

Program Progress Update 3

November 26, 2007

Introduction

This is the third 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 October 2007, supplemented with information from the District's program team.

Overview

Segments 3 and 4 of what currently is a nine-segment program are behind schedule and not expected to catch up. Whether Segment 5 begins in May 2008 as planned will depend on the District Administration's ability to take actions necessary to gain approval of its proposed Master Plan revisions by the Board of Education and then the Ohio School Facilities Commission (OSFC).

Segment 3 is also markedly over budget, and Segment 4 appears destined to exceed its budget as well, although the Administration and designers are working to limit the damage.

Segment 1 is completed, except for a demolition that faces a challenge from city planners. Segment 2 is complete except for the renovation of Rhodes High School. However, the District still faces unresolved contractor claims for more money from Segments 1 and

2. In addition, the Administration must resolve instances of poor workmanship that have been encountered in Segments 1 and 2.

Bidding for Segment 3 (originally 2004-2007) was to conclude this month with Harvey Rice and Willson preK-8s. Work has begun in the field on four of the segment's nine schools. The latest target dates for completion range from one to five months behind completion dates in the Project Agreement with the OSFC.

Bidding on schools in Segment 4 (originally 2005-2008) is to occur February/March 2008 through April/May 2009, although the status of two schools remains uncertain. Completion targets for the 11 preK-8s now range from two to 13 months behind schedule.

Reasons given by the project team for the delays include the need to address contractor claims and work deficiencies from Segments 1 and 2 and delays in property acquisition. The new Administration also had to radically adjust the content of Segment 3 in autumn 2006 and to adopt design and equipment standards.

Segment 1 is about 8.5 percent under budget, due almost entirely to expenditure of about \$25 million less than was budgeted on the Warm, Safe, and Dry (WSD) component. However, the Administration is now planning to use more WSD money to improve security at all of the District's schools.

Segment 2 appears headed to be 8.3 percent over budget.

The biggest concern has been Segment 3, at nearly 24 percent over budget.

The program team and officials of the OSFC, which pays for 68 percent of qualifying work in the program, have been reviewing designs for Segment 4 schools and adopting engineering alternatives and other changes to minimize its expected cost overrun. The latest available calculation is for the segment to be about 10 percent over budget, but design-based spending estimates for three of the schools were not yet available.

Segment 3 was very late in starting, which limited time available for cost-saving redesigns when bids that greatly exceeded budgets. Timely launching of Segments 5 and beyond should provide more opportunity for such activities, and the effort should be made easier by application of the cost-reduction measures adopted in Segment 4.

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 formal Project Agreement with the OSFC. The budget in ongoing segments can be changed to accommodate unforeseen circumstances.

Many factors may be at issue when occupancy targets are missed, including construction delays, design changes, postponed bidding, or lack of timely real estate acquisition.

The Project Agreement budget is subject to adjustment until a segment is concluded, as are the projected cost numbers. Such changes are especially likely in the case of Segment 3, which is still being bid, and Segment 4, which is in the design stage. For example, Segment 3 was projected in August to be 22.9 percent over budget, but in October the percentage was 23.9.

In calculating that the District will need \$217 million in additional tax money to complete the entire facilities program, the Administration recently used \$171.3 million as its estimate of the total co-funded cost of Segment 4, which is 17.8 percent more than the Project Agreement budget of \$145.4 million.

Therefore, if Segment 4 runs more than 17.8 percent over budget, the program may have to be pared. This illustrates the importance of budget adherence: Excesses 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 is not unlimited.

Put another way, if Segment 3 had been held to only 10 percent over the co-funded budget, the School District would have saved 4.96 million in local-match money. That's enough to leverage a new elementary school or half of a new high school.

Segment-by-Segment Report

Segment 1, includes the Warm Safe and Dry initiative at all schools, a new East High Gym and 7 new or renovated schools, plus demolition of the Woodhill-Quincy school. Construction is complete at all schools.

A number of projects in the segment remained in the closeout phase, meaning some construction issues remained to be resolved.

