

Program Progress Update 9

January 26, 2009

Introduction

This is the ninth 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 December 2008.

Overview

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

Construction is completing at three of the nine Segment 3 schools, and classes are to begin at two of them after the District's winter break if city occupancy permits can be obtained. Eight of the nine are expected to be available for classes before summer. The current completion targets for the nine Segment 3 schools range from three to nine months behind the schedule set in the Project Agreement with the Ohio School Facilities Commission (OSFC).

In Segment 4, work is under way at two schools, contracts were to be awarded this month for two more, bids were advertised in December for three schools, and another is to be bid soon. Design work continues for the remaining two. Current completion targets range from August 2010 to January 2011, 14 to 20 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.

The Board of Education approved a revised Master Plan at the end of July, and the OSFC approved it in late November, allowing work to begin on the 11 schools of Segment 5. Architectural and engineering design contracts are to be awarded shortly, although the District will need to secure more money through a bond issue planned for early 2009 before the OSFC will provide co-funding. (The OSFC pays two-thirds of basic construction program costs.)

The District hopes to begin design of the five Segment 6 schools in the second half of 2009.

Budget performance. The estimated cost of Segment 3 is 22.3 percent above the Project Agreement budget, and of Segment 4, 21.5 percent over budget. Cost projections are subject to adjustment until a segment is concluded.

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 December 2008 to be 8.7 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.
- The Woodhill-Quincy demolition is now indefinitely suspended, because the City of Cleveland declined to grant a permit on grounds that the building is architecturally significant because it was designed by a prominent early 1900s firm, 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	(\$17,485,697)	(\$542,101)
Miles Park	650	new	Jul-05	plus 18m	\$16,900,933	(\$16,738,798)	(\$216,877)
Adams HS	1,335	new	Aug-06	Met	\$36,728,095	(\$37,651,305)	(\$923,210)
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	(\$15,374,301)	(\$759,088)
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	(\$12,337,874)	(\$567,702)
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	(\$354,207)	\$331,079
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)
Totals					\$225,527,914	(\$205,796,314)	\$19,731,600

Segment 2: originally 13 schools, cut to seven. The segment was projected as of the end of December to be 9.4 percent over budget. All schools are open.

- All schools were in the closeout phase.
- Commissioning of the heating, ventilation and air-conditioning (HVAV) system was continuing at Franklin D. Roosevelt, even though classes have been held there since August 2007. The District reports that the installed system has not operated reliably and that the mechanical engineer, mechanical contractor,

manufacturer and controls contractor have all been required to correct the problems.

- At James Rhodes High School, all work was completed and the heating system is online.

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	(\$16,027,253)	(\$678,792)
Mound*	450	new			\$40,278	(\$40,281)	(\$3)
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,566,458)	(\$524,441)
Martin	490	reno	Jul-06	plus 1m	\$8,641,685	(\$8,989,079)	(\$347,394)
Roosevelt	1,115	reno	Jul-06	plus 13m	\$14,232,255	(\$16,407,748)	(\$2,175,493)
Gibbons	351	new	Jun-06	plus 2m	\$9,779,954	(\$10,501,401)	(\$721,447)
Bethune	500	reno	Jun-06	plus 2m	\$8,902,994	(\$9,793,794)	(\$890,800)
Hayes HS*	800	new			\$822,484	(\$822,486)	(\$2)
Jefferson Relief*	785	new			\$173,723	(\$173,725)	(\$2)
Willson*	574	new			\$448,459	(\$602,838)	(\$154,379)
Rhodes	1,005	reno	May-07	plus 9m**	\$22,491,509	(\$25,122,661)	(\$2,631,152)
West Side Relief HS			Jun-06		\$523,078	(\$917,794)	(\$394,716)
Willson LFI Demo					\$0	(\$317,112)	(\$317,112)
Totals					\$94,446,902	(\$103,282,630)	(\$8,835,733)

*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 December's end to be 22.3 percent over budget.

- The District is seeking occupancy permits in hopes of beginning classes after the winter break at R.G. Jones (4550 West 150th Street) and Artemus Ward (4315 West 140th Street). An occupancy permit for Garfield (3800 West 140th Street) is expected in February.
- The focus at Patrick Henry (11901 Durant Ave.) is continuation of technology wiring and finish painting and installation of drywall, ceiling grid, light fixtures, and trim, and completion of gym flooring and equipment.
- The January agenda for Buhner (1600 Buhner Ave.) included finish painting, start-up of the heating system, and installation of light fixtures, flooring, and technology wiring.
- Windows are complete at Wade Park (7600 Wade Park Ave.). Up next completion of gutters, downspouts and roof flashing, continued painting and installation of light fixtures and technology wiring, finish carpentry, and begin flooring installation.
- At East Clark (885 East 146th Street), roof decking was complete in all areas, and window installation was continuing. The focus for January was completion of final roofing, brick veneer and windows.

