

BOARD Meeting Activity
June 12, 2019

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SPECIAL REPORTS

Board Member Reports

Board members reported on their various activities.

Superintendent's Report

There was nothing to report at this time.

CONSENT ITEMS

Approval of Board Meeting Minutes

Certified copies of the Board of Education's official minutes may be obtained from the Records Management Center. Cost of copying will be borne by the requester, per Board Policy BEDG.

The Board of Education approved the minutes of the May 29, 2019, regular board meeting. All minutes are available in BoardDocs through the Board of Education District website, after approval by the Board of Education.

Personnel Recommendations

The Board of Education approved the June 12, 2019 Personnel Recommendations, as submitted by the administration.

Policy AD, School District Vision, Mission, and Strategic Planning

The Board of Education adopted the revised Policy AD, School District Vision, Mission, and Strategic Planning.

ACTION ITEMS

Contract Award - Charter Contract Modification to Allow Lease Debt Financing for Capital Project Improvements: Academy for Advanced and Creative Learning

Executive Director of Procurement and Contracting Kris Odom presented the following background: Academy for Advanced and Creative Learning is a District authorized charter school residing in a District owned school building (formerly Zebulon Pike Elementary). Over

the last few years, their enrollment increases have strained the capacity of the school building. They desire to construct a four-classroom addition and an expansion of their gymnasium, library and science labs. They also desire some general facility renovations and system upgrades. Their estimated rough order of magnitude for construction is \$9 million, but the anticipated debt is approximately \$7.3 million and the charter school has reserved the remaining balance in cash. The school receives Mill Levy Override funding from the District on a per-pupil basis and have some funding set aside for this project. The charter school is ready to enter into a contract with an Architectural Firm for the design of these capital improvements with their existing cash.

Because the school wants to renovate a District facility, the District must approve all renovations and the debt instrument. The charter school requires a lease financing to fund these capital improvements, the collateral required is the school building itself. Resolution 2019-45 is dependent on the Board of Education also approving the Resolution 2019-43 for the authorization of lease financing.

Next Steps: If the Board approves both Resolution 2019-43 and 2019-45, a contract modification will be executed to allow the lease financing subject to the following conditions: (1) term of debt will not exceed 15 years, (2) if the school defaults on payments the District may terminate the charter school contract and reclaim the school building, (3) charge buyback services for the capital construction efforts expended by District staff, and (4) require six month notification by the charter school if they must relocate before repayment of debt is paid in full.

A second contract modification will be issued after the debt instrument has been executed by the District detailing the amortization schedule of the agreed to debt. Any debt service will be within the parameters of Resolution 2019-43.

The Board of Education approved Resolution 2019-45 which allows Academy for Advanced and Creative Learning to enter into a lease financing instrument for the capital improvement on the District owned facility subject to the terms and conditions specified in the modification. The contract term remains unchanged, ending June 30, 2022.

Contract Award - Charter Contract Modification to Allow Lease Debt Financing for Capital Project Improvements: Roosevelt Charter Academy

Mrs. Odom presented the following background: Roosevelt Charter Academy is a District authorized charter school residing in a District owned school building. They desire to expand their building by eight classrooms thus replacing the existing portables and constructing a secure entrance vestibule. They also desire some general renovations and system upgrades. Their estimated rough order of magnitude for construction is not to exceed \$6,000,000. They receive Mill Levy Override funding from the District on a per-pupil basis and have some funding set aside for this project. They currently have funded and entered into a contract with an Architectural Firm for the design of these capital improvements.

Because the school wants to renovate a District facility, the District must approve all renovations and the debt instrument. The charter school requires a lease financing to fund these capital improvements, the collateral required is the school building itself. Resolution 2019-46 is dependent on the Board of Education also approving the Resolution 2019-43 for the

authorization of lease financing.

Next Steps: If the Board approves both Resolution 2019-43 and 2019-46, a contract modification will be executed to allow the lease financing subject to the following conditions: (1) term of debt will not exceed 15 years, (2) if the school defaults on payments the District may terminate the charter school contract and reclaim the school building, (3) charge buyback services for the capital construction efforts expended by District staff, and (4) require six month notification by the charter school if they must relocate before repayment of debt is paid in full.

A second contract modification will be issued after the debt instrument has been executed by the District detailing the amortization schedule of the agreed to debt. Any debt service will be within the parameters of Resolution 2019-43.

The Board of Education approved Resolution 2019-46 which allows Roosevelt Charter Academy to enter into a lease financing instrument for the capital improvement on the District owned facility subject to the terms and conditions specified in the modification. The contract term remains unchanged, ending June 30, 2021.

Contract and Modification Award: Design Build Mitchell Community Health Center for Peak Vista

Mrs. Odom presented the following background: The Board of Education approved a budget transfer of \$1,100,000 on March 21, 2019, for the construction of a community-based health center at Mitchell High School. A design build contract was competitively awarded to Team Nunn-RTA to design a \$900,000 renovation effort of 4,850 SF. On May 3, 2019, the design portion was awarded and notice to proceed given in the amount of \$97,900. The contract requires a rough order of magnitude (ROM) estimating the guaranteed maximum price (GMP) for the construction effort be provided by June 3, 2019. The ROM came in higher than the total budget approved by the Board of Education.

