

# Program Progress Update 11

May 19, 2009

## Introduction

This is the 11th 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 report for April 2009.

## Overview

**Segment status.** All schools in Segments 1 and 2 are completed, but heating and air-conditioning problems remained at one.

Eight of the nine Segment 3 schools are to be ready for classes in August 2009, and the other could be ready for classes in winter 2010. Two are already in use.

In Segment 4, work was under way at six schools with another soon to follow. Bid awards were imminent for two more schools. Design work was wrapping up for the remaining two. Current completion targets range from August 2010 to March 2011, 14 to 22 months behind the Project Agreement schedule. The length of the delays is largely attributable to a design review process intended to reduce estimated cost overruns.

Under the new Master Plan adopted last year, Segment 5 is to have 11 schools, including four high schools. The School District has received architectural and engineering design bids but has not awarded contracts, pending results of a consultant's district-wide assessment of facilities utilization. The District will need to secure more money through a bond issue planned for spring/summer 2009 before the Ohio School Facilities Commission will provide co-funding. (The OSFC pays two-thirds of basic construction program costs.)

The District hopes to begin design of the five currently planned Segment 6 schools, all PreK-8s, in the second half of 2009.

**Budget performance.** The estimated total cost of Segment 3 is 23.7 percent above the budget outlined in the Project Agreement with the OSFC. Segment 4 total costs are projected to be 21.9 percent above the Project Agreement budget.

The above percentages reflect a comparison between the Project Agreement “face value” of a project and the actual costs. The Project Agreement budgets are based generally on the square footage of schools, and they do not do include change orders that arise from unforeseen conditions. They also do not include the cost of some Locally Funded Initiative (LFI) work that the OSFC does not co-fund. However, all costs are included in the projected cost totals, making the overrun percentages several points higher. The cost of co-funded overruns is borne by the District and the OSFC

It now appears that the District will lack sufficient funding to complete Segment 7 as currently envisioned. Discussion of this and other developments follows.

## Segment-by-Segment Report

**Segment 1:** the Warm Safe and Dry initiative at all schools, a new East High Gym and 7 new or renovated schools, plus demolition of the former Woodhill-Quincy building. The segment was projected as of the end of April 2009 to be 8.72 percent under the Project Agreement budget, due almost entirely to underspending the Warm, Safe and Dry budget by more than \$25 million. All schools are operating.

- Final OSFC closeout of the segment is expected by the end of June 2009.
- The Woodhill-Quincy demolition is indefinitely suspended because the City of Cleveland declined to grant a permit on grounds that the building is architecturally significant. The structure was designed by a prominent early 1900s firm, Hubbell & Benes.
- Cost totals do not include \$15.533 million spent for school repairs done before the District formally entered the OSFC-funded construction program but which the OSFC agreed to co-fund. The totals also do not include \$3.3 million in security improvements, such as metal detectors, implemented district-wide, which the OSFC also agreed to co-fund. The District regards those as Segment 1 expenses.

<b>Segment 1 schools</b>	<b>student capacity</b>	<b>scope</b>	<b>Occupancy target</b>	<b>Performance vs. target</b>	<b>Budget w/changes</b>	<b>Projected spending</b>	<b>Under/(over) budget</b>
Rickoff	720	New	Aug-05	plus 2m	\$16,943,596	(\$17,494,520)	(\$550,924)
Miles Park	650	New	Jul-05	plus 18m	\$16,900,933	(\$16,740,120)	(\$218,199)
Adams HS	1,335	New	Aug-06	Met	\$36,728,095	(\$37,670,620)	(\$942,525)
Hay HS	1,232	Reno	Jun-05	plus 11m	\$34,749,207	(\$36,749,137)	(\$1,999,930)
Memorial	631	New	Aug-05	Met	\$14,615,213	(\$15,395,016)	(\$779,803)
Success Tech	400	Reno	May-04	plus 1m	\$7,990,764	(\$7,372,636)	\$618,128
Riverside	436	New	Aug-05	Met	\$11,770,172	(\$12,346,697)	(\$576,525)
East High Gym			Nov-03	Met	\$6,221,336	(\$6,648,138)	(\$426,802)
Warner Demo					\$361,122	(\$347,207)	\$13,915
Woodhill Demo					\$685,286	(\$354,277)	\$331,009
Warm, Safe, Dry			Dec-05	Met	\$78,941,202	(\$53,403,930)	\$25,537,272
Adams Site					\$0	(\$723,849)	(\$723,849)
Memorial Demo					\$0	(\$609,235)	(\$609,235)
<b>Totals</b>					\$225,527,914	(\$205,855,382)	\$19,672,532

**Segment 2:** originally 13 schools, cut to seven. The segment, including non-budgeted LFI work, was projected as of the end of April to be 9.2 percent over the Project Agreement target. All schools are open.