Demolition of the former Woodhill-Quincy building was suspended upon discovery that it requires Cleveland Planning Commission approval because the building, though in poor condition, is considered architecturally significant. It was designed by a prominent architectural firm of the early 1900s in Cleveland, Hubbell & Benes. The Administration had hoped to gain approval in September, but the issue remained unresolved at the end of October.

Segment 1 schools, 2002-05	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	(\$17,414,212)	(\$470,616)
Miles Park	650	new	Jul-05	plus 18m	\$16,521,921	(\$16,863,984)	(\$342,063)
Adams HS	1,335	new	Aug-06	met	\$36,728,095	(\$37,970,108)	(\$1,242,013)
Hay HS	1,232	reno	Jun-05	plus 11m	\$34,749,207	(\$36,579,885)	(\$1,830,678)
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
					\$0	(\$723,849)	(\$723,849)
					\$0	(\$568,804)	(\$568,804)
Totals					\$225,527,914	(\$206,338,237)	\$19,189,677

Segment 2, originally 13 schools, cut to seven.

- Classes are being held at all schools in the segment.
- Installation of gym equipment and heating/air conditioning tests remained to be completed at FDR, although the school opened in August. The latest target for the final work was November.
- All other schools were in the closeout phase.

- Rhodes High School is being renovated while occupied. Phases 1-5a (of 7) are now complete and in use for classes. Mechanical/electrical/plumbing work was continuing in parts of the second and third floors and the basement. Boiler/heating controls commissioning and training was to take place this month.

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	(\$15,841,046)	(\$492,585)
Mound*	450	new			\$40,278	(\$40,278)	\$0
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,488,526)	(\$446,509)
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	(\$16,292,167)	(\$2,059,912)
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	(\$9,746,803)	(\$843,809)
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	(\$24,770,046)	(\$2,278,537)
West Side Relief HS			Jun-06		\$523,078	(\$917,794)	(\$394,716)
					\$0	(\$317,112)	(\$317,112)
Totals					\$94,446,897	(\$102,314,788)	(\$7,867,891)

*moved to other segment or put on hold

** school partially occupied during renovation

Segment 3, originally 14 schools, reduced to 9 K-8s.

- Work has commenced at Robinson G. Jones, Garfield, Artemus Ward, Buhner and Patrick Henry.
- Bids on East Clark were received in October. Site work on Wade Park was to begin this month, as was advertising for bids on Harvey Rice. All are delays from previous schedules of a July/August timeframe. A delay in acquiring property from a developer was the issue for Rice.
- Land acquisition for Willson was to be completed in November, and bidding was planned for November/December. Willson originally was to have been a Segment 2 school.
- **Latest scheduled occupancy dates:** Dec. 2008: Garfield, Ward, Jones. Jan. 2009: Buhner, Henry. April 2009 (month later than last BAC update): East Clark, Wade Park, Rice, Willson. As

a practical matter, schools completed in April will be of little use until the start of the next school year, in August. Schools completed in January could be opened for classes over spring break but that might not occur because of concern about academic distraction.

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	(\$16,053,756)	(\$3,580,692)
East Clark	450	new	Dec-08	plus 4m***	\$13,892,376	(\$14,745,547)	(\$853,171)
Patrick Henry	450	new	Aug-08	plus 5m***	\$12,289,813	(\$16,246,985)	(\$3,957,172)
Buhrer	350	new	Dec-08	plus 1m***	\$9,977,906	(\$13,752,629)	(\$3,774,723)
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	(\$14,956,258)	(\$3,345,939)
Jones	450	new	Aug-08	plus 4m***	\$11,764,356	(\$13,440,073)	(\$1,675,717)
A. Ward	450	new	Aug-08	plus 4m***	\$11,689,572	(\$13,708,460)	(\$2,018,888)
Harvey Rice	450	new	Dec-08	plus 4m***	\$13,683,580	(\$16,214,667)	(\$2,531,087)
West Side Relief HS*					\$668,653	(\$1,358,857)	(\$690,204)
Willson	574	new	Mar-09	plus 1m***	\$12,099,809	(\$16,412,613)	(\$4,312,804)
Totals					\$111,714,841	(\$138,396,423)	(\$26,681,582)

*moved to other segment or put on hold

***baseline target already postponed

Segment 4, originally 15 schools, reduced to 11 K-8s.

