

Board Policy 2.5 INTERNAL MONITORING REPORT

January 8, 2025

Policy: **2.5 Asset Protection**
Policy Category: **Operating Limitations**
Period Monitored: **July 1, 2023 to June 30, 2024**

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 8, 2025

2.5.1 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 \$100,000 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 Property, Equipment Breakdown, and School Auto (physical damage to district owned and hired vehicles). Policy limits, deductibles, and retention amounts are commensurate with insurance programs at similarly situated school districts.

Insurance contracts in place with CSDSIP:

Insurance Type	Policy Limits	Deductible
Property	\$1,000,000,000	\$100,000
Auto Physical Damage	Per Vehicle Schedule	\$2,500

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 board members, staff and the organization for acts of litigation, settlements, judgments, and staff injuries resulting in financial remuneration by the District.

DATA REPORTED:

Liability coverage

Coverage Type	Policy Limits	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
Employee Benefits Liability	\$250,000	\$25,000
Auto Liability	\$10,000,000	\$50,000
Primary Crime	\$100,000	\$500
Excess Crime	\$1,000,000	\$100,000
Pollution	\$1,000,000	\$100,000
Nuclear, Chemical, Biological, Biochemical Acts of Terrorism	\$10,000,000	\$100,000 Property \$25,000 Liability
Cyber Liability	\$1,000,000	\$50,000

The District is insured by Pinnacol Assurance for Workers' Compensation and CSDSIP for Errors & Omissions insurance, which is covered under the General Liability policy, as well as Employee Benefits liability, Auto liability, Primary and Excess Crime. CSDSIP also provides coverage for School Crisis Acts, Pollution, Nuclear, Chemical, Biological and Biochemical acts of Terrorism and for Cyber Liability. 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.

Cyber Liability insurance from CSDSIP is now \$1,000,000 per occurrence as a compliant member (meeting cyber security expectations). Our deductible is \$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.

COMPLIANCE STATEMENT:

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

2.5.2 POLICY WORDING:

Shall not 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 did not increase during this fiscal year. 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 \$190.02 million, or 14.34 percent of the total value of the district facilities replacement costs. This amount has increased by \$20.56 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 predicted useful life projections and their replacement costs are now realized within the total deferred maintenance costs.

This is the final fiscal year to report data from CostLab. Fiscal year 2024-25 will be reported from VFA Facility, a web-based Capital Planning and Management Software by Gordian. Deferred maintenance costs and replacement values are anticipated to increase due to different methodologies of data tracking and facility items that were not trackable in CostLab. Some examples of different methodologies include the inclusion of soft costs and, an all-inclusive system-based approach for select systems in lieu of individual components. Examples of items not trackable in CostLab include but are not limited to landscape elements, irrigation, playgrounds, scoreboards, dugouts, storage buildings, and information technology (IT) equipment.

COMPLIANCE STATEMENT:

The amount of deferred maintenance exceeds fourteen percent (14%) 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 construction to address aging building systems have substantially exceeded increases in school funding, noncompliance was anticipated. With the passage of the 2024 bond issue, funding is planned to include approximately \$248.1 million of deferred maintenance to be addressed and compliance is anticipated in the future.

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, 2024, the accrued balance of the Plant Contingency Fund was \$46,946, or 0.0035% of the total replacement cost of all district facilities. During this monitoring period, \$1.4M was expensed out of the Plant Contingency Fund for the North Stadium Track repair. 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.

2.5.3 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:

We failed to maintain the plant with due care resulting in a one day extended closure following Martin Luther King holiday of Centennial Elementary School. This was due to flooding from broken pipes following severe cold weather. This closure resulted in 6.75 instruction hours missed. As a result, Centennial was operational for 99.33% of its available instructional hours during the 2023-2024 school year. We have since made improvements to our cold weather protocols to avoid the plant maintenance errors that contributed to this event.

All other facilities were open for 100% of available instruction hours.

There was one other event, unplanned early releases at Northglenn High School and North Mor Elementary on April 8, 2024. These were a result of power outages caused when Xcel Energy re-energized the grid following a Public Safety Power Shutoff (PSPS). This was not related to plant maintenance and was due to a new protocol Xcel Energy implemented following the Marshall Fire to mitigate fire danger during significant wind events.

COMPLIANCE STATEMENT:

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

2.5.4 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 and information technology infrastructure with due care to provide necessary services for student/staff contact days and 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, 2023 - June 30, 2024		
Completed on time	153	96%
Total Inspections	160	100%

All CDE required annual school transportation vehicle inspections were completed prior to the vehicles transporting students and were compliant with CDE’s threshold requirement. Late inspections occurred for the following reasons:

- Three late inspections resulted from the vehicles being out for repairs at a vendor when the inspections were due. The inspections were completed as soon as the vehicles returned and before transporting students.
- Three late inspections were caused by increased workload and continued mechanic shortage. Ongoing efforts are being made to hire additional mechanics and alleviate shortages.
- One inspection shows as late due to a computer error. The CDE inspection was performed at the dealer two months before the bus was delivered and the inspection was not correctly noted in the system.

Core Services Availability During Instructional Time

Services Category	% Availability During Instructional Hours
Student Information System	99.456%
Human Resources Systems	99.513%
Financial Systems	99.513%
Internet Availability	100.000%
Phone System	99.670%
Cloud Email and Office Productivity Applications	99.658%
Identity and Access Management System	99.491%
Average	99.615%

This year all core services have exceeded our internal operating standard of 99% uptime during instructional time. Service interruptions for items including systems maintenance, upgrades, patches, etc. for core services are performed during planned service windows outside of instructional time on weekends and evenings.

COMPLIANCE STATEMENT:

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

2.5.5 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, 2023, and June 30, 2024, there were 465

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.

2.5.6 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.

2.5.7 POLICY WORDING:

Shall not fail to provide periodic procurement reports to enable board members to monitor purchases, vendors, and Trends. The level of detail and frequency of the reports will be established by feedback from the board and is intended to be flexible.

DATA REPORTED:

No requests to provide procurement reports were received from July 1, 2023 to June 30, 2024 and there was no feedback from the Board on this topic.

COMPLIANCE STATEMENT:

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

2.5.8 POLICY WORDING:

Shall not fail to obtain Board approval of property (real or otherwise) asset acquisition or disposition 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 a specifically identified budget item. The monetary threshold includes the total dollar amount of the acquisition regardless of whether it occurs in one or more fiscal years.

INTERPRETATION:

I interpret the following language:

“Fail to obtain Board approval of property (real or otherwise) asset acquisition or disposition 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 a specifically identified budget item.”

to mean:

The District shall seek approval from the board for property (real or otherwise) acquisition or disposition in excess of \$500,000 based 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 three purchases of property (real or otherwise) in excess of \$500,000 that were outside of what was already approved by the board in a bond, override plan, or general budget. All three purchases were taken to the board via a Decision Information Report. All three purchases received board approval. 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.

2.5.9 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 did not acquire property during this monitoring period.

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 did not acquire property during this monitoring period.

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:

The District did not take action that would require the due diligence specified in (d) or (e) during this monitoring period.

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 did not acquire property during this monitoring period.

COMPLIANCE STATEMENT:

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

2.5.10 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 2.5 policy provisions except 2.5.2,

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

With the passage of the 2024 bond issue, funding is planned to include approximately \$248.1 million of deferred maintenance to be addressed and compliance of 2.5.2 is anticipated in the future.