- Water lines were tied in at Harvey Rice (11529 Buckeye Road) in December, and roofing was complete in the gym and classroom areas. The focus for January was to be completion of windows, curtain walls, and the main entrance.
- At the new Willson, about 30 blocks east of the current building on E. 55th Street, crews are completing utility installation and continuing work on bearing masonry and decking.
- Window stabilization at Empire, John Marshall and Paul Revere, which is being done as part of Segment 3, was completed in November.
- **Latest scheduled occupancy dates:** Jan. 2009: Ward, Jones. Feb. 2009, Garfield. March 2009: Henry, Buhrer. April 2009: Wade Park, Rice, East Clark; December 2009: Willson,

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	(\$15,244,055)	(\$2,770,991)
East Clark	450	new	Dec-08	plus 4m	\$13,892,376	(\$14,425,933)	(\$533,557)
Patrick Henry	450	new	Aug-08	plus 7m	\$12,289,813	(\$16,196,404)	(\$3,906,591)
Buhrer	350	new	Dec-08	plus 3m	\$9,977,906	(\$13,600,096)	(\$3,622,190)
Mooney*	575	new			\$292,103	(\$371,199)	(\$79,096)
Mooney Demo					\$ 1,273,290	(\$1,135,381)	\$ 137,909
Garfield	426	new	Aug-08	plus 6m	\$11,610,319	(\$15,122,874)	(\$3,512,555)
Jones	450	new	Aug-08	plus 5m	\$11,764,356	(\$13,834,349)	(\$2,069,993)
A. Ward	450	new	Aug-08	plus 5m	\$11,689,572	(\$13,962,772)	(\$2,273,200)
Harvey Rice	450	new	Dec-08	plus 4m	\$13,683,580	(\$16,013,786)	(\$2,330,206)
West Side Relief HS*					\$668,653	(\$1,358,859)	(\$690,206)
Willson / LFI demo	574	new	Mar-09	plus 9m	\$12,099,809	(\$15,362,838)	(\$3,263,029)
Totals					\$111,714,849	(\$136,628,546)	(\$24,913,705)

*moved to Segment 5

***reflects currently planned target

Segment 4: originally 15 schools, reduced to 10 pre-K-8s. The segment was projected as of the end of December to be about 21.5 percent over budget.

- 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.
- Work has begun on Euclid Park (off Ansel Road between Kosciuszko and Pulaski avenues). Site grading for the building pad is complete, and initial storm and sanitary piping was continuing. Foundations were near completion, and masonry work was ongoing. Wells for geothermal heating were drilled in December.
- Also under way is Jamison (13905 Harvard Ave.). The schedule for January called for slab and bearing masonry work.
- Bids were to be awarded this month for Adlai Stevenson (3938 Jo Ann Drive) and Charles Dickens (3552 East 131st Street). Bids were advertised in December for George Washington Carver (2201 East 49th Street), Anton Grdina (3050 East 77th Street), and Nathan Hale (3588 Martin Luther King Jr. Drive).

- Thomas Jefferson (3145 West 46th Street) bids are to be advertised early this year. Demolition of the old school revealed subsoil that was deemed unfit for supporting a new structure, so further excavation and soil remediation is planned. The final house demolition at the site is done.
- Building demolitions and grading are complete at Moses Cleaveland (site of the new Jamison), Charles Lake (9201 Hillock Ave.) and Corlett (for Dickens).
- Demolition of George Washington Carver (2201 East 49th St.) and Hale was to be completed early in 2009.
- Housing demolition was ongoing at the site of the new Mound (5405 Mound Ave.) in the Slavic Village area, and design work was finishing up.
- 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.
- Design work continues on Lake. The District had problems with the original architect but decided to follow through with it. The occupancy target has been moved back to January 2011, but design delays have continued.
- 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 new contract with the Cleveland Teachers Union for kindergarten through third grade.
- **Latest scheduled occupancy dates:** August 2010: Jamison, Carver, Euclid Park; Jan. 2011: Dickens, Grdina, Stevenson, Lake, Jefferson, Hale, 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 18m	\$12,494,986	(\$14,403,175)	(\$1,908,189)
Corlett Demo					\$306,983	(\$706,195)	(\$399,212)
Euclid Park	351	new	May-09	plus 15m	\$11,863,598	(\$14,093,053)	(\$2,229,455)
Lake	400	new	May-09	plus 20m	\$10,839,836	(\$13,369,940)	(\$2,530,104)
Jefferson	785	new	Aug-09	plus 17m	\$19,180,034	(\$20,714,194)	(\$1,534,160)
Mound	450	new	Aug-09	plus 17m	\$12,357,938	(\$15,143,951)	(\$2,786,013)
Grdina	540	new	Sep-09	plus 16m	\$15,353,878	(\$18,704,309)	(\$3,350,431)
Audubon*	450	new			\$0	\$0	\$0
Carver	450	new	Jun-09	plus 14m	\$12,573,569	(\$15,540,369)	(\$2,966,800)
Hale	400	new	Jul-09	plus 18m	\$11,003,699	(\$14,844,286)	(\$3,840,587)
Jamison	450	new	May-09	plus 15m	\$12,128,122	(\$14,223,649)	(\$2,095,527)
Cleaveland Demo					\$531,655	(\$1,008,913)	(\$477,258)
Stevenson	450	new	Aug-09	plus 17m	\$10,805,208	(\$14,545,731)	(\$3,740,523)
Totals					\$129,439,506	(\$157,297,765)	(\$27,858,259)