- Final OSFC closeout of the segment is expected by the end of June 2009.
- Final commissioning of the heating, ventilation and air-conditioning (HVAC) system was to be completed in April at Franklin D. Roosevelt after adjustments required of the mechanical engineer, mechanical contractor, manufacturer and controls contractor.

Segment 2 schools, 2003-06	student capacity	scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Warner	570	new	Jul-06	plus 10m	\$15,348,461	(\$16,027,287)	(\$678,826)
Mound*	450	new			\$40,278	(\$40,281)	(\$3)
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,643,453)	(\$601,436)
Martin	490	reno	Jul-06	plus 1m	\$8,641,685	(\$9,063,505)	(\$421,820)
Roosevelt	1,115	reno	Jul-06	plus 13m	\$14,232,255	(\$16,132,024)	(\$1,899,769)
Gibbons	351	new	Jun-06	plus 2m	\$9,779,954	(\$10,516,506)	(\$736,552)
Bethune	500	reno	Jun-06	plus 2m	\$8,902,994	(\$9,870,531)	(\$967,537)
Hayes HS*	800	new			\$822,484	(\$822,487)	(\$2)
Jefferson Relief*	785	new			\$173,723	(\$173,726)	(\$3)
Willson*	574	new			\$448,459	(\$602,838)	(\$154,379)
Rhodes	1,005	reno	May-07	plus 9m**	\$22,491,509	(\$25,022,619)	(\$2,531,110)
West Side Relief HS			Jun-06		\$523,078	(\$917,794)	(\$394,716)
Willson LFI Demo					\$0	(\$317,112)	(\$317,112)
<b>Totals</b>					\$94,446,902	(\$103,150,163)	(\$8,703,265)

\*moved to other segment or put on hold

\*\* school partially occupied during renovation

**Segment 3:** originally 14 schools, reduced to 9 K-8s. The segment, including non-budgeted LFI work, was projected at April's end to be 23.7 percent over the Project Agreement target.

- The District opened R.G. Jones (4550 West 150<sup>th</sup> Street) and Artemus Ward (4315 West 140<sup>th</sup> Street) for classes after the winter break at the end of January. Garfield (3800 West 140<sup>th</sup> Street) has also since been completed.
- Patrick Henry (11901 Durant Ave.) is near completion.
- Final cleaning, sitework and furniture installation are under way at Buhner (1600 Buhner Ave.).
- At Wade Park (7600 Wade Park Ave.), workers are completing painting, ceiling tiles, light fixtures, trim, technology wiring, and flooring. HVAC units are to be started up. Sitework, drives and walks are to be completed.
- May's focus at East Clark (885 East 146<sup>th</sup> Street) is completion of painting, ceiling tiles, light fixtures, trim and flooring. Similar work was planned at Harvey Rice (11529 Buckeye Road).
- At the new Willson, about 30 blocks east of the current building on E. 55<sup>th</sup> Street, crews are completing structural steel and masonry work as well as erecting the brick veneer and installing windows.

- **Latest scheduled occupancy dates:** Jan. 2009: Ward, Jones. March 2009: Henry, Buhrer, Garfield. April 2009: Wade Park, Rice, East Clark; December 2009: Willson,

<b>Segment 3 schools, 2004-07</b>	<b>student capacity</b>	<b>scope</b>	<b>Occupancy target</b>	<b>Performance vs. target ***</b>	<b>Budget w/changes</b>	<b>Projected spending</b>	<b>Under/(over) budget</b>
Wade Park	501	new	Dec-08	plus 4m	\$12,473,064	(\$15,385,770)	(\$2,912,706)
East Clark	450	new	Dec-08	plus 4m	\$13,892,376	(\$14,541,729)	(\$649,353)
Patrick Henry	450	new	Aug-08	plus 7m	\$12,289,813	(\$16,389,999)	(\$4,100,186)
Buhrer	350	new	Dec-08	plus 3m	\$9,977,906	(\$13,699,238)	(\$3,721,332)
Mooney*	575	new			\$292,103	(\$371,200)	(\$79,097)
Mooney Demo					\$ 1,273,290	(\$1,135,381)	\$ 137,909
Garfield	426	new	Aug-08	plus 7m	\$11,610,319	(\$15,244,184)	(\$3,633,865)
Jones	450	new	Aug-08	plus 5m	\$11,764,356	(\$14,031,573)	(\$2,267,217)
A. Ward	450	new	Aug-08	plus 5m	\$11,689,572	(\$14,328,464)	(\$2,638,892)
Harvey Rice	450	new	Dec-08	plus 4m	\$13,683,580	(\$16,310,500)	(\$2,626,920)
West Side Relief HS*					\$668,653	(\$1,358,860)	(\$690,207)
Willson / LFI demo	574	new	Mar-09	plus 9m	\$12,099,809	(\$15,408,454)	(\$3,308,645)
<b>Totals</b>					\$111,714,849	(\$138,205,352)	(\$26,490,511)

