

Board Policy 2.5 INTERNAL MONITORING REPORT
January 17, 2024

Policy: **2.5 Asset Protection**
Policy Category: **Operating Limitations**
Period Monitored: **July 1, 2022 to June 30, 2023**

This is my monitoring report on the Board of Education's Executive Limitation policy "Asset Protection." This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Christopher E. Gdowski, Superintendent
January 12, 2024

1. POLICY WORDING:

Shall not fail to insure against theft and casualty losses of property owned or used by the District, and to insure and indemnify, in a board-approved manner, against liability losses to board members, staff and the organization itself.

INTERPRETATION:

I interpret the following language:

“shall not fail to insure against theft and casualty losses of property owned or used by the District”

to mean:

The District has in place insurance policies to replace, repair, or provide financial remuneration for damage to District buildings and their contents exceeding \$50,000 and damage to District vehicles exceeding \$2,500.

DATA REPORTED:

The District is a member of the Colorado School District Self Insurance Pool (CSDSIP) for General Liability and Property coverage. This package includes coverage for Employee Benefits Liability, School Auto (liability to third parties and physical damage to district vehicles), Equipment Breakdown, School Crisis Acts, Crime, Cyber Liability, School Leaders Wrongful Acts, Terrorism, and Employment Wrongful Acts. Policy limits, deductibles, and retention amounts are commensurate with insurance programs at similarly situated school districts.

Insurance contracts in place with CSDSIP:

Insurance Type	Limitations	Deductible
School Entity Liability	\$10,000,000	\$25,000
Auto Liability	\$10,000,000	\$10,000
Property	\$1,000,000,000	\$50,000

There is a separate Foreign Travel Policy to assist employees and students in the event of an adverse incident during school-sponsored, out-of-country travel.

Cyber liability insurance from CSDSIP was reduced to \$250,000 per occurrence this policy year. As a result, the district purchased an additional cyber liability insurance policy outside of CSDSIP with limits of \$1 million per occurrence with a \$275,000 deductible. Of this \$275,000 deductible, the underlying CSDSIP policy will cover \$250,000 leaving the district with a \$25,000 deductible exposure.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“Shall not fail...to insure and indemnify, in a board-approved manner, against liability losses to board members, staff and the organization itself”

to mean:

Appropriate policies are in place to cover acts of litigation, settlements, judgments, and staff injuries resulting in financial remuneration by the District.

DATA REPORTED:

General Liability coverage

Coverage Type	Limitations	Deductibles
Worker’s Compensation	Statutory Coverage	\$500,000 per claim with a \$1.5 million aggregate
School Leaders Wrongful Acts (E&O)	\$10,000,000	\$25,000

The District is insured by Pinnacol Assurance for Workers’ Compensation and CSDSIP for Errors & Omissions insurance, which is covered under the General Liability policy. Policy limits are consistent with industry standards, and deductibles and retention amounts are commensurate with insurance programs at similarly situated school districts.

The Colorado Governmental Immunity Act (CGIA) requires a public entity to pay for the cost of defense, judgments, and settlements where the claim against the public employee arises out of injuries sustained from an act or omission of such employee occurring during the performance of his duties and within the scope of his employment, except where such act or omission is willful and wanton. For purposes of the CGIA, “public employee” means Board of Education directors, employees, servants, or authorized volunteers of the public entity, whether or not compensated, elected, or appointed, but does not include an independent contractor or any person who is sentenced to participate in any type of useful public service.

Per District Policy 8600, which mirrors the CGIA, the district indemnifies BOE members, the Superintendent, and the Superintendent’s Senior Staff, together with their heirs, estates, and personal administrators, against any and all claims, judgments, costs, attorney fees, and other reasonable expenses to the extent permitted by the Constitution and laws of Colorado.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

2. POLICY WORDING:

Allow the projected cost of total deferred maintenance to exceed ten percent (10%) of the total value of the district facilities replacement cost. Funds allocated for the purpose of maintaining the plant shall accrue year to year to a maximum of three percent (3%) of the projected replacement value of the plant; these funds shall be deemed a plant contingency fund and shall not be transferred, spent, or reallocated for any other purpose without prior approval of the board of education.

INTERPRETATION:

I interpret the following language:

“The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the total value of the District facilities replacement cost”

to mean:

The cost to renew and replace major facility components that have exceeded their predicted useful life.

DATA REPORTED:

The cost to replace District facilities is \$1.325 billion per our CostLab software which estimates facility values and building renewal/replacement costs. This facility replacement cost amount increased by 24 percent, or \$257.48 million, compared to the prior year given the substantial increase in property values and construction costs during that timeframe. The replacement value determined by CostLab includes supplies, materials, and labor for a like-for-like replacement of facility components and labor to replace.