*** 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 has asked the Board of Education for authority to award contracts for architectural and engineering design; 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.

Two previous impediments to starting Segment 5 work have been overcome:

- 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, allowing it to 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 in spring 2009.
- After a review of Lincoln-West and Martin Luther King Jr. high school buildings, the OSFC staff determined that the District's plan for a new West Side Relief High School in Segment 5 does conform to OSFC policy. In general, that policy does not allow for construction of a new high school if the District has other high schools that could be renovated for two-thirds or less of the cost of building a new one.

The current, tentative schedule for Segment 5 schools:

- Almira (1815 Larchmere Blvd.), Charles Mooney (3213 Montclair Ave.), Forest Hill Parkway (450 East 112th St.), Miles (11918 Miles Ave.), Orchard (4200 Bailey Ave.), and Paul L. Dunbar (2200 West 28th 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 65th St. and Walworth), John Marshall (3952 West 140th St.), and West Side Relief (site to be determined) high schools are to be ready for classes in August 2013. No demolitions have been scheduled, but the projected bid date for construction contracts is November 2010.

Budget

Using the cost estimates in the Construction Manager's report for December, the co-funded portion of the capital program's first four segments will have cost the School District about \$192.43 million of the \$335 million authorized under Issue 14 (This is less than previously reported, owing chiefly to the official deletion of the Audubon school from the co-funded Master Plan).

With \$44.58 million spent or obligated as of December 31, 2008, for Locally Funded Initiative (LFI) work that the OSFC does not co-fund, that would leave about

\$97.99 million of Issue 14 money to fund the District's share of Segment 5 and beyond (not counting any availability of funds from interest and non-bond proceeds).

The District Administration's calculation of interest and non-bond proceeds as of December 31 was \$48.75 million.

In sum, the District had about \$146.74 million potentially available, if it can successfully sell the remainder of Issue 14 bonds, that could be spent on the co-funded facilities program after Segment 4.

However, a large portion of that total is interest earnings, listed as \$33.2 million as of December 31, 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, Segment 1 is undergoing OSFC closeout now, as hiring of Segment 5 architects is about to begin.)

In any case, the estimated amount of District money available for Segment 5 and future co-funded segments will be reduced to the extent of future LFI spending by the District, such as for repairs/improvements of buildings that are not part of the Master Plan, and to the extent that the District's co-funding costs for current and future segments exceed current estimates.

The District's projection of its costs for Segments 5 through 7 under the Master Plan adopted June 30, 2008, is \$155.61 million, which is \$8.87 million less than the apparently available funding.

Part of the shortfall conceivably could be made up by "E-Rate" federal subsidies for technology work at schools in the program.

The District eventually should receive \$6.6 million in E-Rate subsidies for technological equipment installed in Segments 2 and 3 if the District's technology contractor, Doan Pyramid, and the District Finance Department supply the required invoices and other documentation to the federal government. The Segment 2 application for reimbursement is planned for February. Documentation of Segment 3 technology work has not begun. The expected reimbursement from E-Rate assumes that all of the federally approved equipment was indeed installed. If the District cannot document the installation, the amount to be reimbursed will decrease.

Segment 4 schools are not expected to be completed until the end of 2010, so E-Rate reimbursement for work on them probably would not be available to the District by the start of Segment 7, planned for sometime during 2010.

The expected E-Rate reimbursements would still leave the District \$2.27 million short of necessary funding for Segment 7.

Therefore, given the apparent shortfall of \$2.27 million, the encumbered nature of interest assets, the likelihood of more LFI spending outside the Master Plan, the insufficiency of expected E-Rate reimbursements in time to make up the deficit, and the recent history of exceeding Project Agreement budgets by about 20 percent, it is unlikely that the District can build all of the currently planned Segments 5, 6 and 7 with its available assets stemming from Issue 14 as the District previously had hoped.

The District has said that voter approval of an additional \$217 million in local taxes will be needed to complete Segments 8-10 of the new Master Plan.

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