\*moved to Segment 5

\*\*\*reflects currently planned target

**Segment 4:** originally 15 schools, reduced to 10 pre-K-8s. The segment, including non-budget LFI costs, was projected as of the end of April to be about 21.9 percent over the Project Agreement target.

- Euclid Park (off Ansel Road between Kosciuszko and Pulaski avenues) work continues on sewer and bearing masonry installation, utilities, geothermal piping, joists and decks.
- Slab and bearing masonry work also was continuing at Jamison (13905 Harvard Ave.). Work is to begin on brick veneer and windows.
- Installation of foundations and geothermal wells is on tap for Adlai Stevenson (3938 Jo Ann Drive) and Charles Dickens (3552 East 131<sup>st</sup> Street).
- Foundations and masonry were to begin at George Washington Carver (2201 East 49th Street). Demolition and backfilling of the existing building finished in April.
- Bids were received in late January for Anton Grdina (3050 East 77th Street), but property transfers between the City and the District still needed to be completed before the zoning and plan review process could begin. The current Grdina is to be demolished in 2010, after the new one is built. A review of the subsurface and an existing sewer at the Grdina site found the need for remedial work, resulting in new cost estimates.
- Construction is ready to begin at Nathan Hale (3588 Martin Luther King Jr. Drive). Demolition of the existing building was completed in April.
- Bids for Thomas Jefferson (3145 West 46<sup>th</sup> Street) were received in March. Site work, which will include excavation and remediation of subsoil that was found to be unfit for supporting a new structure, is slated for May.

- Design work still continues for Charles Lake (9201 Hillock Ave.). The District had problems with the original architect but decided to follow through with it. The occupancy target has been moved back three more months, to March 2011.
- Design work continues for the new Mound (5405 Mound Ave. in the Slavic Village area), and bid advertisement has now been postponed until summer, pending land transfers and vacation of a city street. The planned completion has now been postponed to March 2011.
- At least five of the schools (Nathan Hale, Euclid Park, Dickens, Stevenson and Grdina) are to have geothermal heating/cooling systems. Lake is to be designed with a conventional heating system that can be adapted to a geothermal source. Mound is to feature a number of other environmentally friendly design elements.
- 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 contract with the Cleveland Teachers Union for kindergarten through third grade.
- The new Master Plan deletes Audubon (3055 Martin L. King Jr. Drive) from schools slated to receive co-funded improvements. Audubon is now scheduled to receive \$4.5 million in improvements during Segment 10.
- **Latest scheduled occupancy dates:** August 2010: Jamison, Carver, Euclid Park; Jan. 2011: Dickens, Grdina, Stevenson, Jefferson, Hale; March 2011, Mound, Lake.

Segment 4 schools, 2005-08	student capacity	scope	Occupancy target	Performance vs. target ***	Budget w/changes	Projected spending	Under/(over) budget
Dickens	450	new	Jul-09	plus 18m	\$12,494,986	(\$13,890,848)	(\$1,395,862)
Corlett Demo					\$306,983	(\$702,708)	(\$395,725)
Euclid Park	351	new	May-09	plus 15m	\$11,863,598	(\$14,143,215)	(\$2,279,617)
Lake	400	new	May-09	plus 22m	\$10,839,836	(\$14,184,152)	(\$3,344,316)
Jefferson	785	new	Aug-09	plus 17m	\$19,180,034	(\$22,028,625)	(\$2,848,591)
Mound	450	new	Aug-09	plus 19m	\$12,357,938	(\$14,947,517)	(\$2,589,579)
Grdina	540	new	Sep-09	plus 16m	\$15,353,878	(\$18,626,059)	(\$3,272,181)
Audubon*	450	new			\$0	\$0	\$0
Carver	450	new	Jun-09	plus 14m	\$12,573,569	(\$14,602,678)	(\$2,029,109)
Hale	400	new	Jul-09	plus 18m	\$11,003,699	(\$14,093,183)	(\$3,089,484)
Jamison	450	new	May-09	plus 15m	\$12,128,122	(\$14,347,129)	(\$2,219,007)
Cleveland Demo					\$531,655	(\$1,008,914)	(\$477,259)
Stevenson	450	new	Aug-09	plus 17m	\$10,805,208	(\$15,200,153)	(\$4,394,945)
<b>Totals</b>					\$129,439,506	(\$157,775,181)	(\$28,335,675)

