

# Master Plan Update 2

- The Cleveland Metropolitan School District administration is revising the Master Plan guiding the districtwide construction/rehabilitation project funded by Issue 14 and the Ohio School Facilities Commission.
- A steep decline in enrollment means that a dramatic reduction in the number of schools is likely.
- Historic underfunding of the project means that a request for more tax money is likely.

**Inside:** An explanation of the tough choices facing the community.

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## Summary

- The Cleveland schools construction/renovation project was planned to accommodate 2015 enrollment estimated by a state consultant to be about 72,000 students.
- Now, the consultant's enrollment estimate is about 41,000.
- The Ohio School Facilities Commission pays 68 percent of the basic project cost, but it will co-fund only enough school space for the estimated 2015 enrollment.
- The original plan called for replacing or renovating 111 schools, but the co-funded number must be cut to closer to 75.
- The other schools can remain open, at least for a while. They can even be replaced or renovated, but the state will not help pay, making it a very expensive local option.
- The district administration and the community need to choose carefully among a number of options, including which schools to keep in the program and which schools to keep at all.
- The plan will be revised again to reflect enrollment trends.
- The project was underfunded by at least half from the start.
- Even if more than 30 schools are eliminated from the project, Issue 14 funds will not be nearly enough to finish it.
- Decisions made now will be a factor in how much more local money will be needed to finish the work. Figuring on the least expensive options, the amount could easily be in excess of \$100 million.
- A concerted effort to begin – and continue – engagement of the community in deciding these questions will help to ensure successful completion of the project.

## Master Plan Update 2

The Cleveland Municipal School District's school facilities construction/renovation project is at a crossroads of critical importance to the community.

A steep decline in enrollment means that the district administration and the community must now decide how to pare the number of schools in the project while cost-effectively meeting the needs of students. And historic underfunding of the project means that the district and community must also find a way to pay for building or renovating the schools that survive the cut.

Engaging the community in this decision and others sure to come will help ensure that this project enjoys the widespread support necessary for success.

### **State Funding Rules**

Under rules of the Ohio School Facilities Commission (OSFC), the district pays for 32 percent of qualifying work, and the state pays for 68 percent. However, the state will supply these matching funds only for those schools that, according to enrollment estimates and the OSFC's school-space formulas, will be needed in the year 2015, when construction is planned to be complete.

### **Steep Enrollment Decline**

Projections made in 2006 by a state consultant and by Cleveland State University agree that the district is likely to have around 41,000 students in 2015 if recent trends continue. When the project was first mapped out in 2002, the projection was for more than 72,000 students. The main factors in the decline appear to be the city's population loss and students leaving the system for charter and parochial schools. As of last October, enrollment had already fallen to 55,567.

The estimated decline to 41,000 means that the state will co-fund substantially fewer than the 111 schools included in the project Master Plan of 2002.

### **Which schools to keep?**

Although no final decisions have been made, one recent estimate by the district administration was for building 51 new schools and renovating 25, a total of 76 that could still leave the district with more student capacity than the state will co-fund. In any case, the district administration and the community must decide what to do with the other schools: Close them? Demolish them? Sell them? Keep operating them in their current condition? Renovate or replace some or all of them, but with only local dollars? And what about community landmark schools? Should they be restored even if the cost would be more or if it would sap school space elsewhere? Should they be torn down? Preserved for other uses?

Each option has benefits and drawbacks. And each has a cost.

## **Paying the bill**

Whichever options are chosen, the district will have to find a way to pay for the work. The local contribution authorized by voters in 2001's Issue 14, \$335 million, was never enough money.

As the project was outlined in the 2002 Master Plan, local funding was short by \$215 million, not accounting for inflation over the 13-year life of the project.

Add in a rough allowance for inflation for all those years, and the shortage may have been nearly \$400 million, although predicting future construction cost inflation is dicey.

Then add in spending under what is called the Locally Funded Initiative (LFI), local spending on items that the state will not fund, such as certain athletic facilities, some building aesthetics (more-expensive brick, for instance), auditoriums, building site purchases, administrative offices and facilities to name a few.

Some LFI spending, about \$68 million, was included in the above original estimates. However, there are indications that actual LFI spending would have been significantly higher under the original plan. Even with the elimination of many schools from the original plan, changes in OSFC policy and in perceptions of district needs could cause LFI spending to exceed the \$68 million. The district is seeking OSFC co-funding for the new Opportunity Schools of Choice initiative, but these schools may add to LFI costs.

The district is working to compile a realistic LFI budget, which will be necessary for an accurate assessment of the district's needs for additional capital funding.

