



Financial Oversight Committee Meeting

1829 Denver West Dr., Building 27
Golden, CO 80401

Meeting Minutes **August 7, 2018 – 10:00 a.m.**

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Gordon Calahan
Mary Everson
Scott Tarbox
Bob West

Committee Members and Staff Absent:

Mike Bestor
Chris Johnson
Dr. Jason Glass, Superintendent
Kathleen Askelson, Chief Financial Officer

Staff Present:

Steve Bell, Chief Operating Officer
Nicole Stewart, Director, Budget and Treasury
Stephanie Corbo, Director, Finance
Tim Reed, Exec. Director, Facilities &
Construction Management
Matt Flores, Chief Academic Officer
Marna Messer, Director, Choice Programming

Independent Auditor and Other:

Haley Cox, CliftonLarsonAllen, LLP

Approval of Minutes: Bob West moved to approve the minutes from June 5, 2018. Gordon Calahan seconded. The minutes were approved as presented.

Bond Redemption Fund Investment with CSIP: Chris Blackwood with PFM Asset Management LLC presented an overview of the Colorado Statewide Investment Pool (CSIP) as a potential investment vehicle for managing the bond redemption fund. Blackwood explained that PFM provides investment advisory services for pooled investment vehicles including the CSIP Fund. He covered background on PFM, staffing and support, scope of specialties, company and risk culture, and governance. Blackwood noted that CSIP is structured similar to ColoTrust and CSafe and governed by state statute for Colorado government needs. He clarified how CSIP is managed slightly different to optimize the investment of short-term cash using two portfolios – a liquid portfolio to optimize daily liquidity and a term portfolio to manage surplus liquidity – which allows investments to be matched to the timing of expense obligations. Also presented were yield examples to show how a term portfolio may benefit a bond redemption fund because the payment schedule is defined thus allowing for laddered, fixed-term investment opportunities with a better potential for greater earnings to compliment the liquid portfolio. There was discussion regarding communication, website access, software safeguards to ensure compliance with district investment policy and state statute, and fees. Following discussion, Mary Everson made a motion to support staff recommendation to shift some of the bond redemption funds to CSIP. Bob West seconded. The motion carried unanimously.

Update on C2C “Classrooms to Careers Summit: Linking Industry and Education”: Matt Flores, Chief Academic Officer for Jeffco, and Marna Messer, Director of Choice Programming for Jeffco, reported on the C2C Summit. They presented background information on the summit, work done to define skills as part of Jeffco Generations and Jeffco 2020, and steps to identify and address the workplace skills gap. There was discussion regarding work-based learning pathways and using education-led and business-led partnerships with teachers, the community and businesses to address the gaps and create authentic

opportunities for work-based learning to help transform the student task. The committee provided feedback on the need to focus on business culture including the agility and adaptability to understand a business's culture, expectations for listening and learning, and the importance of writing and note taking.

Budget Update and Status of Amendment 7 – Great Schools, Thriving Communities (formerly Initiative 93): Nicole Stewart advised that the Adopted Budget book is complete and will be published online by end of week.

Stewart reported that Amendment 73, which was previously known as Initiative 93 – Great Schools, Thriving Communities and proposes to create a funding stream for education, is anticipated to make the November ballot. Highlights covered the estimated \$1.6 billion in annual revenue for all Colorado Schools statewide including charters with \$134 million or \$1,609 additional per pupil for Jeffco; the status of signatures required to pass; how Amendment 73 would be funded using a proposed incremental income tax increase on wage earners above \$150,000 and increase of 1.37 percentage points on corporate income tax rate for C corporations; clarification that 92 percent of Coloradans would not pay a tax increase; an overview of offsets to the income tax increase from a proposed reduction to the Gallagher tax assessment ratio for residential property tax by 0.2 percent from 7.2 to 7 and for nonresidential by 5 percent from 29 to 24; arguments for and against the amendment; and potential uses for the funding should the amendment pass. There was discussion regarding the statewide base, impacts and offsets for corporations, and how the funding won't impact Jeffco's ability to attract and retain quality teachers and staff because the funding raises the bar for all school districts.