\*\*\* reflects currently planned target

\*deleted from co-funded Master Plan

**Segment 5:** The new Segment 5 approved as part of the revised Master Plan in late July 2008 includes four high schools (including a K-12) and seven PreK-8 schools. The District Administration expected to award contracts for architectural and engineering design this spring, but at least some of the awards may now be delayed until summer, pending results of consultant reviews of District facilities use and programs. The District reported receiving 16 bids.

District officials have said the planning scope for two specialty schools, Max Hayes vocational and Cleveland School of the Arts, will be contingent on the extent to which civic and business interests are able to provide money for amenities and facilities not eligible for OSFC co-funding.

The District currently lacks the construction money to complete Segment 5, so the OSFC will not formally enter a Project Agreement for the segment until the cash is on hand. However, the District issued \$15 million in notes in December 2008, allowing it contract for the start of design work. The District will not be reimbursed by the OSFC until the District is able to raise the required additional funds. The District plans to do so in a \$55 million bond issue this spring or summer.

The current, tentative schedule for Segment 5 schools:

- Almira (1815 Larchmere Blvd.), Charles Mooney (3213 Montclair Ave.), Forest Hill Parkway (450 East 112<sup>th</sup> St.), Miles (11918 Miles Ave.), Orchard (4200 Bailey Ave.), and Paul L. Dunbar (2200 West 28<sup>th</sup> St.) PreK-8 schools are to be demolished in summer/fall 2009 to make way for new schools. Forest Hill and Almira are to be ready for classes in January 2012. The rest are scheduled for classes in August 2012.
- The renovated Louisa May Alcott (10308 Baltic Road) preK-8 school is slated for completion in September 2011, but no class date has been set.
- The new Cleveland School of the Arts (2064 Stearns Road), Max Hayes (West 65<sup>th</sup> St. and Walworth), John Marshall (3952 West 140<sup>th</sup> St.), and West Side High (site to be determined) high schools are to be ready for classes in August 2013. The projected bid date is November 2010.

## **Budget**

The School District estimates as of April 30 that it will be at least \$7.3 million short of funding needed to execute the planned Segment 7 of the Master Plan, using all available funds from Issue 14 (\$335 million), non-bond income, federal technology subsidies, and interest.

This assumes availability of \$9.51 million in federal technology subsidies (known as E-Rate), \$6.5 million of which has neither been approved nor denied by the government, according to the District. Given the government's recent denial of non-construction (maintenance and support) E-Rate applications from the District, based on lack of funds for all districts nationwide in the same category, approval of the District's other outstanding E-Rate applications is not assured.

In any case, the District estimates that it will not know the fate of outstanding E-Rate applications until anywhere from six months to 2½ years from now. The District plans to launch Segment 7 in 2010. The Ohio School Facilities Commission will not enter a Project Agreement for a segment until all necessary local matching money is in hand.

That means the Segment 7 funding shortfall could be as high as \$13.8 million.

In addition, a large portion of the District's estimate of available funding is accrued interest earnings, listed as \$34.95 million as of April 30, and such earnings are not spendable as liquid cash until closeout of segments and resolution of cost overrun liabilities, a process that lags the construction timetable considerably (For example, Segments 1 and 2 are undergoing final OSFC closeout now, as hiring of Segment 5

architects is about to begin.) The last school completion date for Segment 4 is scheduled for March 2011, so at best the District is likely to be able to spend accrued interest only from Segments 1-3 by the time Segment 7 starts.

The interest accrued as of May 1 from the first three segments totaled \$24.11 million, leaving an additional potential Segment 7 shortfall of \$10.84 million.

Therefore the potential Segment 7 shortfall ranges from \$7.3 million to \$24.64 million. This means that making Issue 14 last through Segment 7, as previously planned, would require elimination or postponement of two to five elementary schools from Segments 5 through 7 of the Master Plan or voter approval of additional bond-issuance authority before the start of Segment 7.

The District's previous calculations that an additional \$217 million would be needed to complete all 10 segments of the Master Plan did not presume availability of E-Rate or interest earnings, so that estimate is not in jeopardy at this time.

**Questions? Contact us:** (216) 987-3309 [bondaccountability@hotmail.com](mailto:bondaccountability@hotmail.com)