The stakeholder team met to review options for de-scoping, value-engineering and reconsidering. While the team recognizes that we are in the early schematic design phase of this project, their findings are that this project cannot be built within the original approved budget.

Because of this budget shortfall, the contract requires Board approval of additional budget to continue.

Contract and Modification: The contract requires that Nunn Construction submit a GMP for the construction effort. That GMP must be reviewed and accepted by the District before a contract modification and notice to proceed are issued for the construction work to proceed. Pending Board approval of additional budget, this contract will now exceed \$1 million, policy DJ requires Board of Education approval of the contract.

The Board of Education approved Contract C2019-1040 and Modification 1 for the Design Build Mitchell High School Renovation for Peak Vista Community Health Care Center at a NOT TO EXCEED budget amount of \$1,450,000.

Budget Transfers, Appropriations, and FTE Authorizations

On June 3, 2019, it came to the attention of the administration that the construction costs associated with the health-based clinic at General William Mitchell High School would be higher than the original estimate. Several reasons for this increase include the existing mechanical system cannot be re-utilized, the existing electrical system requires extensive upgrades, and the occupancy type was deemed different from the school's, triggering fire code upgrades. These unexpected costs must be met in order to proceed with the construction of the health-based clinic.

The Board of Education approved the request for a capital reserve fund contingency transfer for the health-based clinic.

DAC Membership and Charge

The District Accountability Committee has the responsibility of submitting, for Board approval, members to serve on the District Accountability Committee (DAC) for the 2019-2020 school year. The DAC membership is made up of parents, district staff, and community members.

The Board of Education approved the membership of the 2019-2020 District Accountability Committee (DAC) and charge, as submitted.

Resolution 2019-37 Use of Portion of Beginning Fund Balance

Colorado Revised Statutes, 22-44-105(1.5)(a) states that a duly adopted budget shall not provide for expenditures, interfund transfers, or reserves in excess of available revenues and beginning fund balance. This resolution authorizes the use of beginning fund balance as a means to balance revenues and expenditures.

The Board of Education determines that the beginning fund balance in the general fund and other funds are sufficient to allow for the funding of one-time expenditures. This resolution was based on state statute that requires the Board of Education to specifically authorize the use, or expenditure, of fund balance (non-recurring) funds. The purpose of this resolution is to ensure full disclosure of the use of beginning fund balance to balance the expenditure budget.

The Board of Education should be satisfied with the use of beginning reserves as a means to accomplish the District's business plan. The use of beginning fund balance should represent a reasonable match of recurring and non-recurring sources and uses.

The Board of Education approved Resolution 2019-37 Use of Portion of Beginning Fund Balance.

Resolution 2019-38 Appropriation of the FY19/20 Budget

Colorado Revised Statute 22-44-110(4) requires that the Board of Education adopts a budget with an appropriation resolution, by fund, for the next fiscal year. The appropriation resolution sets the maximum level of expenditures, subject to re-appropriation, for each fund for the entire 2019-2020 fiscal year.

By approving the appropriation resolution, the Board of Education in fact adopts the budget. The District uses a budget consideration process that utilizes a heavy amount of staff and community participation and involvement. In addition to the countless hours of discussion and debate at multiple levels of the organization, including employee group input, the District enjoys a strong relationship with the District Accountability Committee's (DAC) Budget Subcommittee. The DAC Budget Subcommittee plays a key role in bringing community input into resourcing of the District mission.

The objectives of the budget adoption process are to best resource the District's business plan, reflect the priorities of the District 11 Board of Education, comply with all regulatory requirements, and provide a sound financial plan with adequate contingencies for the stewardship of taxpayer resources.

Director Ott moved to amend the budget with the restoration of the \$5.00 reduction to student instructional supplies accounts to the same per-pupil allocation as the fiscal year 2018-2019.

The Board of Education approved Resolution 2019-38 Appropriation of the FY19/20 Budget and therefore adopted the 2019-2020 fiscal year budget with the amendment by Director Ott.

Resolution 2019-39 Designation of Fund Balance

Governmental accounting allows for the designation of fund balance in order to restrict and designate the availability of unspent funds at the end of a fiscal year.

Required by the Governmental Accounting Standards Board, this resolution allows the Board of Education to designate certain unspent budgets (mostly school budgets) to carry forward to the following fiscal year. This resolution is especially important in designating resources for specific purposes. The management of reserves is a critical financial planning tool.

The Board of Education approved Resolution 2019-39 Designation of Fund Balance.

Resolution 2019-40 TABOR Reserves and Designations

Article X, Section 20 of the Colorado Constitution defines "fiscal year spending" as all district expenditures and reserve increases, except as to both; those for refunds made in the current or next fiscal year, or those from gifts, federal funds, collections from another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property taxes.

This resolution designates spending of various reserves, ultimately reconciled to the District audit, in accordance with Article X, Section 20 (TABOR) of the Colorado Constitution.

