

# **Annual Report**

## ***A look at 2012 and the year ahead***

**January 23, 2013**

Last year's highlights for the Cleveland Metropolitan School District's construction program were the launch of five Segment 5 elementary school projects and planning for three high schools in the segment. The high schools will be the District's first employing new construction-delivery methods authorized by the state government.

This year will focus on construction of the Segment 5 schools, revision of the construction Master Plan, a number of school demolitions under Segment 6 and planning for three K-8 schools in Segment 6, subject to any revisions to the Master Plan. Also subject to revision of the Master Plan, the District must assess how much additional bond authorization will be needed to complete Segments 7-10 of the Master Plan and maintain schools and whether to ask voters to approve the money.

For its part, the Bond Accountability Commission was largely occupied in 2012 with demands of its Segment 3-4 cost-assessment project employing two consultant firms. With today's release of its report based on the cost assessment, the BAC is looking forward to a productive 2013 as it seeks to fulfill its mission of monitoring construction and the expenditure of Issue 14 tax money and informing the community about them.

As always, the BAC will continue production of its Program Progress Updates, which remain the only comprehensive source of public information on Issue 14 construction and spending. Also on the BAC's agenda (see schedule below):

**Master Plan revision** – Fine-tuning of the construction, renovation and demolition plan for Segments 6 through 10, based on enrollment and geographic needs and implementation of academic plans.

**Issue 14 budgeting** – Analysis of how much of the Master Plan can be executed with the funds remaining from Issue 14 bonds approved by voters in May 2001 and other capital resources, and how much more money will be needed to implement Segments 7-10 of the Master Plan and to maintain the District's schools in the future.

**Community inclusion** -- Resolution of issues regarding the District's reports on workforce participation by minorities, women and District residents and on contract participation by minority- and female-owned businesses and regarding employment opportunities for District graduates in the construction program.

**Outreach** – Improvement in the BAC’s ability to communicate with the public especially through establishment of an independent Web site.

**Bond financing** – Follow-up on recommendations for improvements and other opportunities in the District’s marketing of bonds.

**Green schools** – Reporting on Segment 5 implementation of the Ohio School Facilities Commission’s requirement that all schools be designed and built to the LEED energy-conservation and environmental-responsibility standards established by the non-profit U.S. Green Building Council. Also, follow up on cost performance of geothermal heat systems installed at five Segment 4 schools.

In all, the BAC issued six written reports in 2012. The written reports are summarized below and posted on the School District’s Web site at

<http://www.cmsdnet.net/en/Resources/Community/BAC.aspx>

This report sections on the BAC’s mission, is members, and its income, expenditures and financial outlook.

### **BAC meeting schedule**

(dates and topics tentative; time 6:30 p.m.; locations to be announced)

**Tuesday March 19:** Master Plan Update; Community Inclusion Update; Program Progress Update; Issue 14 Update (refunding/defeasance).

**Tuesday May 21:** Follow-up on cost assessment; report on building sales with Issue 14 ramifications; Program Progress Update; any follow-up on Master Plan.

**Tuesday July 16:** Issue 14 Update; Program Progress Update.

**Tuesday Sept. 17:** Issue 14 Update;. Program Progress Update.; Master Plan.

**Tuesday November 19:** TBD. Following up on any outstanding issues

## **The BAC's mission**

The Bond Accountability Commission is an independent, non-profit, all-volunteer organization appointed by Cleveland Mayor Frank Jackson.

In authorizing the current BAC, the Cleveland Metropolitan School District Board of Education resolved that the Commission's responsibilities include monitoring implementation of and revisions to the Facilities Master Plan; working to review the design, engineering, contract bidding and awards, procurement, and construction of projects funded by the voter-approved Issue 14 (May 2001); communicating its findings to the community; regularly reporting to the Board; holding at least quarterly public meetings; and issuing an annual report.

A Memorandum of Understanding signed in February 2007 by leaders of the Bond Accountability Commission 2, Inc., and the School District states that the mission of the BAC is "to monitor and inform the public concerning the expenditure of funds by the School District for the School Facilities Projects." The memorandum says that to accomplish its mission, the BAC has the "authority to monitor and review the development, content and implementation of the Facilities Master Plan; the construction of the School Facilities Projects; and the expenditure of Issue 14 Funds."

The memorandum commits the District to support the oversight process by providing access to records, documents and other information in order to "enable full and fair participation by the public in the evaluation of the School District's plans to acquire, build, repair, replace, and modernize the School Facilities."

