

Program Progress Update 4

February 19, 2008

Introduction

This is the fourth 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 primarily on the Construction Manager's monthly report for January 2008, supplemented with information from the District's program team.

Overview

Schedule performance. Segments 3 and 4 of what currently is a nine-segment program are at least a year behind the original Master Plan schedule. The reasons include late starts, lack of timely real estate acquisition, contractor claims and work deficiencies in earlier segments, belated adoption of design standards, and the need to adjust the segments' school components on the fly due to declining enrollment and other factors.

Whether Segment 5 of what is now envisioned as a 10-segment program can be accomplished on time, listed in District planning documents as Spring 2010, is in doubt, because four of the Segment 4 schools are not even scheduled for completion until the latter half of that year. Community engagement meetings on a revised Master Plan focusing on Segments 5 through 10, originally scheduled for October 2007, are now planned for February through

April. That means the Board of Education probably will not vote on the plan until the end of May. Board approval and subsequent approval by the Ohio School Facilities Commission (OSFC) is required before work on Segment 5 can begin. The District Administration had hoped to launch Segment 5 by May at the latest.

Timeliness is important because construction costs tend to rise as time passes. Cost control is important because local Issue 14 tax money that funds the program is already insufficient to complete it.

Segment status. All schools in Segment 1 are completed, but a demolition remains held up by objections from city planners. Segment 2 is also complete except for the renovation of Rhodes High School, which is holding classes during construction.

Construction is under way at five of the nine Segment 3 schools, and all schools are to be under way by March. Bidding on schools in Segment 4 is to occur February/March 2008 through April/May 2009.

Each segment was given a time frame in the original Master Plan, but actual target dates and budgets for each school are set as each segment is launched with a Project Agreement with the OSFC.

Completion targets for the 11 preK-8s of Segment 4 now range from two to 13 months behind the schedule in the District's Project Agreement with the OSFC and as much as two years behind the original Master Plan schedule.

Budget performance. Cost-saving measures adopted for the Segment 4 schools, if applied to later segments, should improve the program's overall prospects for budget adherence. Timely launching of segments would also allow more time for redesigns.

Segment 3 is markedly over budget, but recent efforts to contain the costs have pared the estimated overrun by \$4.5 million, to 19.8 percent. A more comprehensive effort to control Segment 4 costs has held the estimated overrun to 12.3 percent, and the project team is continuing to seek savings through design revisions.

Cost projections are subject to adjustment until a segment is concluded. Excessive budget overruns now may well mean that schools planned for the future will not be built or that they will be smaller, because the amount of available money will be finite even if voters approve an expected request for \$217 million to finish the program.

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 January 2007 to be 8.6 percent under budget, due almost entirely to underspending the Warm, Safe and Dry budget by more than \$25 million.

- All Segment 1 schools are operating. All contracts are closed out except a masonry claim for A.J. Rickoff. A surety company sued for money it spent fulfilling a contract by a firm that went out of business before Rickoff opened. The District countered with a claim for costs that it incurred. Mediation is likely.
- The Woodhill-Quincy demolition has been suspended since July 2007, when the Cleveland Planning Commission balked at granting a permit without consideration of offering the building to others. The District wants to keep the land as an option for other uses. The District must now make its case to the Planning Commission, which administrators have delayed doing to deal with more pressing matters. The contractor has agreed to honor its original bid until June. The decrepit building does not have landmark status but is considered architecturally significant. It was designed by a prominent firm of the early 1900s, Hubbell & Benes.

Segment 1 schools	student capacity	scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Rickoff	720	new	Aug-05	plus 2m	\$16,943,596	(\$17,411,689)	(\$468,093)
Miles Park	650	new	Jul-05	plus 18m	\$16,900,933	(\$16,865,308)	(\$379,012)
Adams HS	1,335	new	Aug-06	Met	\$36,728,095	(\$36,541,163)	(\$941,538)
Hay HS	1,232	reno	Jun-05	plus 11m	\$34,749,207	(\$36,575,111)	(\$1,791,956)
Memorial	631	new	Aug-05	Met	\$14,615,213	(\$15,320,876)	(\$705,663)
Success Tech	400	reno	May-04	plus 1m	\$7,990,764	(\$7,601,475)	\$389,289
Riverside	436	new	Aug-05	Met	\$11,770,172	(\$12,268,494)	(\$498,322)
East High Gym			Nov-03	Met	\$6,221,336	(\$6,721,560)	(\$500,224)
Warner Demo					\$361,122	(\$347,207)	\$13,915
Woodhill Demo					\$685,286	(\$553,853)	\$131,433
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	(\$568,804)	(\$568,804)
Totals					\$225,527,914	(\$206,033,466)	\$19,494,448

Segment 2: originally 13 schools, cut to seven. The segment was projected as of the end of January to be 8.3 percent over budget.

