

Capital Asset Advisory Committee Meeting Notes

Thursday, July 2, 2020

Attending

Members: Gordon Calahan, Megan Castle, Kathy Hodgson, George Latuda, Tom Murray, Bret Poole, M.L. Richardson, Brittany Warga, Jeff Wilhite,

Staff: Kathleen Askelson, Steve Bell, Heather Frizzell, Bruce Huxley, Berry Jones, Nicole Stewart, Tim Reed, Robin Acree

Location: FM Conference Room/Zoom, 809 Quail Street, Bldg. 4, Lakewood, CO 80215

Time: 8:00-10:00am

General

Dr. Jason Glass has been named as one of three candidates for the position of Commissioner of Education with the Kentucky Department of Education (KDE). He will interview next week.

Kathleen Askelson, CFO, will be retiring at the end of August.

- CIP Update-Presentation
 - May 2020 interest added approximately \$175K, and increasing revenue to \$409.2M. There was \$17.1M in construction spending through June 30. Encumbrances increased by \$10M. Charters spent about \$650K on construction, and increased encumbrances by \$4.1M. Seven major projects are scheduled to bid in the July-September 2020 period. These are five additions and the Career/Tech Ed building. The guaranteed maximum price package for Jefferson HS will be delivered in July, Lumberg ES and Pomona HS additions/renovations are in design.
 - Design will start on Marshdale and Prospect Valley ES replacements this fall as well as Standley Lake HS and Ralston Valley additions/renovations.
 - Three Creeks addition is complete. Anticipated completions in August 2020 Arvada HS, Wilmot ES, partially complete in August. Columbine, Green Mountain, Conifer HS, tracks and fields. In addition, 20 efficiency and future ready projects, 8 playgrounds, 6 paving, 9 roofing projects, 8 flooring, camera, security glazing and LED projects are also planned for August completion.
- Greenawalt Email/Responses-forwarded and presented to CAAC as requested.
 - The committee discussed whether Mr. Greenawalt's concerns are viable. Tim Reed states that every question presented has been answered. It is believed that if the response doesn't conform to Mr. Greenawalt's theory then it is wrong. Tim believes that Mr. Greenawalt does not understand the full scope of the bond.
 - The Board is aware and well informed on how the Capital improvement program is funded. This is not a new model and many school districts use it.
 - The committee asked if an independent audit has been completed for the first year and if there will be another for the second year? Kathleen Askelson stated that there are audits annually. However, external auditors do not look at the scope of the work being done and what is being delivered, they are looking at expenses, allocations and conforming to accounting practices.

- The committee asked if anyone has sat down with Mr. Greenawalt and gave a more simplistic answer? Capital Improvement staff have not met with him.
 - It was stated that he has met with multiple people in the district, and attended several Board meetings. Mr. Greenawalt has had disagreements with other district departments. Mr. Greenawalt has met with the superintendent and other leadership members.
 - Steve Bell stated that he would discuss options with Dr. Glass for responding to Mr. Greenawalt's email.
- The consensus of the committee is that a great deal of time and staff resources has gone into providing Mr. Greenawalt with responses when his questions are repetitive even though they've been answered.
- The committee will wait to see how Dr. Glass would like to proceed.
 - During the 7/6 Cabinet meeting the Cabinet recommendation is to take no further action regarding Mr. Greenawalt requests.
- Berry Jones provided a Work in Progress Presentation

Communications

- Starting in July, communications will be filming many of the bond construction projects and posting the JeffcoBuilds website for distribution to the public.
- Ribbon cuttings will be happening soon. Dates and locations to be determined.

Planning/Property Management Update

- General Updates:
 - Fall Restart Plan-all grades will report for in-person learning. An option for remote learning is being developed. Planning is working on COVID-19 informational and directional signage for all sites.
 - 33 temp buildings will be removed in summer 2020. 32 temps have been identified for summer 2021.
 - Planning is working on the coordination of 2020 Graduation. Soliciting cost information. An update and guidance for Principals will be provided when they return in mid-July.

Construction Management Update

- General Updates:
 - Currently we have posted a job opening for a Project Manager I.
- As the 19M Program closes, the remaining-contingency will move to the 20M program.

CAAC Members:

I want to thank you for asking Tim Reed to respond to my previous note. I am also appreciative of the transparency of Facilities in putting CAAC meeting presentations, agendas and notes on-line. That has been quite helpful in understanding the Capital Improvement Program.

Unfortunately, I found the response to my June letter to be filled with obfuscation, omissions and avoidance.

