

Capital Asset Advisory Committee Meeting Notes

Thursday, June 4, 2020

Attending

Members: Gordon Calahan (B4), Megan Castle, Tom Murray, Bret Poole, Jeff Wilhite, M.L. Richardson, Jeff Wilhite

Staff: Steve Bell, Stephanie Corbo, Jason Hendricks, Bruce Huxley, Berry Jones, Nat'e Morrell, Tim Reed, Maureen Wolsborn, Robin Acree

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

Time: 8:00-10:00am

General

Stephanie Corbo will be leaving the district and taking over the CFO position for Jefferson County, this will be her last CAAC meeting.

- Re-Start Plan
 - Facilities approach for the Restart Plan-Schools will be ready to welcome students and staff back not matter which plan is selected in August.
 - Facilities is looking into ways to increase outside air into the HVAC systems. Energy Manager and Commissioning Engineer are investigating UV systems added to the air-handling units that would remove pathogens before air is distributed in the schools. Adding UV would be done as a pilot program to determine first and on-going costs as well as impact on absenteeism.
- CIP Update-Presentation
 - Financial update: -March and April interest added \$1.6M increasing revenue to \$409M Expenses increased by \$7.8M and approximately \$32M in encumbrances.
 - Charters expenditures increased by \$2.3M; encumbrances increased \$1.6M.
 - Funding breakdown was presented, to date the program has received \$409,025,894. 2nd issuance will be about \$240,500,000; Interest and premium to be determined. We have committed to invest five more years of capital transfer totaling about \$100 million.
 - Facilities is confident the scope of work will be completed.
 - Bidding for five additions has been moved up to July and August.
 - Cash flow was sent to the Finance Department for review. Graphic showing cashflow to date and that of the remaining program was presented.
 - No construction or consultant agreements on the consent agenda for the 6/4/2020 BOE meeting.
- Work in Progress Report-Presentation
 - Progress report of on-going projects was made.
 - Marshdale and Prospect Valley will start design in fall of 2020.

- Greenwalt Email:

Mr. Greenwalt has sent another email and requested it be forwarded to the CAAC. It was sent before the meeting with the agenda and supporting material. Mr. Greenwalt recently has also submitted several CORA requests. High points of the email:

- Significant contingency spend: 10 projects account for 75% of overage, five account for 61%, 78 projects have used \$16 million of the program contingency. A number of those 78, are asbestos abatement projects. Those costs are not subtracted from the project budget.
- Eighteen months into the Program and construction is proceeding on schedule. There has been an increase in interest in our work by the contractor community.
- One issue that Mr. Greenwalt has brought up is the premium. There are a few factors why we have premium funds and how we spend them:
 - Good credit rating
 - Market environment
 - With extremely low interest rates, investors are willing to pay a premium to secure quality bonds, particularly municipals.
- Bond language states that all proceeds from the bond. Premium and accrued interest are spent on capital improvements.
- For thirty years, Jeffco schools have incorporated capital funds, premium funds, interest earnings and capital transfer funds. This approach encompasses all five revenue resources to constitute the capital improvement program. Due to the success, Jeffco has been asked by other districts to help create their plans, why? Steve Bell states, "Because it works".
- Mr. Greenwalt suggests that the CAAC should have questions around the way funds are being allocated. Tim Reed asked the committee if there were any questions or comments.
 - Jeff Wilhite stated, "We need to keep an eye on the contingency funds. Please keep us updated on how you are reloading the slush fund". Tim Reed said, "We will continue to look at the contingency and financial information that is presented each month and address any contingency issues. In the market that we are in and the additions being big projects, recently we have seen pretty good numbers and contractors are eager to do work for us and we want to get them out to bid as soon as we can".
 - M.L. Richardson stated, "I recommend a response being prepared by going line by line to answer each question." Tim Reed responded that he will do that and will attach it the meeting notes.

Communications

- There was a virtual ground breaking at Green Mountain HS.
- Communications will start visiting sites and presenting construction work through video for the community to view progress on bond projects.
- Communications is working on reports for each school, similar to last year. Hoping to have it published next week.

Planning/Property Management Update

- General Updates:
 - The Red Rocks Ranch development is being graded and starting infrastructure work. The department has received two more filings that would give the district another 1-2 acres to be added to the eight received in the first filing.
 - The district and STRIDE health have come to an agreement upon a lease; for the free-standing clinic at Golden High School. They will be occupying a renovated modular building starting in September 2020.
 - Five new preschool programs will open in fall 2020 in existing elementary schools.
 - Facilities has been asked to coordinate the 2020 graduation in August, still waiting on information from Jeffco Health Department, Jeffco Schools Health Services and Security as to what the occupancy will be.
 - Fall Restart Plan
 - Planning & Property are running studies per State Regulations. Currently there are to be no more than 10 people in a classroom. If the state lifts any regulations, this could lead to maintaining 6ft distancing only.
 - Scenario 1-one teacher and nine students in classroom.
 - Scenario 2-12-14 students in the classroom on average with 6ft. social distancing.

Construction Management Update

- General Updates: Currently we have a job opening for a Project Manager I, projects were transferred to other project managers. Want to fill the vacancy by September.
- 18M Program-closeout soon, waiting on a few items that need to be complete for Bell, Creighton, Ken Caryl and Summit Ridge additions.
- 19M Program remaining-contingency will move to the 20M program.
- 20M –projects pre- bond design work.

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 \$409.5M, 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.

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"...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