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, and if the estimates are deemed to be too far out of line with the budgets, the designs may be altered.

These are the first designs that will 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. The Pre-K space is not co-funded by the OSFC.

As an example of the process, the project team, reacting to initial estimates that school designs would cause the segment to excessively exceed its Project Agreement budget of \$145.4 million, 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, an initial cost estimate was that the project would be 20 percent over budget, according to the Construction Manager's report. Now, additional value engineering sessions are planned to lower the estimated cost.

- Geothermal heating systems are being considered for Nathan Hale, 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 in this segment and later ones.
- The District is 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. The extent of any delay will depend on how long it takes to acquire the additional land. Mound initially was supposed to have been 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 structure, although District planning documents list the building as "new." Development of schematic design documents is on hold until this decision is made. The Construction Manager's report says the issue for Audubon is "based on the community's desire to save the building and have renovations in lieu of a new building."
- Charles Lake, Euclid Park, Thomas Jefferson, Moses Cleaveland, and Corlett are to be demolished this fall to clear the way for construction of new schools. The new Robert H. Jamison school will be built on the Cleaveland site. The new Charles Dickens is to be built on the Corlett site. The current Anton Grdina is to be demolished in 2010, after the new one is built.
- Demolition of George Washington Carver and Nathan Hale is to occur in fall of 2008.
- **Latest scheduled occupancy dates:** July 2009: Jamison. Aug. 2009: Euclid Park. Dec. 2009: Lake (postponed from

August). Stevenson, Grdina, Dickens. Feb. 2010: Thomas Jefferson. July 2010: Carver, Hale. 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	(\$306,984)	(\$1)
Euclid Park	351	new	May-09	plus 3m***	\$11,863,598	(\$13,967,313)	(\$2,103,715)
Lake	400	new	May-09	plus 7m***	\$10,839,836	(\$13,242,039)	(\$2,402,203)
Jefferson	785	new	Aug-09	plus 6m***	\$19,180,034	(\$20,175,017)	(\$994,983)
Mound	450	new	Aug-09	plus 12m***	\$12,357,938	(\$12,357,938)	\$0
Grdina	540	new	Sep-09	plus 3m***	\$15,353,878	(\$15,353,878)	\$0
Audubon	400	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	350	new	Jul-09	plus 12m***	\$11,003,699	(\$12,760,471)	(\$1,756,772)
Jamison	450	new	May-09	plus 2m***	\$12,128,122	(\$13,889,052)	(\$1,760,930)
Cleveland Demo					\$531,655	(\$623,082)	(\$91,427)
Stevenson	450	new	Aug-09	plus 4m***	\$10,805,208	(\$12,996,136)	(\$2,190,928)
Totals					\$145,363,505	(\$160,002,010)	(\$14,638,505)

*** 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

Efforts to control the cost of Segment 4, if successful, will provide a valuable template for future segments. Adherence to budgets will ensure that this and future generations of Cleveland children can attend the greatest possible number of new and totally renovated schools that are on par with those in any suburb.

Cost-control efforts will be facilitated by stick to design and construction schedules, because in construction delay generally costs money. And if the program is on time, the project team might have

the option of redesign and rebidding work when all bids come in too high.

Using the October cost projections, the first four segments will have cost the School District about \$194.3 million of the \$335 million available from Issue 14 on the co-funded portion of the program. With \$31.34 million spent or obligated as of Sept. 31, 2007, for work that the OSFC does not co-fund, that would leave about \$109.4 million of Issue 14 money to fund the District's share of Segment 5 and beyond (not counting interest, 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. It also estimated that \$217 million in additional tax money will be required to complete Segments 8 through 10. Although the \$217 million estimate includes contingency allowances, it did not specifically include approximately \$4 million in extra spending on security features, such as metal detectors at all schools, that has been initiated in the wake of the recent tragedy at SuccessTech High School.

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

With that in mind, 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 additional funding, or Segment 10. 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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