- **\$70M contingency spend** – It seems that I am supposed to make 2 incredible assumptions with the response:

1. There won't be any additional projects with large overages
2. There won't be any additional need for asbestos removal

I don't believe either of them. Even so, using these assumptions and the figures provided, 44 projects (removing 10 high overage and 34 hazmat) accounted for \$13.3M in overages, that is still an average of \$300,000 in overages per project. With at least 212 projects left to be completed, that would mean we should expect the need for AT LEAST **\$63.6M** in additional contingency.

- **\$100M increase** – The response is obfuscation and a complete avoidance of the issue. Premium and interest have absolutely **nothing** to do with cost estimates. The fact remains that cost estimates increased over \$30M from the original Flipbook presented to voters in 2018 and the Flipbook that is now on the District's web site. This \$30M increase is in addition to the contingency addressed above. I stand by my statement – current project costs and cost estimates have **increased by \$100M** over original Flipbook estimates presented to voters. The response never disputed that.
- **Contingency and length of program** – The response states: “Status of the contingency is presented to the CAAC each month”. The presentation of contingency seems to be very confusing in CAAC presentations and is project-by-project. I would think that the CAAC, just like the Board of Education, needs to see a running, cumulative total of:
 - Total Program Contingency
 - Total Program Contingency Used to Date
 - Contingency Committed in Previous Month
 - Total Program Contingency Remaining

That would make things much clearer as to the potential of long-term issues. Anything less than this is deception.

- **Viability of Contingency** – It seems to me that the response is saying that the capital improvement program REQUIRES premium from the second issuance to be viable. How much premium is expected? Based on the calculation of \$63.6M in additional contingency needs above, that second issuance premium needs to be pretty big, particularly since interest in today's market will in all likelihood be small going forward. The response proved nothing to me with regards to viability. I continue to seriously question whether all projects, with stated scope, can be completed - even with what is shaping up to be more than \$100M in additional revenue over and above the \$86M in contingency presented to voters. The CAAC needs to do its job and ask some really hard questions surrounding this.

Observations as a taxpayer:

1. The response completely avoided my observation. I stated I was appalled at \$100M in cost overruns and revised estimates. The response stated that 64% of projects have not even been started. That does not refute my observation!
2. The response is complete obfuscation and avoidance of my observation that there has not been any BoE discussion relating to the use of the premium. I agree that proceeds of the debt (bond), including premium and accrued interest should solely be used for capital improvements. However, the May 7th CAAC meeting minutes clearly state “The use of premium and any distribution is a BoE decision not this department”. My observation was that the CAAC was told one thing, but in reality, there is no Board of Ed discussion or approval.
3. The response completely avoided addressing my observation that by using \$146M+ in contingency slush funds I wondered how you would expect voters to ever approve another bond package.
4. The response didn’t even attempt to address my question of whether there would be enough money to complete all projects promised to taxpayers.

Suggested questions:

1. I find the response’s answer to my question to be very carefully worded, but FALSE. Baseline cost estimates have changed. I have a copy of the original Flipbook presented to voters and a copy of the current Flipbook. The project estimates for EVERY SINGLE SCHOOL changed between those versions. A total increase of approximately \$30M. The new estimates are now used as the baseline when calculating contingency usage. Here are just 3 examples:

School	2018 Flipbook	Current Flipbook	Baseline Increase
Alameda HS	\$18,003,098	\$19,434,000	\$1,430,902
GreenMountain HS	\$13,606,922	\$14,361,000	\$754,078
West Jefferson Middle School	\$2,323,535	\$3,700,000	\$1,376,465

2. Yes, \$70M in contingency has already been spent or encumbered, ABOVE revised baseline estimates.
3. No, the response didn’t answer this question previously. The answer is that the Board of Ed did NOT discuss and approve the use of \$50M in bond premium for contingency.
4. The response, once again, completely avoided my question. My question was: ‘How can the CAAC be absolutely certain that Jeffco will be able to complete all projects with the stated scope’. Based on overages to date and without some hard and complete numbers, they can’t.

It shouldn’t be this difficult to determine how the Capital Improvement Project is going. The shell game that is happening with projects, cost estimates, contingency and bond premium make it extraordinarily difficult. However, it is a fact that things are not going well. Without increased oversight there will be projects that don’t get completed with their originally stated scope, \$100M in additional funds will have been spent, the CAAC will be left holding the bag and Jeffco won’t get another Bond request approved by voters.