Colorado Springs School District 11 has not "de-TABOR-ed" as most other school districts and is therefore required to adhere to the regulations in Article X, Section 20 of the Colorado Constitution.

The Board of Education approved Resolution 2019-40 TABOR Reserves and Designations.

Resolution 2019-41 Interfund Borrowing

Colorado Revised Statute 22-44-113 authorizes the Board of Education to borrow unencumbered monies from one fund for use by another fund. Monies borrowed from a fund, pursuant to applicable laws, must be repaid to said fund, when needed, to meet obligations of the fund and any such loan shall be repaid no later than three months after the beginning of the following budget year. In the event monies are not forthcoming from the designated sources, an amount equal to the outstanding liability shall be expended from the general fund and used to repay the loan.

This resolution authorizes the District to borrow between funds, up to authorized limits, to meet cash flow and expenditure requirements. The District uses pooled cash banking mechanisms that automatically create interfund borrowing on a daily basis.

The Board of Education should be comfortable with the borrowing levels of each fund and satisfied the "borrower funds" are prudently managing receipt and disbursement activity in order to minimize interfund borrowing.

The Board of Education approved Resolution 2019-41 Interfund Borrowing.

Resolution 2019-42 Student Fees, Fines, and Charges

Board of Education Policy JQ calls for a fair mechanism by which students pay reasonable fees to help defray the cost of such programs, activities, and amenities to the school district without making them prohibitively expensive.

This resolution sets the student and parent fees and charges for the 2019-2020 fiscal year. Pursuant to Colorado Revised Statute 22-32-117 Miscellaneous Fees, a list of fees collected shall be approved by the Board of Education in resolution authorizing the collection of such fees. Each year the schools are asked to update the list of fees collected at their sites. The resolution allows the fee schedule to be updated during the year and any revisions will be presented with the following year's fee schedule for Board of Education approval.

The Board of Education should be satisfied that the fees, fines, and charges are adequate and equitable for district customers and that the fees, fines, and charges are fairly authorized and enforced.

Key staff updating the fees, fines, and charges included all District 11 principals; K-12 Executive Directors John Keane, Sherry Kalbach, Cynthia Martinez, and Daniel Hoff; Director of Food and Nutrition Services Kent Wehri; Director of Athletics Chris Noll; Deputy Superintendent David Engstrom; and Assistant Superintendent Phoebe Bailey.

The Board of Education approved Resolution 2019-42 Student Fees, Fines, and Charges and the accompanying exhibits JQ-E-1, JQ-E-2, JQ-E-3, and JQ-E-4.

Resolution 2019-43 Authorizing the Execution of Lease Financing for two District Authorized Charter Schools to Remodel District owned Buildings

The District has two authorized charter schools currently operating in district-owned school buildings that have requested to remodel and upgrade their respective building. The charter schools plan to use their appropriated share of Mill Levy Override (MLO) funding to make their annual debt service payments. Both charter schools' boards have approved the expansions and remodel upgrades, as well as the corresponding financing. Both remodel efforts are for updating existing infrastructure and address expansion needs. Roosevelt Charter School would be replacing existing portables with an eight classroom building expansion. Academy ACL charter needs the additional classroom space and a gymnasium remodel to support growth. In order to begin construction for the remodel, a lease financing debt service instrument will have to be approved by the District Board.

Upon approval by the District Board, a resolution will come forward for Board approval to modify the charter school contracts such that this debt be allowed and incorporate payment schedules and term parameters. The District is ultimately liable for this debt, if the charter school defaults on payment or if their contract is terminated by the District Board of Education.

The total construction budget for the project at the Roosevelt Charter School site is approximately \$6 million and for the Academy ACL site is approximately \$7 million.

Both charter schools are purchasing buyback services from the District for the procurement and project management of both the design and construction efforts. Each charter school will pay for the financial services contract fees accordingly.

This transaction is a lease transaction and the collateral for the transaction will be the school building itself. It is anticipated that the lease term will be a "not to exceed a term of 15 years," with a shorter term-call provision. Payment of the annual lease payments will be made solely by the charter school using their allocated MLO funding.

The District has to issue the debt on behalf of the charter schools since the District owns both buildings. The District will "own" this debt, which means the debt is in the District's name. However, the debt service (principal and interest) will be paid by the charters using their mill levy override allocations. In the event a charter school defaults on the debt service, the District would terminate the charter school contract, take possession of the building (since the buildings will be collateral on this financing), and then have to make a decision on the continuation of the charter school as either a district school or a different charter school.

The Board of Education approved Resolution 2019-43, as submitted.

Resolution 2019-44 Juneteenth Holiday Observance

The Board of Education approved Resolution 2019-44 Juneteenth Holiday Observance.

NON-ACTION ITEMS

There were no items under the Non-Action agenda.

FUTURE MEETING/WORK SESSIONS

A Board of Education Work Session is scheduled for Wednesday, June 19, 2019, 4:00 p.m., at the administration building, 1115 N. El Paso St., in the boardroom.

ADJOURNMENT

The meeting was adjourned at 8:22 p.m.