CostLab estimates deferred maintenance costs (which we commonly refer to as "renewal and replacement costs" in our Blueprint development work) at \$169.46 million, or 12.79 percent of the total value of the district facilities replacement costs. This amount has increased by \$39.59 million compared to the prior year's report given 1) inflationary cost increases in construction costs, 2) reductions in the useful life levels for some equipment items to align with industry recommendations and facility staff's experience, and 3) increases in the quantity of equipment items that have exceeded useful life projections and are now incorporated in the CostLab software following an audit.

The \$169.46 million in renewal/replacement costs was reduced by a nominal amount (less than \$4 million) as a result of summer 2023 facilities work completed to close out the 2016 bond program. Even with that reduction the amount of deferred maintenance at the conclusion of the monitoring period exceeded 12 percent of district facilities replacement cost.

COMPLIANCE STATEMENT:

The amount of deferred maintenance exceeds twelve percent (12%) of the cost to replace all district facilities and thus exceeds the ten percent (10%) limit established by the policy limitation. The District's performance during the monitoring period does not comply with the policy standard. Given that cost increases for building construction have substantially exceeded recent and anticipated future increases in school funding, noncompliance is anticipated to continue until such time that the District secures bond funding to address these aging building systems.

INTERPRETATION:

I interpret the following language:

“Funds allocated for the purpose of maintaining the plant shall accrue year to year to a maximum of three percent (3%) of the projected replacement value of the plant; these funds shall be deemed a plant contingency fund and shall not be transferred, spent, or reallocated for any other purpose without prior approval of the board of education”

to mean:

The district shall accrue and track funds specifically designated to maintain physical plants. The Plant Contingency fund will not exceed three percent (3%) of the total replacement value of the plant.

DATA REPORTED:

On June 30, 2023, the accrued balance of the Plant Contingency Fund was \$1.45 million, or 0.11% of the total replacement cost of all district facilities. Funds within this plant contingency fund have not been spent for non-facilities purposes.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

3. POLICY WORDING:

Shall not fail to maintain the plant with due care in a manner that ensures facilities are open ninety-nine percent (99%) of the available instructional hours.

DATA REPORTED:

Zero facilities-related school closure(s) occurred on scheduled student/staff contact days during the monitoring period. The plant was operational for 100 percent of available instructional hours.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

4. POLICY WORDING:

Shall not fail to maintain equipment and information technology infrastructure with due care to provide necessary services for student/staff contact days and essential District operations or to fund said maintenance with adequate resources on an annual basis.

INTERPRETATION:

I interpret the following language:

“Shall not fail to maintain equipment with due care”

to mean:

Financial and human resources for the maintenance and upkeep of equipment are expended for personnel, materials, and contract services necessary to maintain, monitor, and repair equipment in a manner consistent with manufacturer requirements.

“essential District operations”

to mean:

The District is able to perform its legal and fiduciary duties. i.e. (transport students safely, meet payroll requirements, meet financial and human resource obligations, CDE reporting, communicate critical information to parents, students and staff, and provide fire and intrusion monitoring).

DATA REPORTED:

Annual Student Transportation Vehicle Inspections

CDE Annual Student Transport Vehicle Inspections: July 1, 2022 - June 30, 2023		
Completed on time	150	97%
Total Inspections	155	100%

All CDE required annual school transportation vehicle inspections were completed prior to the vehicles transporting students. Late inspections occurred for the following reasons:

- One late inspection was a result of the vehicle being at the dealer when the inspection was due. The inspection was completed as soon as the vehicle returned and before transporting students.
- One late inspection was due to the inspection being incorrectly scheduled for a 6-month inspection. The vehicle was returned to the shop upon the discovery of the mistake and the annual inspection was completed.
- One late inspection was due to the availability of parts.
- Two buses received late inspections due to being in for repairs impacting the inspection schedule. The buses were not used to transport students until the inspections were completed.

Network availability as measured from the District Internet connection through the District regional network.

Services Category	% Availability During Instructional Hours
Student Information System	100.00%
Human Resources Systems	100.00%
Financial Systems	100.00%

Internet Availability	100.000%
Phone System	99.998%

Cloud Email and Office Productivity Applications	99.772%
Identity and Access Management System	99.272%
Average	99.863%

This year all core services have met or exceeded the standard of 99% uptime during instructional time. The majority of service interruptions have been moved to planned service windows on weekends and evenings.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

5. POLICY WORDING:

Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost.

INTERPRETATION:

I interpret the following language:

“Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost”

to mean:

District policies are in place to ensure competitive procurement processes for purchases exceeding \$10,000 and capital construction costs exceeding \$50,000.

