

# Program Progress Update 16

July 27, 2010

## Introduction

This is the 16th in a continuing series of Bond Accountability Commission reviews of the design/construction and budget performance of the Cleveland Metropolitan School District's school facilities program funded by Issue 14. The report is based largely on the Construction Manager's monthly reports for June 2010, the District Finance Department's Facilities Construction Report for May 2010, and the Procurement Department's Work Force Report for April 2010.

## Segment status

**Segment 1:** A.J. Rickoff (3500 E. 147th St), Miles Park (4090 East 93<sup>rd</sup> St.), Memorial (410 East 152nd St.), and Riverside (14601 Montrose Ave.) elementary schools are complete, as are John Adams (3817 Martin Luther King Jr. Blvd.) , John Hay (2075 Stokes Blvd.), and SuccessTech (1440 Lakeside Ave.) high schools and the East High (1349 E. 79th St.) gym project, and the Warm, Safe and Dry program.

Projected cost: \$228.7 million.

**Segment 2:** Warner (8315 Jeffries Ave.), Daniel Morgan (1440 East 92<sup>nd</sup> St.), Mary Martin (8200 Brookline Ave.), Franklin D. Roosevelt (800 Linn Drive), Hannah Gibbons (1378 Clearaire Road), and Mary Bethune ((11815 Moulton Avenue) elementary schools are complete, as is James Rhodes High School (5100 Biddulph Ave.).

Projected cost: \$103.2 million.

**Segment 3:** R.G. Jones (4550 West 150<sup>th</sup> Street); Artemus Ward (4315 West 140<sup>th</sup> Street); Garfield (3800 West 140<sup>th</sup> Street); Patrick Henry (11901 Durant Avenue); Buhner (1600 Buhner Avenue); Wade Park (7600 Wade Park Avenue); East Clark (885 East 146<sup>th</sup> Street); and Harvey Rice (2730 East 116<sup>th</sup> St.) elementary schools are completed. Willson elementary is to open for classes in August.

Projected cost: \$138.1 million.

**Segment 4:** Classes began at Jamison elementary (13905 Harvard Ave.) last January. Thomas Jefferson (3145 West 46<sup>th</sup> St.), George Washington Carver (2201 East 49th St.), and Euclid Park (17914 Euclid Ave.) elementary schools are to open in August. Other scheduled occupancy dates: January 2011: Charles Dickens (3552 East 131<sup>st</sup> St.), Adlai Stevenson (3938 Jo Ann Drive), Nathan Hale (3588 Martin Luther King Jr. Drive) elementary schools; August 2011, Anton Grdina (3050 East 77th St.), Mound (5405 Mound Ave.) elementary schools.

Projected cost: \$154.2 million.

Other Segment 4 notes:

- Five of the schools (Nathan Hale, Euclid Park, Dickens, Stevenson and Grdina) are to have geothermal heating/cooling systems.
- The Academic Transformation Plan eliminated Charles Lake, 9201 Hillock Avenue, from the segment as part of the transformation plan. The school is closed.
- Mound, in the Slavic Village area, is intended to meet Silver certification standards under the Leadership in Energy and Environmental Design (LEED) program. LEED is an internationally recognized system providing third-party verification that a building was designed and built using strategies aimed at improving performance in energy savings, water efficiency, CO<sub>2</sub> emissions reduction, indoor environmental quality, and stewardship of resources.
- The Master Plan adopted in July 2008 deleted Audubon (3055 Martin L. King Jr. Drive), from Segment 4. Audubon was then scheduled to receive \$4.5 million in LFI improvements during Segment 10. The transformation plan now calls for the building to be closed. The District plans to demolish Audubon.
- Segment 4 designs are the program's first to specifically accommodate the District's universal Pre-Kindergarten strategy and the 20-1 student-teacher ratio specified in the District's current contract with the Cleveland Teachers Union for kindergarten through third grade.
- The occupancy dates for Segment 4 schools range from eight to 24 months beyond the original targets, due chiefly to an extended design review period aimed at controlling costs.
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**Segment 5:** The new Segment 5 approved as part of the revised Master Plan in July 2008 includes three high schools: **Max Hayes Vocational** (tentatively, West 65<sup>th</sup> St. and Walworth), due April 2014; **John Marshall** (3952 West 140<sup>th</sup> St.), August 2014; and **West Side High** (site and completion date to be determined), and a K-12 **Cleveland School of the Arts** (2064 Stearns Road), May 2014, although the latter may be changed to grades 6-12.

The segment also included seven PreK-8s: PreK-8s: **Almira** (1815 Larchmere Blvd.), due March 2013; **Miles** (11918 Miles Avenue), March 2013; **Orchard** (4200 Bailey Avenue), March 2013; **Paul L. Dunbar** (2200 West 28<sup>th</sup> St.), March 2013; **Louisa May Alcott** (10308 Baltic Road), March 2013; **Forest Hill Parkway**, 450 East 112<sup>th</sup> Street, which was eliminated by the Academic Transformation Plan and is to be demolished, and **Charles Mooney**, 3213 Montclair Avenue, which is to be removed from Segment 5 and its fate left for later determination.

Projected cost: \$203.8 million.

The start of Segment 5 was delayed about a year by the Academic Transformation Plan process. The District awarded architectural and engineering design bids in March. No site has been announced for Segment 5's new West Side High School.

## **Budget and Issue 14**

The District will need to secure more money through a bond issue before the Ohio School Facilities Commission will co-fund Segment 5. (The OSFC pays two-thirds of most construction costs.) The District Administration intends to issue \$55 million in bonds this year, tentatively in mid-September.

The District plans to issue direct-subsidy Qualified School Construction Bonds (QSCBs), a type of taxable bond authorized under the federal economic-stimulus legislation, rather than traditional tax-exempt municipal bonds. The federal government will reimburse the District for all or nearly all of the interest earned by the QSCB bondholders, resulting in a savings to the District over the life of the bonds of \$25 million to \$35 million.

The District is planning a competitive sale, in which underwriters bid for the bonds, rather than a negotiated sale, the method it used in the past, in which the District would select underwriters based on various criteria and then negotiate the interest rate.

Both the QSCB option and the competitive method of sale were recommended in a BAC consultant's report released in May 2010.

Issue 14, approved by District voters in May 2001, authorized sale of \$335 million in bonds. The \$55 million sale will exhaust the Issue 14 authorization.

It appears that the District will be able to complete Segment 6 of the new proposed 10-segment Master Plan with a combination of Issue 14 funds, federal technology reimbursements, interest earned on Segment 1 and 2 accounts, and requested OSFC credit for money spent prior to the District joining the OSFC program.

Judging by the cost estimates of the Construction Manager and the new tentative Master Plan compiled by the OSFC staff, cost reports and estimates from the District, and District estimates of potentially available non-Issue 14 funds, the school facilities program could be completed with authorization for roughly \$128 million more in bonds, not adjusted for inflation. Adding a 20 percent allowance for adjustments to construction budgets for segment 5 through 9, the figure would be roughly \$164 million. Additional capital spending by the District for repairs at schools not included in the Master Plan would increase that amount.

## **Community Inclusion**

The District's goal for construction contracts is 30 percent participation by minority- or female-owned firms. As of March 31, 2010, the reported participation level was 35.86 percent.

The School District has set non-binding goals for workforce participation in the construction program as 20 percent for minorities, 5 percent for women, and 20 percent for District residents. As of June 30, 2010, the District reported overall participation of 19.6 percent for minorities, 3.8 percent for women, and 18.5 percent for District residents.