

Reed Tim

From: Robert Greenawalt <robert.greenawalt@gmail.com>
Sent: Monday, June 1, 2020 11:39 AM
Subject: [EXTERNAL] The Capital Improvement Program is out of Control - Please forward to the Capital Asset Advisory Committee

\$70M – the amount of contingency the Capital Improvement Program has **ALREADY** spent or encumbered. Determined from CORA request.

\$100M – the amount current project costs and cost estimates have increased over the original Flipbook estimates that were presented to taxpayers and voters. Determined from CORA request.

Only 18 months into a 6 year program, with a stated contingency of \$86M, that is very disconcerting.

I read through the minutes of the last CAAC meeting and saw that Tim Reed assured the committee that there was enough contingency to successfully complete all scheduled projects. However, with \$70M in contingency already spent, original cost estimates increased by \$30M and project after project coming in over budget I'm not so sure you should be so confident of that.

You don't have to believe me. You should, however, ask Tim Reed some tough questions. I'll provide suggestions below.

But before I do that, here's how I arrived at the numbers to support my claims and the numbers I mentioned above:

Total Project Cost Estimates Presented to Voters (not including Charter share or Contingency)	\$563,000,000	
Project Cost Estimates in latest Flipbook (including approx. \$18M for projects not identified in Flipbook such as North Transportation Hub, Trailblazer, OELS, etc)	\$593,713,230	

Increase		\$30,713,230
Contingency Spent to Date as of 4/30/2020 from CORA Request plus \$10M for Alameda. Contingency spent is based off of revised, higher, project estimates.		\$68,778,940
Total increased project estimates and contingency used		\$99,492,170

Here are my observations as a taxpayer:

1. The \$100M in cost overruns and revised estimates is already over the \$86M in contingency taxpayers were told was in the project, only 18 months into the program. As a project manager myself, that is just appalling.
2. Where is this additional money coming from? It appears that Jeffco is using the Bond premium. Is the Board of Education aware of that? The minutes from the May 7th CAAC meeting state “The use of premium and any distribution is a BOE decision not this department”. I have not seen the Board discuss, or approve the use of the Bond premium for contingency.
3. When there are other possible uses for the Bond premium such as replacing older schools, ensuring equity throughout the District by putting more money into high FCI schools such as Vivian, Stober, Colorow, Lumberg or Mulholland or even cutting back on the Capital Transfer for a few years to free up General Fund money during the budget crisis, the creation and use of an unmonitored \$146M+ contingency slush fund is completely beyond belief. How do you expect voters to ever approve another bond package when the proceeds from this one are being so poorly managed?
4. At the rate of use of contingency funds, will there be enough money to complete all projects promised to taxpayers? Merely hearing Tim Reed say that everything would be completed wouldn't be enough for me.

As I said, you don't have to take my word for this. You should however ask Tim Reed some very pointed questions. Here are some suggestions:

1. Were the project estimates that were originally presented to voters raised by approximately \$30M? Are these new estimates now used as a baseline when calculating the amount of contingency used?
2. Has nearly \$70M in contingency already been spent or encumbered?
3. What was the approval process for using the Bond premium for contingency purposes? At what meeting did the Board discuss and approve its use for contingency?
4. At the current rate of contingency expenditure, how can the CAAC be absolute certain that Jeffco will be able to complete all projects with the stated scope?

It seems that Tim Reed likes to tell the Board of Education that the CAAC is briefed and up-to-date on the Capital Improvement Program. Is that truly the case? Or, are you only seeing what Tim wants you to see? If/when this train wreck of a program implodes, will you as the CAAC be left holding the bag?

The Bond language includes two interesting sentences:

1. Spending of the proceeds of such debt to be monitored by the Citizens' Capital Asset Advisory Committee
2. Subject to an annual independent audit

I would think it's time to subject the Capital Improvement Program to the prescribed annual independent audit outlined in the ballot language. It's time to determine what is really going on with the proceeds and expenditures as the Program seems to be totally out of control.

I'm available to discuss this or provide more detail relating to the source of any of the numbers in this email.

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