What if the district chooses not to replace or renovate, say, 35 schools not eligible for state co-funding? Would more local tax dollars still be needed? The answer at this time seems to be yes, at least \$34 million, in 2002 dollars, not adjusted for inflation and not counting unbudgeted LFI spending. Add in rough factoring for inflation, and the shortfall exceeds \$100 million, although, as mentioned above, precise calculations are not possible without a realistic LFI budget. The district planning team is considering an option that may require a \$165 million bond issue.

## **Formal Revision**

Any long-range master plan is adjusted often as problems arise with the construction timetable or as needs change. Perhaps land purchases take too long, so a certain school project is held up and another is speeded up to take its place, for example.

This revision is more formal, required by the OSFC so that it can get a better idea of how much state money to reserve for this project. Regardless of whether the state requires it, a formal overhaul of the plan provides an opportunity for focused community engagement on how to deal with the changes that have occurred.

Unfortunately, time is now so short that a thorough process of community engagement is unlikely.

## Community Engagement

The latest word from the CMSD administration is that it hopes to finish developing its proposal for the revision in late June or early July, brief the school board, hold community forums on this and possibly other topics, and present the plan to the board for final consideration in late July or early August.

Other possible topics for the forums include the new student uniform policy and the planned Opportunity Schools of Choice program. Combining all of these into single forums may prevent adequate focus on the importance of the Master Plan revision, though there may be no other choice.

A month apparently is available for engaging the community and incorporating any feedback into the master plan revision. This seems to fall well short of recommendations of the OSFC and other authorities.

Further delay in arriving at a revised master plan and implementing it could increase construction costs and only prolong uncertainties in the community about the fate of neighborhood schools.

A possible solution might be to regard the engagement effort in July as the beginning of what should be an ongoing process.

The master plan will have to be revised again, perhaps because of resurgent enrollment, perhaps because of further declines. So the current revision will not be written in stone, and it can be informally adjusted at any time.

Using the July meetings as a springboard for deeper and continuing community engagement will also help the district make its case for the additional capital improvements money that it acknowledges will be needed.

The community engagement process could be further fostered by a formal, ongoing effort by the district to keep the citizens informed about progress and/or delays in the work on each individual school, when the work is planned to start and finish, when the school is to reopen, etc. The district's Web site, <http://www.cmsdnet.net/>, has scant mention of this huge endeavor.

## Further Discussion

**Enrollment:** The latest forecast by a firm hired by the OSFC, a draft dated March 16, 2006, projects an enrollment of 40,743 for the district in 2015 and an enrollment of 55,727 for the current school year. A CSU study, dated June 28, 2006, projects a range of 32,514 to 57,824 students in 2015, according to six scenarios, and a current enrollment of 55,801 to 58,254. Actual 2006-2007 official October enrollment was 55,567.

The district is viewing the CSU option projecting a 2015 enrollment of 40,656 as most likely and a corroboration of the state consultant's findings.

The current Master Plan revision and the amount of work eligible for co-funding by the OSFC will be based on the 40,743 estimate.

Previous studies, including the original one by the state consultant that led to planning for a 72,450-student district, as well a successor study in 2004 (59,495

students) and one by CSU in 2005 (51,789 in one scenario), appear to have underestimated the number of students leaving CMSD schools for private/parochial/charter (community) schools. An additional possibility is that Census updates have underestimated Cleveland population losses.

In any event, the too-high enrollment projections have caused the district administration and OSFC to drop some projects after spending significant sums on them. In just one case, the John Marshall "Relief", also known as Westside "Relief," High School, some \$2.71 million has been spent on a project that now has been abandoned due to projected enrollment decline, although any money spent on real estate and site planning may be recoverable.

Accuracy now in assessing the district's needs, including enrollment and where the target populations live, will minimize waste.

The OSFC and the district will continue to monitor enrollment for further changes that could again revise the amount of work that the state will co-fund, upward or downward.

If we build it, will they come? Currently unquantifiable factors that could slow or even reverse the envisioned decline in enrollment are the current administration's effort to improve academic performance and to implement its Opportunity Schools of Choice program, as well as the allure of the district's new or completely renovated school buildings as they come on line. These changes could persuade parents to forgo sending their children to alternative community schools. On the other hand, factors that contribute to the city's general population loss, such as foreclosures, crime and job availability, could cause a continuation or worsening of the downward trend.

The addition of pre-K classes at all elementary schools also has the potential to raise the estimated total enrollment projection and thus the amount of space that the OSFC would co-fund. This could reduce some anticipated LFI spending. Currently the OSFC co-funds only special-education pre-K. The district and OSFC officials are discussing whether the new pre-K space will qualify.

