

Program Progress Update 5

April 28, 2008

Introduction

This is the fifth 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 lack of timely real estate acquisition, the need to resolve 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. An additional factor for Segment 4 is lack of community engagement, which has caused Cleveland zoning officials to delay consideration of variances needed for projects to proceed until the District Administration informs neighboring residents about its proposals.

Whether Segment 5 can be accomplished on time, listed in District planning documents as Spring 2010, is in doubt, because expected completion of five Segment 4 schools has now been pushed back to Spring 2010 or later.

Community forums on a revised, 10-segment, Master Plan, originally scheduled for October 2007, are now expected to continue through May 2008. That means the Board of Education probably will not vote on the plan until the end of June. Approval by the Board and the Ohio School Facilities Commission (OSFC) is required before Segment 5 can begin. The Administration had hoped to launch Segment 5 by May.

Timeliness is important because construction costs tend to rise as time passes – the District Administration estimates annual construction cost inflation at 5 percent.

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 in the final stage.

Construction or site work is under way at nine Segment 3 schools. Bidding on schools in Segment 4 was to have occurred February/March 2008 through April/May 2009, but bidding now probably will not begin until May 2008.

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 three to 13 months behind the Project Agreement schedule and as much as two years behind the original Master Plan schedule.

Budget performance. Cost-saving measures adopted for Segment 4 have held the estimated cost overrun to 12.3 percent, compared with an estimated overrun of 19.9 percent for Segment 3. This experience, if applied to later segments, should improve the program's overall prospects for budget adherence.

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.

As an example, the co-funded program would have saved an estimated \$8.5 million in Segment 3 if the overrun had been held to the predicted Segment 4 rate. That's enough money to build three-fourths of an elementary school or a third of a high school.

Sticking to the budget is all the more important because there are now indications that the \$335 million in tax money provided by voters under Issue 14, approved in May 2001, may not be sufficient to complete Segment 7 as previously had been predicted.

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 March 2008 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.
- 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. 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	(\$17,423,314)	(\$479,718)
Miles Park	650	new	Jul-05	plus 18m	\$16,900,933	(\$16,903,446)	(\$381,525)
Adams HS	1,335	new	Aug-06	Met	\$36,728,095	(\$37,708,298)	(\$980,203)
Hay HS	1,232	reno	Jun-05	plus 11m	\$34,749,207	(\$36,495,330)	(\$1,746,123)
Memorial	631	new	Aug-05	Met	\$14,615,213	(\$15,332,500)	(\$717,287)
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	(\$12,280,119)	(\$509,947)
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	(\$513,071)	\$172,215
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	(\$206,022,903)	\$19,505,011

Segment 2: originally 13 schools, cut to seven. The segment was projected as of the end of March to be 8.4 percent over budget. All schools are open.

- All K-8 schools were in the closeout phase except for F.D. Roosevelt, where final adjustments to the heating and cooling system were occurring. All issues have been resolved except those concerning heating/ventilation/air-conditioning systems at Gibbons, Bethune, and Martin.
- Rhodes High School is being renovated while occupied. Interior work is essentially complete except for final approvals of work and heating-cooling system commissioning and training. Exterior masonry and parking lot repairs are to be done this Spring.

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	(\$15,875,275)	(\$526,814)
Mound*	450	new			\$40,278	(\$40,281)	(\$3)
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,538,321)	(\$496,304)
Martin	490	reno	Jul-06	plus 1m	\$8,641,685	(\$8,928,261)	(\$286,576)
Roosevelt	1,115	reno	Jul-06	plus 13m	\$14,232,255	(\$16,232,193)	(\$1,999,938)
Gibbons	351	new	Jun-06	plus 2m	\$9,779,954	(\$10,464,559)	(\$684,605)
Bethune	500	reno	Jun-06	plus 2m	\$8,902,994	(\$9,751,819)	(\$848,825)
Hayes HS*	800	new			\$822,484	(\$822,486)	(\$2)
Jefferson Relief*	785	new			\$173,723	(\$173,725)	(\$2)
Willson*	574	new			\$448,459	(\$603,706)	(\$155,247)
Rhodes	1,005	reno	May-07	plus 5m**	\$22,491,509	(\$24,691,450)	(\$2,199,941)
West Side Relief HS			Jun-06		\$523,078	(\$917,794)	(\$394,716)
Willson LFI Demo					\$0	(\$317,112)	(\$317,112)
Totals					\$94,446,897	(\$102,356,982)	(\$7,910,085)