Potential Ballot Issues – Bond (Capital Needs) and Mill Levy Override: Tim Reed, Exec. Director of Facilities & Construction Management, and Steve Bell, Chief Operating Officer, presented bond options for a proposed 2018 capital improvement program (CIP). Reed discussed the objectives used to prepare schools to be 20th century ready as assessed and defined within six categories, including efficient and future ready, parity, programmatic needs, growth areas, replacements, and safety, security and technology, that the 2018 CIP is built around. Bell clarified that the capital plan proposals are not new but rather best models built from the long-term Facility Master Plan that is monitored and updated annually. Staff presented three models to address the district's capital needs based on a 5 to 7 year program with options for a \$647 million, \$545 million or \$462 million proposed bond. The difference in the three proposals included scaling back to the elimination of funding for capital needs to address growth areas and five school replacements. All three proposals would address funding for efficient and future ready to all schools; parity, or renovation of 17 high schools to current educational specifications and additions to 7 elementary schools; programmatic needs to address renovations/additions for the K-5, 6-8 transition as well as a south area career tech facility; and safety, security and technology upgrades.

There was discussion regarding impacts of the three proposals to Jeffco taxpayers, which on a \$400,000 home value ranged from \$98/yr., \$83/yr. or \$70/yr. depending on the bond proposal amount. Reed noted that the district had a history of passing bonds and mills on a four-year cycle. With the failure of the bond in 2008 and 2016, Jeffco has fallen behind while funding for critical maintenance and growth needs continues to skyrocket. Jeffco's capital need is estimated at \$1.2 billion. Also discussed were potential schools for replacement and or additions, the shift of priorities from 2 and 3 to now 1 and 2, construction costs, alternatives to address growth if funding doesn't come through from COPs and reserves to modified schedules and extended days, possible structuring of ballot language allowing use of bond to pay off future COPs if favorable for the district, issuance of bonds in phases, and the timing for ballot issues with the possibility of Amendment 73 on ballot.

Brian Ballard confirmed that the Financial Oversight Committee has communicated to the Board of Education every year since 2013 their support for funding capital needs preferably by passing a bond

and, in addition, has encouraged the Board to take urgent action to educate Jeffco taxpayers on the crisis nature of the district's capital needs and the need for support of a future capital bond issuance.

Following discussion of the potential bond, Mary Everson made a motion that the Financial Oversight Committee strongly supports the districts' process in identifying facility needs through the 2018 Capital Improvement Plan and justification of \$647 million in improvements. The final dollar amount for a possible bond on the November 2018 ballot would be determined by the Board. Bob West seconded. The motion carried unanimously.

FOC will also communicate to the Board that it recognizes that the Facility Master Plan and proposed 2018 Capital Improvement Plan thoughtfully and thoroughly address the capital needs of the district in a responsible manner. FOC further commended the district staff for their proven track record of fiscal responsibility in successfully completing previous programs within scope, on time and within budget and ability to address capital and growth needs during past and current challenging times.

Stewart presented proposal options for a mill levy override (MLO) to be funded through a property tax increase that could be used for ongoing expenses and needs. Highlights of the presentation included the tax impact for a \$35 million override at approximately \$9/month or \$107/yr. on a home valued at \$400,000 as well as uses for the MLO to potentially pay for safety and security for schools including mental health and counseling supports, increased competitiveness with surrounding districts for quality teachers and staff, expanded career/technical education options, and improved educational technology. Staff discussed why a MLO is needed even if Amendment 73 passes and how Jeffco would still lag behind in funding compared to other districts since Amendment 73 raises the bar for all districts. The committee stressed the importance of being able to help taxpayers understand the differences between Amendment 73, the bond and a MLO.

Following discussion, no formal vote was taken. Consensus was 3 ayes and 1 nay as proposed. Following further discussion, Everson agreed to support a MLO if the funding was used for safety/security. The final consensus was to support the recommendation to go forward with a MLO on the November ballot with the first priority of funding for safety and security/mental health supports in schools. The committee will also communicate to the Board that it recognizes Jeffco's legacy as a leader in school safety and strongly encourages the Board to emphasize spending for safety and security/mental health in the MLO to continue this legacy of leadership.

FOC Conclusions/Recommendations:

Staff will submit the FOC Conclusions/Recommendations to the Board of Education (BOE) to be attached to related agenda items for the Board Retreat on September 8, the Board of Education Study Session on August 23 and the Board of Education meeting on September 6.

Wrap Up and Next Meetings: Stewart shared upcoming dates for FOC and BOE meetings. The meeting adjourned at 12:10 p.m.