

**From:** Thomas Coyne tcoyne@mac.com 

**Subject:** >\$500k in contracts awarded to member of the committee providing "independent" oversight over Jeffco's \$705m Capital Program

TC

**Date:** November 4, 2020 at 10:15 PM

**To:** kristopher.schuh@jeffco.k12.co.us, Harmon Susan susan.harmon@jeffco.k12.co.us

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Dear Ms. Harmon and Mr. Schuh,

As you know, Jefferson County Public Schools receives a billion tax dollars each year. It is therefore reasonable to expect that the district would have management and governance processes that are similar in quality and rigor to other billion dollar organizations in the public and private sectors.

Unfortunately, the evidence suggests that Jeffco falls well below this standard.

I write to you to raise some very grave concerns about management and governance processes in Jefferson County Public Schools as they pertain to its \$705 million Capital Improvement Program.

As you are well aware, although the district is less than two years into its six year program, it is already more than \$100 million over budget, due to cost overruns and spending on projects that were not disclosed to the Jeffco voters who approved Proposition 5B in 2018.

I have completed a deep analysis (backed by over 500 pages of evidence) of the Capital Improvement Programs management and governance shortcomings, which you can find here: <https://medium.com/@tcoyne/jeffco-schools-out-of-control-705-million-capital-program-a-case-study-in-poor-management-weak-dd8e93fc63f2>

As you also know, the district's Financial Oversight Committee and Citizens' Capital Asset Advisory Committees were created by the Board of Education to advise them on matters related to the efficient and effective use of, respectively, a billion tax dollars per year in revenue, and over \$500 million in funds provided by investors in Jeffco's General Obligation Bonds.

In the above analysis, I have detailed the multiple conflicts of interest inherent in these structures, not the least of which are the fact that they report to the board through management, over whose activities they are supposed to provide oversight.

When the district published its agenda for the 5 November 2020 board meeting, I took a careful look at consent agenda items related to the Capital Improvement Program. I was shocked to see that a contract for over \$500,000 had been awarded to Calahan Construction.

As you know, Gordon Calahan, who is an owner of Calahan Construction, is a member of both the Financial Oversight Committee (FOC) and the Citizens' Capital Asset Advisory Committee (CCAAC). Per both the Proposition 5B language approved the Jeffco voters in 2018, and the Official Statement provided to investors in the district's bonds (which incorporates the 5B language by reference), the CCAAC is supposed to provide voters and bondholders with independent oversight over Capital Improvement Program spending.

I cannot understand, nor, I am sure, will the public and bondholders understand, how the CCAAC can provide independent oversight over a \$705 million dollar Capital Improvement Program when at least one of its members is receiving Capital Improvement Program contracts awarded by the very district staff they are supposed to be overseeing. This is a blatant conflict of interest and, many would argue, a clear violation of the fiduciary duty of loyalty.

Moreover, since only contracts with a total value of \$500,000 or more must be disclosed to and approved by the Board of Education, it is not at all clear, either to me or the public or the bondholders, what the aggregate value is of the contracts that Calahan Construction has received, or whether companies with which other members of the CCAAC are affiliated or employed have also received contracts worth less than \$500,000 which were never disclosed to the Board.

With this in mind, I sought to attend the meetings this week of both the FOC and the CCAAC. Both are, in theory, public meetings. Yet neither the FOC nor the CCAAC has published their agendas on the district's website, nor have they provided any information about how the public could attend their meetings. Are these not violations of Colorado law?

I wanted to attend these meetings, not only to see if the FOC and/or the CCAAC would discuss the conflicts of interest created by the Calahan contract, but also to ascertain whether the CCAAC had received the same information as the public and the Board (via Board Docs), which on Thursday will meet only a few short hours after the CCAAC.

In my analysis of the CCAAC's and Board's meeting notes from the past two years, it was painfully clear that (1) the CCAAC often does not even receive information about contracts that are on the Board's consent agenda; (2) When such information was received, it was much less detailed than what district management presented to the Board; (3) Critical financial details — e.g., about the reasons for substantial cost overruns (e.g., in the case of the 77% cost overrun at Alameda High School) — were not provided to the CCAAC; and (4) the CCAAC never presented its findings to the Board before the latter voted on the construction contracts on the Consent Agenda.

I also note that, at the last meeting of the Board with CCAAC members (held at the beginning of October), not a single member of CCAAC bothered to show up, either in-person or via Zoom. Why not?

As a result of their absence, the update from the CCAAC was presented to the Board by Steve Bell (COO) and Tim Reed (head of facilities) — the very people over whose activities and decisions the CCAAC is theoretically providing independent oversight!

After many years of involvement with governance issues in private sector companies, as a consultant, director, and CEO, I cannot think of a clearer example of blatant conflicts of interest and scandalously poor governance. And please don't tell me that public sector entities, like billion dollar school districts, should be held to a much lower governance standard regarding conflicts of interest and your fiduciary duty of care. I doubt that the citizens who approved Proposition 5B and the bondholders who are funding it will agree.

To be blunt, this is an absolute management and governance trainwreck.

A cynic might even say that this process might have been deliberately designed to deceive the CCAAC and the Board about the true nature of the \$100 million in cost overruns that have thus far been incurred, as well as what funds were used to cover them. Put differently, it might have been deliberately designed to deprive the public of their right to the performance of honest public services by members of the FOC, CCAAC, and Board in the performance of their respective fiduciary duties of care.

A cynic might also conclude that the absence of public agendas for this week's meetings of the FOC and the CCAAC, and the absence of any information about how the public might attend these public meetings is further evidence of either deliberate malfeasance or gross incompetence on the part of Jeffco management, as well as the members of the Citizens' Capital Asset Advisory Committee and the Financial Oversight Committee.

As such, this almost certainly constitutes further evidence of an ongoing material misrepresentation to the citizens of Jefferson County who approved Proposition 5B and investors in Jeffco's General Obligation Bonds that the CCAAC would provide independent oversight over the Capital Improvement Program's spending.

In light of this, I trust that, given your respective fiduciary duties, you will not hesitate to take swift and aggressive action to investigate the extent of the problems I have identified, and thereafter take equally aggressive action to correct the deficiencies I have brought to yours and the media's attention.

Jeffco's citizens and bondholders deserve no less.

Very truly yours,

Tom Coyne  
Lakewood, CO