*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 March’s end to be 19.0 percent over budget, an improvement of \$4.4 million from October.

- Enclosure work was continuing on Garfield (3800 West 140th Street), Jones (4550 West 150th Street), Ward (4315 West 140th Street), Henry (11901 Durant Ave.) and Buhrer (1600 Buhrer Ave.).
- Foundations were completed at Wade Park (7600 Wade Park Ave.), and masonry work was under way.
- East Clark (885 East 146th Street) foundation work was to begin this month.
- Site mobilization was under way at Harvey Rice (11529 Buckeye Road).
- Bids for Willson were received in late January, but all but the bid for site work, which is under way, were rejected because some bidders said they were unaware of the need for information on community inclusion efforts in hiring and sub-contracting. The rest of the work was rebid in March.
- **Latest scheduled occupancy dates:** Dec. 2008: Ward, Jones, Garfield. March 2009: Henry, Buhrer. April 2009: Wade Park, Rice, East Clark; May 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	(\$15,163,167)	(\$2,690,103)
East Clark	450	new	Dec-08	plus 4m***	\$13,892,376	(\$14,357,671)	(\$465,295)
Patrick Henry	450	new	Aug-08	plus 7m***	\$12,289,813	(\$15,924,944)	(\$3,635,131)
Buhrer	350	new	Dec-08	Plus 3m***	\$9,977,906	(\$13,476,192)	(\$3,498,286)
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 4m***	\$11,610,319	(\$14,770,649)	(\$3,160,330)
Jones	450	new	Aug-08	plus 4m***	\$11,764,356	(\$13,520,877)	(\$1,756,521)
A. Ward	450	new	Aug-08	plus 4m***	\$11,689,572	(\$13,825,818)	(\$2,136,246)
Harvey Rice	450	new	Dec-08	plus 4m***	\$13,683,580	(\$15,225,733)	(\$1,542,153)
West Side Relief HS*					\$668,653	(\$1,358,859)	(\$690,206)
Willson	574	new	Mar-09	plus 2m***	\$12,099,809	(\$14,814,034)	(\$2,714,225)
Totals					\$111,714,841	(\$133,944,524)	(\$22,229,683)

*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 March to be 12.3 percent over budget, with design-based cost estimates for Mound and Audubon yet to be made.

At least six of the schools (Mound, Euclid Park, Dickens, Lake, Stevenson and Grdina) are to have geothermal heating/cooling systems. In addition, Mound is to feature a number of other environmentally friendly design elements.

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.