Robert Greenawalt PMP
303-335-9806

June 8, 2020

Mr. Robert Greenawalt
990 Everett Street
Lakewood, CO 80215

RE: 6/1/2020 Email to Capital Asset Advisory Committee

Dear Mr. Greenawalt:

In accordance with your request, your email of June 1, 2020, was included in and discussed during the June 4, 2020 Capital Asset Advisory Committee (CAAC) meeting. The Committee has asked me to respond to your correspondence. I will address your concerns as listed in the email.

- \$70M contingency spend: As you are aware, from your CORA request, that approximately \$70M in additional funds have been spent. 75% of that money was on 10 projects, 61% on five of those 10, they are: 14 track and field projects counted as two projects, Columbine High School, Alameda International High School additions and renovations and Wilmot Elementary School addition and renovation. There remain 78 projects that account for \$16M or 25%. 34 of those projects are asbestos abatement and account for \$2.7M. Hazardous material removal costs are not subtracted from an individual school's project budget. Projects' status and overages are discussed, with the CAAC, during the regular monthly meetings.
- \$100M increase. The pre-election flip book noted that costs and schedule are subject to change. At the time of publishing, neither premium nor interest earnings had been accounted for because that revenue was unknown at the time.
- Contingency and length of program: The contingency is fluid and changes monthly. Status of the contingency is presented to the CAAC each month. Interest earned and project savings are placed into the program contingency as are unspent contingency funds from the larger Construction Management/General Contractor (CM/GC) projects which have contingencies built into the guaranteed maximum price (GMP) contract.
- Viability of Contingency: You requested and received via CORA request a breakdown of the income sources supporting the capital improvement program. The first issuance of the bond along with premium, accrued interest to date and one year of capital transfer the revenue is \$409+M, the second issuance, which has not occurred, is estimated at \$240.5M and the remaining \$100M in capital transfer that has been committed to the program results in total revenue of \$749.5M without any first issuance interest going forward nor any premium, bond interest on the second issuance nor is interest on the capital transfer included. The program is currently valued at \$753M. Forthcoming premium and interest will be relegated to program contingency.

In Response to your "observations as a taxpayer:"

1. The above discussion covers cost, contingencies, etc. I want to point out the progress that has been made over the eighteen months of the program. 28 projects have been completed, 65 are under construction, 28 are in various stages of design and 219 are yet to be started.
2. The following quote is taken from the ballot language, I have italicized a key portion that deals with spending of bond proceeds.

"...AND ALSO ACQUIRING, PURCHASING, CONSTRUCTING, EQUIPPING, IMPROVING, EXPANDING, REPAIRING, REMODELING AND FURNISHING DISTRICT SCHOOL BUILDINGS, FACILITIES AND GROUNDS; WITH THE DISTRICT TO HAVE A PREFERENCE FOR HIRING LOCAL CONSTRUCTION CONTRACTORS, **AND TO SPEND THE PROCEEDS OF SUCH DEBT ONLY FOR CAPITAL IMPROVEMENTS** AND NOT FOR SALARIES OF SENIOR DISTRICT ADMINISTRATION, AND WITH THE SPENDING OF THE PROCEEDS OF SUCH DEBT TO BE MONITORED BY THE CITIZENS' CAPITAL ASSET ADVISORY COMMITTEE AND BE SUBJECT TO AN ANNUAL INDEPENDENT AUDIT..."

The proceeds of the debt (bond) include premium and accrued interest.

3. As with previous capital improvement programs, when the committed scope is completed and additional funding, through contingency, interest or both is available a list of projects is prepared and submitted to the CAAC for review and approval to spend the surplus on selected projects.

Regarding your 'suggested' questions:

1. The baseline budgets for forthcoming projects have not been reset but remain at the levels identified in the 'flipbook' or shown on the *JeffcoBuilds* website. A multi-year capital improvement program most likely will experience differing market conditions. Year one of this program occurred in a volatile construction market, recent events may reduce some of the volatility, or increase it due to pent up demand.
2. \$70M Contingency: Previously answered.
3. Use of Premium, see above.
4. Rate of contingency expenditure: The CAAC meets monthly and receives updates on costs, revenue, program status and the progress of projects.

Interesting sentences: see item four above; the department is audited annually.

This capital improvement program is the largest undertaken by Jeffco Public Schools, and many projects are well underway. You may not be aware that Internal Revenue Service regulations require that 85% of the bond and proceeds (premium and interest) must be spent within three years of issuance. We are confident that we will meet that requirement and in our ability to deliver the total scope using the resources available within the timeframe established.

Should you have questions or need additional information please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Reed', with a stylized flourish at the end.

Tim Reed
Executive Director Facilities & Construction Management

Cc: CAAC Members, File