## BAC financial report

### Revenue, expenditures and outlook

|                                  | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013             | 2014              |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Salary, taxes                    | \$58,759         | \$70,611         | \$70,729         | \$70,475         | \$70,430         | \$70,315         | \$70,615         | \$70,615          |
| health benefits *                | \$0              | \$0              | \$6,679          | \$9,727          | \$11,052         | \$11,022         | \$17,017         | \$12,000          |
| payroll service                  | \$700            | \$1,108          | \$1,183          | \$1,316          | \$1,328          | \$1,398          | \$1,500          | \$1,600           |
| office supplies, printing        | \$4,709          | \$999            | \$1,720          | \$1,362          | \$1,466          | \$1,206          | \$600            | \$600             |
| govt fees                        | \$199            | \$750            | -\$61            | -\$10            | -\$11            | \$0              | \$100            | \$100             |
| equipment, rent **               | \$0              | \$0              | \$0              | \$0              | \$347            | \$0              | \$4,000          | \$4,000           |
| outreach / website               | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$10,000         | \$4,000           |
| bank fees                        | \$0              | \$0              | \$63             | \$31             | \$27             | \$36             | \$65             | \$65              |
| consult ***                      | \$644            | \$0              | \$1,689          | \$65,611         | \$89,294         | \$51,469         | \$55,966         | \$12,000          |
| insurance                        | \$0              | \$0              | \$0              | \$0              | \$2,504          | \$2,359          | \$2,500          | \$2,500           |
| <b>Total expenditures</b>        | <b>\$65,011</b>  | <b>\$73,468</b>  | <b>\$82,003</b>  | <b>\$148,512</b> | <b>\$176,437</b> | <b>\$137,805</b> | <b>\$162,363</b> | <b>\$107,480</b>  |
| Balance Forward                  |                  | \$89,049         | \$55,802         | \$175,750        | \$289,294        | \$195,111        | \$138,179        | \$56,216          |
| Grant income                     | \$0              | \$40,000         | \$40,000         | \$0              | \$0              | \$0              | \$0              | \$0               |
| Interest                         | \$4,060          | \$221            | \$1,951          | \$2,056          | \$2,253          | \$874            | \$400            | \$100             |
| Other income (CMSD)              | \$150,000        | \$0              | \$160,000        | \$260,000        | \$80,000         | \$80,000         | \$80,000         | \$0               |
| <b>Total income</b>              | <b>\$154,060</b> | <b>\$129,270</b> | <b>\$257,753</b> | <b>\$437,807</b> | <b>\$371,547</b> | <b>\$275,984</b> | <b>\$218,579</b> | <b>\$56,316</b>   |
| <b>Year-end assets (deficit)</b> | <b>\$89,049</b>  | <b>\$55,802</b>  | <b>\$175,750</b> | <b>\$289,294</b> | <b>\$195,111</b> | <b>\$138,179</b> | <b>\$56,216</b>  | <b>(\$51,164)</b> |

\*2013 amount includes contingent reimbursement encumbrance of \$5,857

\*\* 2013,14 amounts are contingencies

\*\*\* 2013 amount includes balance due cost-assessment consultants, plus \$29,300 for additional cost assessment, plus \$12,000 for unforeseen consultant needs

This report shows income and expenditures from the start of funded operations on March 1, 2007, through Dec. 31, 2012, and estimates for 2013 and 2014.

**Salary, taxes:** The BAC Administrator's annual salary of \$65,000, plus fees for unemployment insurance, workers' compensation, Medicare, and Social Security.

**Health benefits:** The Reimbursement for the BAC Administrator's medical insurance premiums, which reportedly will not increase for 2013, plus a contingent encumbrance for compensation of higher co-pays and deductibles.

**Payroll service:** An outside contractor handles paychecks, withholding, fees for workers' compensation and unemployment insurance.

**Government fees:** A contingency.

**Equipment, rent:** Cuyahoga Community College has donated an office and computer/printer, but we are budgeting modest amounts for 2013 and 2014 in case that arrangement ends, as well as for capital items.

**Outreach / Website:** Funds for expansion of the BAC's newsletter operation and for creation and operation of a Web site.

**Consultants, projects:** The 2012 amount includes partial payment of fees charged by cost-assessment consultants and about \$710 for an office-organization project. The 2013 amount covers the expected remainder of cost-assessment fees plus a contingent amount for new projects. The amount for 2014 is also a contingency.

**Grants:** Money received from the George Gund Foundation.

**Other income:** Money received from the School District. The 2010 amount includes an \$80,000 operational subsidy, plus a special appropriation for the 2011-12 cost assessment. The District Board of Education has authorized a subsidy for 2013.