- 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.
- Euclid Park (off Ansel Road between Kosciuszko and Pulaski avenues), Charles Dickens (3552 East 131st Street) and Jamison (13905 Harvard Ave.) were in the final design review stages to allow for bid advertising in April/May. Euclid Park and Jamison bidding had been scheduled for February/March. Bidding on other projects is to continue through May 2009.
- The District is nearly finished buying properties adjacent to the initially planned site for the Mound K-8 (5405 Mound Ave.) 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 (3055 Martin L. King Jr. Drive) 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 (9201 Hillock Ave.), Cleveland, Jefferson (3145 West 46th Street) and Euclid Park demolitions have been completed to make way for construction. The new Jamison will be built on the Cleveland site. The new Dickens is to be built on the Corlett site.
- Demolition of George Washington Carver (2201 East 49th Street) and Nathan Hale (3588 Martin Luther King Jr. Drive) is to occur by Fall of 2008. The current Grdina is to be demolished in 2010, after the new one (3050 East 77th Street) is built.
- The city zoning- and plan-review process for Stevenson (3938 Jo Ann Drive) and Grdina was awaiting completion of District-city land transfers.
- 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 when the schools are completed and to accommodate pre-kindergartens and the 20-1 student-teacher ratio in the first three grades.
- Problems arose with architectural drawings for Lake, and the estimated occupancy date has now been postponed from December 2009 to April 2010. The Charles Lake students are attending classes at the Louis Pasteur school.
- **Latest scheduled occupancy dates:** Dec. 2009: Jamison. Aug. 2009: Euclid Park. Dec. 2009: Dickens. Feb. 2010, Grdina, Stevenson, Jefferson. April 2010: Lake; 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	(\$13,555,397)	(\$1,060,411)
Corlett Demo					\$306,983	(\$553,623)	(\$246,640)
Euclid Park	351	new	May-09	plus 3m***	\$11,863,598	(\$13,793,051)	(\$1,929,453)
Lake	400	new	May-09	plus 11m***	\$10,839,836	(\$13,401,352)	(\$2,561,516)
Jefferson	785	new	Aug-09	plus 6m***	\$19,180,034	(\$19,448,869)	(\$268,835)
Mound	450	new	Aug-09	plus 12m***	\$12,357,938	(\$12,357,938)	\$0
Grdina	540	new	Sep-09	plus 5m***	\$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	(\$14,227,842)	(\$1,654,273)
Hale	400	new	Jul-09	plus 12m***	\$11,003,699	(\$14,229,970)	(\$3,226,271)
Jamison	450	new	May-09	plus 7m***	\$12,128,122	(\$13,643,492)	(\$1,515,370)
Cleaveland Demo					\$531,655	(\$647,948)	(\$116,293)
Stevenson	450	new	Aug-09	plus 6m***	\$10,805,208	(\$13,929,383)	(\$3,124,175)
Totals					\$145,363,505	(\$163,217,580)	(\$17,854,075)

*** baseline target already postponed

Segments 5, etc.: These plans are subject to change in the ongoing revision of the Master Plan.

Budget

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.

However, those cost projections did not include the addition of approximately \$4 million in extra spending on security features, such as metal detectors at all schools, nor did they include an additional \$4.4 million in repairs that are now being planned.

Using the cost estimates in the Construction Manager's report for March, the co-funded portion of the first four segments will have cost the School District about \$193.25 million of the \$335 million available from Issue 14. With \$35.48 million spent or obligated as of Feb. 29, 2008, for work that the OSFC does not co-fund, that would leave about \$106.27 million of Issue 14 money to fund the District's share of Segment 5 and beyond (not counting any availability of funds from interest, bond premiums and non-bond proceeds, including federal technology subsidies).

However, the District Administration's projections of its costs for Segments 5 through 7 total \$122.76 million, suggesting that completion of all of Segment 7 may not be assured.

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. The Administration is asking the OSFC to change its policy, but if it should

decline, the District may have to curtail its building plans or increase its anticipated request for additional tax money.

Conclusion

For the reasons stated above, reasonable adherence to budgets and construction timetables is the only foreseeable 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 that will provide a valuable template for future segments. 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 bidders for the District's work. More competition for contracts would improve the chances for lower bids.

Meanwhile, with prices for fuel and basic construction commodities, such as steel, rising sharply, expectations will have to conform to financial realities.

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 sometime in Segment 7, if voters do not approve more funding, or Segment 10.

As we have stated before, if costs are controlled, Cleveland's children will have the most possible new schools, and voters will have more incentive to provide the required additional tax money.

Contact us: James G. Darr, BAC administrator

(216) 987-3309

bondaccountability@hotmail.com

fax: (216) 987-4303