- Classes are being held at all schools in the segment.
- Final adjustments to the heating/ventilation/air-conditioning system were completed in December.
- All other schools were in the closeout phase. All issues have been resolved at Gibbons, Bethune, and Martin except those concerning heating/ventilation/air-conditioning systems, in which the District encountered problems last school year.
- Rhodes High School is being renovated while occupied. Phases 1-5a (of 6) are complete and in use for classes. Mechanical/electrical/plumbing work was completed in parts of the second and third floors (Phase 6) and the basement in January. The focus for this month was to be finish work, such as trim and painting, as well as technology testing and boiler/heating controls commissioning.
- The Rhodes project is expected to be complete by the end of this month, except for work on outside steps and sidewalks, landscaping and the parking lot, which is to be when the weather is favorable.

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	(\$15,836,349)	(\$487,888)
Mound*	450	new			\$40,278	(\$40,278)	\$0
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,491,057)	(\$449,040)
Martin	490	reno	Jul-06	plus 1m	\$8,641,685	(\$8,906,758)	(\$265,073)
Roosevelt	1,115	reno	Jul-06	plus 13m	\$14,232,255	(\$16,351,265)	(\$2,119,010)
Gibbons	351	new	Jun-06	plus 2m	\$9,779,954	(\$10,442,382)	(\$662,428)
Bethune	500	reno	Jun-06	plus 2m	\$8,902,994	(\$9,742,261)	(\$839,267)
Hayes HS*	800	new			\$822,484	(\$822,484)	\$0
Jefferson Relief*	785	new			\$173,723	(\$173,723)	\$0
Willson*	574	new			\$448,459	(\$555,669)	(\$107,210)
Rhodes	1,005	reno	May-07	plus 5m**	\$22,491,509	(\$24,855,494)	(\$2,363,985)
West Side Relief HS			Jun-06		\$523,078	(\$917,794)	(\$394,716)
Willson LFI Demo					\$0	(\$317,112)	(\$317,112)
Totals					\$94,446,897	(\$102,326,670)	(\$7,879,810)

*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 was projected at January's end to be 19.8 percent over budget, an improvement of \$4.5 million from October.

- Enclosure work was continuing on Garfield, Jones, Ward, Henry and Buhrer.
- Wade Park site work continued in January, and work on East Clark was scheduled to begin this month.
- Bids for the new Harvey Rice are to be awarded this month, and bids for Willson were received in late January. Construction on both is start in March.
- The project team reported that it implemented design changes to control costs for the segment's last two schools to be bid, Rice and Willson, and the segment's projected budget overrun declined by 1.2 percentage points.
- Property acquisition and demolition was concluded for Willson in November except for demolition of existing city streets that are to be vacated, which will occur as part of the new building construction.
- Expected occupancy of Henry and Buhrer has been delayed two months due to District rejection of a masonry sub-contractor whom it deems to have done substandard work at Miles Park.
- **Latest scheduled occupancy dates:** Dec. 2008: Ward, Jones, Garfield. March 2009: Henry, Buhrer. April 2009: Willson, Wade Park, Rice, East Clark.

