% of budget; while expenditures came in at \$734K, or 113% of budget. This generated net revenues of \$165K, and left the ending fund balance at \$202K.

Operations & Technology Fund 65

Total revenues for Fund 65 were up \$145K from the previous year, and came in at \$1.6 million, which was 100% of the budget. Total expenses came in under budget at \$1.37 million, or 96% of the budget. The ending fund balance was \$620K, about \$61K higher than budget.

FBC Discussion

FBC members commended the school for the strong financial performance in 2021-22, and expressed no concerns.

2. 2021-22 Financial Audit

Ryan Fiore, CPA who led our audit from CLA, will be presenting the 2021-22 audited financials to the board at the November 9th meeting. The audit process again went smoothly this year – largely attributable to the excellent preparation provided by Louise Peng, Amy Skinner and Nina Hankla on the finance staff. The general fund balance

increased \$215,891 to \$6,774,620. Unrestricted cash increased \$718,640 to \$9,066,343. Peak to Peak’s net position increased \$6,759,944 due to a significant decrease in net pension liability. Capital assets decreased \$474,609 to \$25,599,103, due to accumulated depreciation. While unrestricted cash increased, daily operating expenses increased at a higher rate causing days cash on hand to decrease from 178.4 to 164.6.

FBC Discussion

FBC members were pleased with the clean audit and the solid financial results.

3. Update on Campus Expansion and BVSD Bond Allocation

Fransen Pittman General Contractors updated the construction cost estimates for the campus expansion project as follows:

Performing Arts Center Renovation	\$ 3,551,998	10,454 sf	\$339.77/sf
LMC/Innovation Center Renovation	\$ 2,962,722	16,151 sf	\$183.44/sf
ES/MS Addition	<u>\$14,243,038</u>	<u>31,861 sf</u>	<u>\$447.04/sf</u>
TOTAL	<u>\$20,757,758</u>	<u>58,466 sf</u>	<u>\$355.04/sf</u>

BVSD has taken a strong stance that the bond ballot language does not support any new construction for P2P. After a disappointing meeting with Rob Price, BVSD Asst Supt of Operations, a meeting was held with Bill Sutter, BVSD CFO, to discuss the possibility of creative funding scenarios such as using district reserves instead of bond proceeds, or interest earnings or bond premiums. Bill asked us to write a letter spelling out the sequence and process for creative funding. As this was discussed by P2P’s school leaders, it became obvious that since the ES/MS addition needs to happen first, there was no way to make any scenario work without taking on significant debt, whether it be a bridge loan or a new bond issue. Recognizing that there is little appetite for additional debt at P2P, we chose to express our disappointment with BVSD in how they treated P2P with the bond allocation process. First, they completely disregarded our campus expansion plan, then proceeded to grossly underfund us, then only gave us days to counter. The entire process was difficult and we hope that we can set the stage for better treatment in the future.

At this juncture, the bond election is next week. If the bond passes, the options appear to be as follows:

- 1) Use the \$10.7 million solely for renovation and maintenance projects on campus.
- 2) Reimagine the campus expansion project into something smaller scale that will still achieve most of the original plans. This might look like proceeding with the performing arts center (PAC) renovation, and ditching the renovation of the LMC and building a smaller innovation center in the east parking lot that might cost much less than expanding the ES/MS. These changes mean that we forego moving the ES library and 4th and 5th grades into the ES, postpone the HS addition, and cancel any enlargement of the PAC.
- 3) Another option that could be considered is to use bond proceeds to pay off P2P’s \$12.6 million bond debt. By retiring its bonds, P2P would get back the \$1.44 million bond reserve and the \$250K repair and replacement reserve. When added to the \$10.7 million in bond proceeds, it would give the school almost \$12.4 million to apply towards debt and would only require about \$200K to come from financial reserves. This would free up \$1.44 million in annual debt service and remove any requirements for minimum days cash on hand. Eris Duran indicated that since interest rates on bonds have risen some bondholders of lower interest-rate bonds might be willing to provide a discount in retiring these bonds. The school would then be in a position to significantly increase employee compensation and also set aside monies for future building needs.

FBC Discussion

FBC members liked to concept of retiring debt and paying employees more competitively, but were also open to finding alternative solutions to completing a reimagined campus expansion that would not require adding debt.

4. Update on Potential Land Purchase

The board extended an offer of \$600K (list price) for a 1.35 acre parcel of land located directly east of campus at 85 N 120th Street. The purchase was contingent upon the completion of a Phase One environmental study, a survey, and an

appraisal. The Phase One environmental report was completed on October 3rd and the Alta Survey on October 4th. The Phase One report recommended conducting a Phase Two environmental study due to fuel storage tanks that have been located on the property over the years. The ALTA survey revealed that the strip of land between Peak to Peak and the parcel of land that we want to purchase is actually owned by Peak to Peak, which reduces the size of the property from 1.35 acres to 1 acre. There are no easement issues.

We received the appraisal on October 13th. It showed a market value at \$270,000 and the investment value at \$375,000, based on a parcel size of 1.35 acres. If the appraisal was recalculated for 1 acre using the price/sf shown above, the appraised value would be \$200,629 for market value, and \$278,264 for investment value. We anticipate that we will be able to negotiate the price down considerably from the original list price of \$600K.

Here are the proposed resolutions that Chris Jensen, our agent, provided to the owner:

- 1) Price shall be reduced to the buyer appraisal price per sq ft (Investment Value) for the parcel as defined in the ALTA Survey dated 10/05/22.
- 2) Buyer shall deposit with the Title Company an additional \$25,000 to increase the total Earnest Money to \$50,000.
- 3) Closing shall occur 3 days after the completion of the Phase II that concludes that "no further action is required". Due to the fact that the Environmental Company needs to hire to take samples, the earliest we can get them to the site is November 9th. The latest the report will be done will be in early December.