**Facilities:** The district administration is working to revise the 2002 Master Plan to conform to the new projections for far fewer students than originally envisioned. This probably will require eliminating about 30 to 35 schools from the plan. Unless circumstances change, many of these schools are likely to be demolished eventually to preserve OSFC co-funding.

In deciding which schools to eliminate from the program, which to renovate, and which to build new, the district can maximize co-funding by the state and minimize unmatched LFI spending by matching school locations with student population densities and limiting construction/renovation to those schools that the state envisions as being needed. Building or renovating schools in locations dictated by politics or other non-enrollment considerations will only increase the need for LFI spending, possibly greatly increasing the size of a tax request.

Generally, renovating big, older schools -- instead of building new schools that accommodate actual enrollment needs -- tends to create excess enrollment capacity in a given area, increasing the need for LFI spending not matched by

the state or increasing the need to bus students from elsewhere to fill up the school.

The community needs to decide on the balance it wants between minimizing local costs and preserving neighborhood or architectural landmarks.

John Hay has co-funded space for 1,232 students. This means that the state will only co-fund high school space elsewhere in the city for the projected high school enrollment in 2015 minus 1,232. The current John Hay enrollment is about 500, and the district plans for the enrollment there to be around 1,000 within a couple of years. The district must find a way to fill up John Hay or spend more LFI money on high school space in another part of the city.

As another example, the renovation of Case Elementary School is now planned to cost the district \$2.17 million in unmatched LFI money because it is bigger than needed under the new enrollment projections and OSFC co-funding rules.

Indications are that the outdated enrollment projections of the past have already resulted in excess capacity being built in some areas. For instance the new Miles Park and Warner K-8 schools are built relatively near each other with a combined capacity of over 1,200 students when the area is not projected to have that many. This could require expensive busing from other areas to maximize efficient use of construction dollars, or require increased LFI spending elsewhere to maintain the concept of neighborhood schools, while leaving these two new schools underutilized.

While the district may have needed to build two schools in that area because of traffic-safety concerns for children walking to school, the case underscores the importance of, as the district's construction chief says, "right-sizing" the schools that are built.

The district administration has been pursuing an optimum school size for K-8 of 450 to 500 students. The OSFC permits schools as small as 350. Smaller schools would permit for co-funding of more schools. That would slightly increase the district's construction costs and future operational costs by resulting in more schools, but it would also better maintain neighborhood integrity and student discipline, facilitate student achievement, create flexibility should the district decide to alter grade configurations, and minimize transportation costs. The district is now considering smaller-school options.

A complicating factor for the Master Plan revision is the Schools of Choice program. The district must decide where it wants to locate these schools. For the 2007-08 academic year, the administration wants to find a place for the four single-gender academies and the Ginn Academy. For the next year, it wants to locate the STEM (Science, Technology, Engineering and Math) Academy. Work on the Schools of Choice initiative has the potential to increase LFI spending beyond any currently available estimates. The district intends to seek donations to fund at least part of this effort.

**Options:** The district's options include:

- Build and renovate only what the state will co-fund, and close the rest.

This would maximize the impact of Issue 14 tax dollars and would reduce operational costs for labor, utilities and maintenance but possibly boost transportation costs.

Closing schools prematurely could ironically result in more charter schools, because state law requires that if a district tries to sell viable school buildings, it must offer them first at appraised market value to the operators of “start-up community schools.” Closing a school without demolishing it carries extra security costs or runs the risk of vandalism.

If the property can be disposed of otherwise, it can be used for community centers, parks, community gardens, or housing development.

- Do the state-matched work, and build/renovate some or all of rest with LFI money.

Depending on the extent of LFI work, this option would increase the size of a needed tax increase, and it could also cause unnecessary operational expenses. But it could also help preserve neighborhood identity and the integrity of the neighborhood school model.

- Do the state-matched work, and only maintain the excess schools.

An advantage of this option is that it provides for possible later reversal of the downward enrollment trend. It also maximizes the use of Issue 14 money already spent in the Warm, Safe and Dry effort.

A drawback would be that it would prolong a two-tier school facility system in which some children get all the advantages of new or fully renovated schools while others attend classes in inferior facilities that lack the technological and other improvements that are part of the program.

**Financing:** The long-term nature of urban school projects under the OSFC co-funded program is problematic not only for guessing the ultimate enrollment so far in the future, but for assessing how much money will be needed.

As the OSFC’s project administrator notes, most smaller districts in the state have projects that are complete within a few years of when they start. A small allowance is made for inflation in estimating the project cost, and the work gets done. But in those districts the work is essentially done in what the urban districts would regard as one “segment.” The Cleveland district’s original Master Plan called for nine segments stretching into the year 2014, and another segment may be added with this master plan.