## **Commissioner Profiles**

**Alfonso Sanchez, chairman:** Retired Executive Vice President of Turner Construction, where he presided over major construction projects, including the Key Tower, the Galleria, Cleveland Public Library, and Cleveland Clinic buildings. He continues to help owners manage complex projects from site acquisition to final occupancy. Mr. Sanchez earned a Bachelor of Science degree in Mechanical Engineering from the University of Illinois and a Juris Doctor degree from Cleveland State University.

**Eric Paszt, treasurer:** Retired Purchasing Director at Turner Construction Co., where he was instrumental in purchasing for numerous major construction projects, including the Cleveland Clinic Cancer Center and Cole Eye Clinic, the Bank One Building, Cleveland Public Library, and Rainbow Babies and Children's Hospital.

**Nancy C. Schuster, Secretary:** Principal of the Cleveland law firm Schuster & Simmons Co. L.P.A., and former chief federal prosecutor for the Northern District of Ohio. Ms. Schuster has been Vice President of the Ohio City community development corporation, President of the Parma City School Board, Commissioner on the Rules of Practice and Procedure for Ohio Courts and Chairman of the Judicial Administration and Legal Reform Committee of the Ohio State Bar Association. She represents clients in a variety of transactions and in State and Federal courts throughout Ohio.

**Diane Downing:** Senior Vice President and Regional Manager of Corporate Affairs for Huntington National Bank. Board member, Cleveland-Cuyahoga County Port Authority. Former regional representative of U.S. Senator George Voinovich; former Vice President of Administration for the Cleveland Browns. She was project manager for construction of Cleveland Browns Stadium and served in the cabinets of Cleveland Mayors Voinovich and Michael White and as Deputy Director of the Ohio Lottery.

**Robert H. Jackson:** Senior Partner in the Cleveland law firm of Kohnman, Jackson & Krantz PLL. He is a corporate lawyer, book collector and supporter of public libraries. Mr. Jackson is chair of the Advisory Committee of the Baker-Nord Center for the Humanities at Case Western Reserve University, and a director at the Western Reserve Historical Society.

**Terrance Echols:** Mr. Echols was appointed in June 2012 to the BAC. He is Program Manager of the Minority Male Initiative at Cuyahoga Community College.

**Peter van Dijk:** Architect and design consultant with Westlake Reed Leskosky. Mr. van Dijk was responsible for the designs of Blossom Music Center, the IMG Building, University School, Cleveland State University Music Building, Playhouse Square theater restoration, and Federal Reserve Bank restoration.

## **BAC report summaries**

### **March 6, 2012:**

#### **BAC Annual Report**

A review of the past year's activities and reports, topics to be addressed for the coming year, a tentative meeting schedule, and a review and forecast for BAC revenues and spending.

#### **Program Progress Update 23**

A comprehensive review, with architect renderings, of the latest information about Segment 5: Segment 5 includes four high schools: **Max Hayes Vocational** (West 65<sup>th</sup> St. and Walworth) for 800 students, expected to begin hosting classes in August 2015; **John Marshall** (3952 West 140<sup>th</sup> St.), 1,260 students, reduced from 1,400, August 2015; **West Side**, 600 students, site and completion date to be determined, and project abandonment probable due to declining enrollment; and a grade 6-12 **Cleveland School of the Arts** (2064 Stearns Road) for 775 students, which originally was a K-12 for 1,000 students, August 2014. The segment also includes four new PreK-8s for 450 students each: **Almira** (1815 Larchmere Blvd.), expected to begin hosting classes August 2013; **Miles** (11918 Miles Avenue), August 2013; **Orchard School of Science** (4200 Bailey Avenue), August 2013; **Paul L. Dunbar** (2200 West 28<sup>th</sup> St.), August 2013; and a renovation/addition at **Louisa May Alcott** (10308 Baltic Road) for 226 students, January 2013. Projected segment cost: \$213.86 million (includes \$21.84 million for West Side High, which is likely to be dropped).

### **July 25, 2012:**

#### **Program Progress Update 24**

The report, launching a new format designed to graphically communicate the status of the Segment 5 construction program and its component schools, with an emphasis on cost of each hard-cost contract.

#### **New construction options**

The report, which details the new types of construction –delivery methods authorized by state legislation approved in 2011. State administrators describe the new methods as providing opportunities for faster completion of projects, cost reduction, and less risk for project owners

#### **Issue 14 Update 4 / *Refunding and defeasance***

The District issued \$20.6 million in refunding bonds in January. The District planned to combine the refunding proceeds with \$8 million in cash on hand to pay off interest and principal for \$28.6 million of Issue 14 bonds issued in 200. The estimated net present of interest savings for District taxpayers was \$2.3 million.

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