

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.

Mr. Robert Greenawalt  
RE: 6/1/2020 Email to Capital Asset Advisory Committee  
June 8, 2020  
Page 2

"...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