DATA REPORTED:

District Policies (3300 – 3340 & 4130) are consistent with the National Institute of Governmental Purchasing (NIGP) code of ethics and procurement standards for governmental purchasing. Policies are available through the District website, the Purchasing Webpage, and employee training.

Policy 3320 establishes the following procurement procedures.

- Purchases exceeding **\$10,000** but less than **\$100,000** may use an informal bid process allowing two (2) or more proposals to be submitted via email or written means.
- Purchases exceeding **\$100,000** require a minimum of three (3) written or electronically submitted proposals that may be solicited by formal bids, multi-step formal bids, life-cycle cost bids, requests for proposal, and competitive negotiations.

For Capital Construction/Facilities Maintenance

- Procurement of all capital construction, capital projects, bond-related construction, as well as facilities maintenance-related purchases with a total amount of **\$50,000** or less is at the discretion of the purchaser to determine the best and appropriate method for purchase unless a District contract has been established for the goods or services.
- Procurement of all capital construction, capital projects, bond-related construction, as well as facilities maintenance-related purchases, with a total amount greater than **\$50,000** but less than **\$250,000** requires three (3) proposals. Proposals may be received via email or other written means.
- Procurement of all capital construction, capital projects, bond-related construction, as well as, facilities maintenance-related purchases, with a total amount of **\$250,000** or more requires a minimum of three (3) written or electronically submitted proposals that may be solicited by formal bids, multi-step formal bids, life-cycle cost bids, request for proposals, and competitive negotiations.

During the monitoring period between July 1, 2022, and June 30, 2023, there were 546 transactions that met or exceeded the bid thresholds and thus required a bid or other competitive process under Policy 3320. Purchasing participated in the formal solicitation processes as required by policy 3320, Section 1.4 for all transactions over \$100k. For transactions that were between \$10k and \$100k, procurement reviewed the purchases to ensure policy 3320, section 1.3 was followed. There were no known policy or process violations reported during this time frame.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

6. POLICY WORDING:

Shall not fail to protect intellectual property, information and files from loss or significant damage.

DATA REPORTED:

No loss or damage with regard to the District's intellectual property, information, or files has been reported in this period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

7. POLICY WORDING:

Shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition in excess of \$500,000 based on net book value and sales price outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget.

INTERPRETATION:

I interpret the following language:

“shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition in excess of \$500,000 based on net book value and sales price outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget”

to mean:

The District shall provide notification to the board through communication from the Superintendent or a designee at the time when District staff engages in the due diligence process in the event of a potential acquisition of property (real or otherwise) of \$500,000 or more.

DATA REPORTED:

The District had ten (10) purchases of property (real or otherwise) in excess of \$500,000 during the monitoring period. All of the purchases involved bond implementation and thus are exempt from the notice provision in the policy or were otherwise approved by the board in a bond, override plan, or general budget. The District had no asset dispositions in excess of \$500,000 during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

8. POLICY WORDING:

Shall not fail to gain Board approval of property (real or otherwise) asset acquisition or disposition in excess of \$500,000 based on net book value and sales price.

INTERPRETATION:

I interpret that the Board intends 2.5.8 to be consistent with 2.5.7, which does not require the Board to be apprised of asset acquisition “for bond implementation or asset acquisition otherwise approved by the board in a bond, override plan or general budget.” I interpret 2.5.8 to require Board approval of property (real or otherwise) acquisition or disposition in excess of \$500,000 based on net book value and sales price only when the acquisition or disposition occurs outside of bond implementation or is not otherwise approved by the board in a bond, override plan, or general budget.

DATA REPORTED:

The District had ten (10) purchases of property (real or otherwise) in excess of \$500,000. None of the purchases were outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget. The District had no asset dispositions in excess of \$500,000 during the monitoring period. Accordingly, there were no asset acquisitions or dispositions requiring separate approval by the Board pursuant to this policy provision.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

9. POLICY WORDING:

Shall not acquire—including acceptance of any gift, purchase or lease of, or improvement to—real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property; (b) in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire Districts and related entities; (d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the District to any unanticipated or unintended on-site, off-site, operating, or other costs; (f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter.

INTERPRETATION:

I interpret the following language:

“Shall not acquire—including acceptance of any gift of, purchase or lease of, or improvement to—real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property;”

to mean:

The District does not acquire property without assurance that the value meets or exceeds fair market value as determined by a Colorado certified appraiser or through negotiations using real estate and legal professionals who primarily practice or specialize in the area of real estate brokerage, sales, development, planning or law unless these exceptions are disclosed to and approved by the Board of Education.

DATA REPORTED:

The district purchased 3.35 acres located northwest (NW) of the northwest corner (NWC) of the intersection of E. 124th Avenue and Washington Street in Thornton Colorado. Also referred to as Washington Square Business Park 2nd Fil Blk:1 Lot:2. The land was purchased on Oct. 10, 2022, for \$1,151,500, after being appraised for \$1,145,000.