Segment 3 schools, 2004-07	student capacity	scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Wade Park	501	new	Dec-08	plus 4m***	\$12,473,064	(\$15,132,294)	(\$2,659,230)
East Clark	450	new	Dec-08	plus 4m***	\$13,892,376	(\$14,314,595)	(\$422,219)
Patrick Henry	450	new	Aug-08	plus 7m***	\$12,289,813	(\$16,007,118)	(\$3,717,305)
Buhrer	350	new	Dec-08	Plus 3m***	\$9,977,906	(\$13,473,791)	(\$3,495,885)
Mooney*	575	new			\$292,103	(\$371,197)	(\$79,094)
Mooney Demo					\$ 1,273,290	(\$1,135,381)	\$ 137,909
Garfield	426	new	Aug-08	plus 4m***	\$11,610,319	(\$14,753,898)	(\$3,143,579)
Jones	450	new	Aug-08	plus 4m***	\$11,764,356	(\$13,475,164)	(\$1,710,808)
A. Ward	450	new	Aug-08	plus 4m***	\$11,689,572	(\$13,804,847)	(\$2,115,275)
Harvey Rice	450	new	Dec-08	plus 4m***	\$13,683,580	(\$15,431,052)	(\$1,747,472)
West Side Relief HS*					\$668,653	(\$1,358,859)	(\$690,206)
Willson	574	new	Mar-09	plus 1m***	\$12,099,809	(\$14,603,739)	(\$2,503,930)
Totals					\$111,714,841	(\$133,861,937)	(\$22,147,096)

*moved to other segment or put on hold

***baseline target already postponed

Segment 4: originally 15 schools, reduced to 11 K-8s. The segment was projected as of the end of January to be 12.3 percent over budget, with design-based cost estimates for two of the schools, Mound and Audubon, yet to be made.

The estimated cost of the segment has risen by \$3.3 million since October. The Administration attributes the increase costs to the addition of geothermal heating systems.

All schools are in the design phase, which has several elements, including schematic design and then design development. Cost estimates are based on these designs. When Segment 4 estimates have been deemed too far out of line with the budgets, the project team has made “value engineering” design changes to cut costs.

For example, the project team met with designers in late July to review lower-cost alternatives for the Euclid Park K-8. The Construction Manager reported that several changes were adopted, reducing the estimated cost for Euclid Park from 32 percent over budget to 15 percent over. Then after design development articles were received from the architect in September, the cost estimate rebounded to 20 percent over budget. After more revisions, the estimated overrun was 14.8 percent at the end of January.

- 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 new contract with the Cleveland Teachers Union for kindergarten through third grade.
- Geothermal heating systems are being considered for Nathan Hale, Mound, Euclid Park, Charles Dickens, Charles Lake, Anton Grdina, and Adlai Stevenson. The possibility of additional state financial incentives for including other “green” features, such as solar energy fixtures, may prompt further design changes.
- Bidding is planned for February/March 2008 through May 2009.
- The District is nearly finished buying properties adjacent to the initially planned site for the Mound K-8 in the Slavic Village area. A 10-foot-diameter sanitary/storm sewer running through the initial site was found to be unable to support the weight of fill material and development that was to be placed over it. Mound initially was a Segment 2 school.

- A decision is still pending on whether to demolish Audubon and replace it with a new school or to renovate the existing one, and the issue probably will not be resolved until the Board of Education adopts a revised Master Plan. Those attending “Core Team” community-engagement meetings have been adamant that they prefer renovation, which the District Administration estimates would add more than \$4 million to the District’s costs. The school may be deleted from Segment 4 and only maintained pending a decision later in the program, when capacity needs may be clearer.
- Corlett, Lake and Euclid Park demolitions have been completed, and the demolition of Cleaveland and Jefferson were continuing in January. The new Jamison will be built on the Cleaveland site. The new Dickens is to be built on the Corlett site.
- Demolition of George Washington Carver and Nathan Hale is to occur in fall of 2008. The current Grdina is to be demolished in 2010, after the new one is built.
- Enrollment capacity has been increased from 350 to 450 at Stevenson, from 350 to 400 at Lake, 400 to 450 at Audubon, and 350 to 400 at Hale. These increases could sap co-funded capacity from schools in later segments of the program, but the Administration says they are needed to prevent overcrowding in 2009 and to accommodate pre-kindergartens and the 20-1 student-teacher ration in the first three grades.
- Problems arose with architectural drawings for Charles Lake, which may postpone the technical estimated occupancy date of December 2009. The Construction Manager reported that design development documents were delivered a month late and were missing key specifications. The Administration said the architect, Hayes Large, closed its Cleveland office and shifted the work to its Pittsburgh office, which did not have a clear understanding of requirements of the District and the OSFC. The District shifted its Mound project to another architect and rejected the Lake drawings. After meetings to clarify requirements, the architects in late January submitted documents that were still incomplete. The Charles Lake students are attending classes at the Louis Pasteur school, and the new Lake should still be ready for the start of classes in

2010. In any event, there are no plans to use Pasteur later for students from another school, so the Lake students will have a place to attend classes. However, any delay in the construction program holds the potential to increase costs.