We are currently waiting for a response from the owner, who has until 11/8 to respond.

FBC Discussion

FBC members supported the idea of purchasing additional land as it provides more options for the school in the future and opportunities to purchase adjoining land to the campus are rare.

5. 2022-23 Final Revised Budget

The Executive Leadership Team began work on the 2022-23 budget last December, and the board approved the preliminary budget in May. Work on the revised budget has been delayed by BVSD as they cannot provide updated purchased services expenses until December. With a generous increase in state PPR, the school was able to grant solid pay increases, budget for one-time infrastructure improvements for the electric buses and purchasing additional land for the school. See below the details of the Fund 11 revised budget for 2022-23.

Fund 11 Revenues

- Per Pupil Revenue (PPR) increased 6.1% to \$9,444. Total PPR revenue is \$13.6 million, representing 66% of total revenues.
- Fund 11 Mill Levy Override revenues increased 1.3% to \$2,773.96/student, or \$4 million, representing 19.5% of revenues.
- Charter capital construction revenue increased 23% at \$367/student, or \$530K, or 2.6% of revenues.
- Special Ed categorical funding decreased by 1% to \$268/student, or \$387K, or 2% of revenues.
- English Language Proficiency funding decreased 1% to \$19/student, or \$28K, or 0.1% of revenues.
- TAG grant revenue remained the same at \$10.53/student, or \$15K, or 0.1% of revenues.
- ESSER III funding of \$250K was carried over from last year, and represents 1.2% of revenues.
- Instructional student fees are projected to generate \$307K in revenues, slightly higher than last year.
- Friends of P2P is budgeted to transfer \$383K in net fundraised monies, or 1.9% of the total revenues.
- BAASC is projected to generate revenues of \$271K, or 1.3% of revenues.
- Athletics & Activities is projected to generate \$459K in revenues, or 2.2% of total revenues.
- CPD is budgeted to generate revenues of \$28K, or 0.1% of total revenues.
- The new transportation program is budgeted to generate revenues of \$177K, or 0.9% of revenues.
- Rebates, refunds and investment revenues are budgeted at \$45K, or 0.2% of total revenues.
- Total general fund revenues are budgeted at \$20.5 million for 2022-23, a 5.2% increase over last year.

Fund 11 Expenses

- Salary and benefits expenses represent over 65% of the total operating budget at \$14.1 million.

- Teachers and counselors, salaried support staff and administrators all received a 4% pay increase.
- Hourly support staff received a pay increase of 5%.
- The employer-paid PERA contribution for all employees increased from 20.9% to 21.4%.
- 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 premium increases of 3.5% and 4.4% respectively.
- BVSD purchased services are projected to increase 0.9% to \$1,691/student, but we are still waiting for updated figures.
- Instructional expenses represent 56% of the total budget, or \$11.8 million.
- Administrative expenses represent 14% of the total budget, or \$3 million.
- Facilities expenses remain at 0.7% of the budget, or \$140K.
- Bond payments are stable at \$1.44 million, representing 6.8% of the budget.
- Local program costs increase to 5.6% of the budget, or \$1.2 million, with the addition of transportation
- Capital projects expenses represent 5.4% of the budget, or \$1.2 million, driven up with parking lot expansion, electric bus infrastructure construction, and the purchase of new land next to campus.
- BVSD purchased services represent 11.4% of the budget, or \$2.4 million.
- Total general fund expenses are \$21.2 million for 2022-23, with a projected budget shortfall of \$715K, which will be funded with financial reserves.

The school will receive updated purchased services costs from BVSD in December. Once updated numbers are received from BVSD, we will update the budget accordingly and present it in December to the P2P board and seek final approval at the January board meeting.

FBC Recommendation

The FBC unanimously approved the 2022-23 budget as presented and recommended approval by the board, with the caveat that BVSD MLO purchased services expenses will need to be updated before the board can approve the revised budget.

6. Q1 2021-22 Financial Report

The financial results for the first quarter of 2022-23 did not include any surprises, and showed positive results overall. Detailed results are provided below for each fund.

General Fund 11

Revenues in Q1 totaled \$5.32 million, or 26% of budget; while expenses were \$3.97 million, or 20% of budget. A budget surplus of \$1.35 million was generated in Q1, leaving financial reserves in good shape at \$8.13 million. The ending fund balance for the year is projected to be \$6.3 million.

Food Services Fund 21

Total revenues in Q1 were \$231K, or 40% of budget; and total program expenses were \$119K, or 18%. At the end of Q1, the Fund 21 fund balance was \$292K. The ending fund balance for the year is projected to be \$54K.

Operations & Technology Fund 65

Total revenues in Q1 were \$401K, or 25% of budget; and total expenses were \$520K, or 31% of budget. At the end of the Q1, the Fund 65 fund balance was \$501K. The ending fund balance is projected to be \$495K.

FBC Discussion

FBC members were pleased with the consistent strong financial performance of the school, and recognized that Q1 Fund 11 financial results are skewed high due to the teacher salary and benefit accrual, which will balance out in Q4.

7. The next meeting date will be Monday, January 30th at 3:30 PM

The preliminary agenda for this meeting will include:

- Q2 financial results
- 2022 S&P Credit Review
- Financial KPIs update
- Campus expansion, BVSD bond monies, and potential capital campaign
- Economic outlook for state, and implications for school funding next year