The Board of Education was informed that the purchase price exceeded the appraisal report by \$6,500 and approved the waiver of Board Policy 2.5.9(a) by a 5-0 vote at the September 21, 2022 board meeting.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(b) in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire districts, and related entities”

to mean

The District does not acquire real estate that does not provide a current or future benefit to the District consistent with the District and/or long-range academic and facilities plans. Furthermore, the District does not acquire or improve real estate without providing timely notice of such proposed acquisition/improvement to the appropriate city manager, planning commission, city council, fire chief, and/or chief executive of a special district.

DATA REPORTED:

The district acquired 3.35 acres directly connected to the existing Future Forward at Washington Square Campus which will allow the district to add additional facilities providing students of Adams 12 Five Star Schools additional educational pathways.

The district notified the City of Thornton of our intent to purchase the 3.35 acres in the Washington Square Business Park 2nd Fil Blk:1 Lot:2 via email on Aug 19, 2022.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the District to any unanticipated or unintended on-site, off-site, operating, or other costs;”

to mean:

The District contracts with professionals licensed in the State of Colorado, if applicable, to provide professional due diligence including but not limited to ALTA surveys, geotechnical reports, title policies, property legal descriptions, zoning maps, environmental assessments, traffic reports, utility reports, investigation for the presence of wetlands, and other analyses as required by unique site conditions.

DATA REPORTED:

An appraisal of 3.35 acres at Washington Square Business Park 2nd Fil Blk:1 Lot:2 was performed by Schwartz & Company, a Colorado certified appraiser.

The following items were completed during the due diligence phase in addition to the appraisal:

- ALTA Survey dated 3/4/2020 was provided by the seller
- Phase 1 Environmental Site Assessment dated 3/25/22 was provided by the seller
- Colorado Geological Survey (CGS) application was submitted and reviewed by the CGS, which concluded there were no known or suspected geologic hazards, environmental conditions or unusual geotechnical constraints.
- A geotechnical report dated 9/2/21 was provided by the seller and was reviewed by district staff and CGS.
- Fit studies were completed in 2019

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter;”

to mean:

(f) the cost to acquire property is not in the best economic interest of the District because the cost would outweigh the benefit of the acquisition and/or the District would not have sufficient financial resources for the acquisition. (g) The condition of the property would preclude the property from being developed in a manner consistent with all applicable safety and state building codes necessary for the Certificate of Occupancy or other appropriate designations for the safe usage of the property.

DATA REPORTED:

The district performed due diligence prior to closing on the property.

The parcel acquired is contiguous to our existing CTE facility at Washington Square (12521 Washington St. Thornton / 2nd Fil Blk:1 Lot:2) and allows centralized expansion of CTE programming that maximizes efficient land development, administrative oversight of expanded programming, and student transportation. The acquisition was funded from 2016 Bond proceeds dedicated to land acquisition, therefore the purchase did not adversely affect other district capital plans. Due diligence steps included an environmental assessment of the property; no adverse environmental conditions were discovered during the review.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

10. POLICY WORDING:

Shall not dispose of—including any gift of, encumbrance of, or granting of title exceptions to-- any real estate owned, leased, or used by the District, or for which the District acts as surety: (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained; (ii) if items 10(b)-10(e) above are not observed; (iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter

INTERPRETATION:

I interpret the following language:

“Shall not dispose of—including any gift of encumbrance of or granting of title exceptions to-any real estate owned, leased, or used by the District, or for which the District acts as surety; (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained”

to mean:

The District does not relinquish property ownership without assurance that the value received is considered to be at market value unless a proposed purchase in excess of market value is disclosed to and approved by the Board of Education.

DATA REPORTED:

The District did not dispose of any property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter”

to mean:

The District does not relinquish property ownership if conditions cause remaining property to have an economic disadvantage to the District. The District does not relinquish property ownership if conditions cause remaining property conditions that pose hazards for the District's use of the property and are financially infeasible to remedy.

DATA REPORTED:

The District did not dispose of any property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

GLOBAL POLICY:

The Superintendent shall not allow assets to be unprotected, inadequately maintained or unnecessarily risked. Further, without limiting the scope of the foregoing by this enumeration, he or she shall not: (1-10 above)

I submit that the board's policy is comprehensively interpreted in the preceding provisions.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period has complied with all policy provisions except 2.5.2.

The Board acknowledged receipt of a monitoring report as of January 17, 2024, for the period July 1, 2022 through June 30, 2023, of the Superintendent concerning Board Policy 2.5 Asset Protection and found the superintendent's interpretations were reasonable and that his conclusions were reasonably supported by data that was relevant, justified and complete.