- **Latest scheduled occupancy dates:** July 2009: Jamison. Aug. 2009: Euclid Park. Dec. 2009: Stevenson, Grdina, Lake, Dickens. Feb. 2010, Jefferson. July 2010: Hale, Carver. Aug. 2010, Audubon, Mound.

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 5m***	\$12,494,986	(\$14,027,290)	(\$1,532,304)
Corlett Demo					\$306,983	(\$546,423)	(\$239,440)
Euclid Park	351	new	May-09	plus 3m***	\$11,863,598	(\$13,620,358)	(\$1,756,760)
Lake	400	new	May-09	plus 7m***	\$10,839,836	(\$13,705,339)	(\$2,865,503)
Jefferson	785	new	Aug-09	plus 6m***	\$19,180,034	(\$20,204,886)	(\$1,024,852)
Mound	450	new	Aug-09	plus 12m***	\$12,357,938	(\$12,357,938)	\$0
Grdina	540	new	Sep-09	plus 3m***	\$15,353,878	(\$17,504,716)	(\$2,150,838)
Audubon	450	new	Sep-09	plus 11m***	\$15,923,999	(\$15,923,999)	\$0
Carver	450	new	Jun-09	plus 13m***	\$12,573,569	(\$14,378,811)	(\$1,805,242)
Hale	400	new	Jul-09	plus 12m***	\$11,003,699	(\$13,478,952)	(\$2,475,253)
Jamison	450	new	May-09	plus 2m***	\$12,128,122	(\$13,889,052)	(\$1,760,930)
Cleaveland Demo					\$531,655	(\$647,948)	(\$116,293)
Stevenson	450	new	Aug-09	plus 4m***	\$10,805,208	(\$12,996,136)	(\$2,190,928)
Totals					\$145,363,505	(\$163,281,848)	(\$17,918,343)

*** baseline target already postponed

Segments 5-9: These plans are subject to change in the ongoing revision of the Master Plan. Work on Segment 5 cannot begin until the school board and the OSFC approve a Master Plan revision. The Administration hopes to launch Segment 5 in May 2008.

- The Administration's Master Plan proposal calls for a new Segment 10.

Conclusion

As stated previously, efforts to control the cost of Segment 4, if successful, will provide a valuable template for future segments.

Reasonable adherence to budgets now is the only practical way to ensure that the latter segments of this program will be fully funded.

Cost-control efforts for Segment 4 so far have focused on design changes. However, the District Administration says it is also seeking to reduce the time it takes to pay project contractors, the belief being that tardy payments may have reduced the number of contractors willing to bid on the District's work. More competition for contracts would improve the chances for lower bids.

Using the January cost projections, the first four segments will have cost the School District about \$193.24 million of the \$335 million available from Issue 14 on the co-funded portion of the program. With \$33.95 million spent or obligated as of Dec. 31, 2007, for work that the OSFC does not co-fund, that would leave about \$107.81 million of Issue 14 money to fund the District's share of Segment 5 and beyond (not counting the availability of about \$43 million in interest, bond premiums and non-bond proceeds).

The District's project team has estimated that Issue 14 money will be exhausted by the end of Segment 7 under its new Master Plan proposal and that \$217 million in additional tax money will be required to complete Segments 8 through 10.

The \$217 million estimate did not include approximately \$4 million in extra spending on security features, such as metal detectors at all schools, that have been added.

The \$217 million estimate appears to contain liberal cost assumptions and adequate inflation adjustments as well as contingency funds, but the forecast also assumes that the OSFC will co-fund more high school space than the OSFC currently envisions.

Therefore, every budget overrun has the potential to reduce the number and/or size of schools completed by the end of the program, whether that is Segment 7, if voters do not approve more funding, or Segment 10. As we have stated before, if costs are controlled, not only will construction be maximized, but voters will have more incentive to provide the required additional tax money.

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