The Master Plan budget estimate included inflation factoring only for the first segment. All the rest were estimated in 2002 dollars. Thus when officials have spoken of a co-funded project estimated to cost \$1.505 billion, or a total (with LFI) cost of \$1.574 billion, they have understated the actual cost by several hundred million dollars.

The fact is that trying to estimate the impact of construction cost inflation on a project of such duration back in 2001 would have largely been guesswork. Who could accurately have guessed that the price of steel would spike and then decline slightly, or that Katrina and her siblings would cause skyrocketing prices for energy, and thus items like cement?



The Master Plan figure is essentially a baseline. The OSFC and district arrive at an actual “project agreement budget” for each segment as it gets under way, based on the version of the Ohio School Design Manual current at the time. And the actual cost of each segment deviates upward from the Master Plan estimate more and more as time goes on.

Now, with a formal Master Plan revision and the approach of the day when local funding for the project runs out (perhaps in 2009 or 2010), the district’s administration is trying to get a better idea of how much money actually will be needed. While assumptions of future inflation are prone to be inaccurate, factoring for some level of inflation seems more realistic than not doing it at all.

It is fair to note that one respected construction cost index rose 32% from 2002 through 2006.

Whichever factors one uses, the LFI budget has been the Achilles’ Heel of financial planning for the project. It is imperative that a legitimate estimate for the LFI needs be established in order to firmly quantify the district’s needs for further capital improvements money from taxpayers.

The district should try to limit further Issue 14 LFI spending to school facilities and safety-related needs of administrative buildings. Given the historic underfunding of the project, the district’s spending of \$2.7 million in LFI money on a new professional training and development center at the former Bratenahl Elementary School and \$2.3 million for administrative quarters in unused school space at SuccessTech may have been ill advised, though the latter was partly due to a change in the OSFC funding policy on unused space. However, the downtown administration building is antiquated and could use a lot of work.

In any case, any future request for capital improvements tax money should make clear the extent that the money might be used for non-school repairs and renovations.

**Community engagement:** The OSFC says “a well-developed community engagement plan is a critical factor in obtaining community support for a project. ... School administrators, in collaboration with the Commission, are strongly encouraged to hold community-wide meetings to gather input from stakeholders. ... The more the community is involved, the better the chances are for support of the overall master plan and funding to support it.” While this recommendation was made in regard to initial master planning in Ohio’s typical, shorter-duration projects, one may assume that it applies as well to a master plan revision of such massive proportion as this one.

The OSFC recommends consideration of facilitated meetings, focus groups, community-wide surveys, targeted phone or mailed surveys, and newsletters with project updates.

The “Community Engagement Guide” (KnowledgeWorks Foundation, June 2005) distributed by the OSFC says, “Whereas some people refer to community engagement as a way to achieve “buy-in” from community members on plans that have already been developed or decisions that have already been made, KnowledgeWorks Foundation defines community engagement quite differently.

... The Foundation has adopted the term "authentic community engagement" to describe community engagement that creates ownership rather than "buy-in." Authentic community engagement is not about informing people, but educating community members so that they can make informed decisions."

The premise of the foundation's recommendations, put most simply, is that "people are much more likely to support what they have helped create."

The district administration says the revision should have been done a year ago but that the OSFC, mindful of the imminent change in CMSD administration, did not force the issue. The project was already beset by problems and delays, and any new administration would need time to get a handle on such a massive project and assess its options. That said, the time now left for community engagement is slim.

Whatever engagement process is initiated this summer, the district's Web site, <http://www.cmsdnet.net/>, could be improved to help in this regard.

For example, if one wonders when Franklin D. Roosevelt Elementary School is going to reopen (it had been scheduled to open last fall), one might look in the Facilities Directory on the district's Web site. The Capital Program is on pages 37-39, and it obviously has not been updated for many months. It still says FDR will open in the 2006-07 school year., FDR is now scheduled to open for the beginning of the next school year.

Another example: There is no mention that Audubon school, originally scheduled for demolition and construction in 2010-2012, is now part of the current Segment 4. Simply notifying parents of students is insufficient, because so many other members of the community are involved.

The Capital Program should not be buried in the Facilities Directory. It should have its own page with a prominent listing and link on the district's home page, and it should be updated frequently as the project changes. It should also list all nine project segments, not just the first four currently listed. Changes could be prominently noted.

Links to a frequently updated Capital Program page could be established on other frequently visited Web sites, such as those of the Cleveland Public Library and the City of Cleveland.

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