



Segments 8 and 9 Update

1. The Master Plan Update passed by the Board of Education on June 24, 2014 called for the construction of 20 to 22 new schools built in partnership with the Ohio Facilities Construction Commission (OFCC).
2. In November of 2014, voters passed Issue 4 to provide \$200 million for school construction. CMSD worked with the OFCC to determine how many schools could be built with that amount.
3. The funding formula with the state from the beginning of the program in 2002 has been that the OFCC provides 68 cents and CMSD 32 cents for every dollar of new construction. It was based on the poverty rate, and at that time Cleveland was in the 32nd percentile, which accounts for the 32 cents share. Calculated today, Cleveland is in the 12th percentile so the funding allocation should be 88 cents from the OFCC and 12 cents from CMSD.
4. Schools are built according to the Ohio Design Manual (ODM) with the OFCC holding the contracts with the architects and construction managers. Schools are built according to Segment Agreements with the state.

A segment agreement is mutually agreed to with the OFCC and sets forth a timeframe and the number of schools that will be constructed in that timeframe. Under Issue 14 (the initial construction bond passed in May 2001) there were six segment agreements.
5. Anything the state does not fund the District pays for 100% in what is called an "LFI" (Locally Funded Initiative), and construction costs are higher in Cleveland than anywhere else in the state. Because of this, the state always provided a "market conditions adjustment" to account for the Cleveland market and to fund the design elements of the school mandated by the ODM. Through the first six segments, the OFCC provided market adjustments of between 12% and 16%.
6. Issue 4 was to fund three more building segments. Segment 7, currently under construction, is building seven PreK-8 schools and two high schools. Segment 8 is planned for eight schools and Segment 9 for five schools. Segment 7 was to break ground in the summer of 2016 followed by Segment 8 in the summer of 2017.
7. In the spring of 2016, new leadership of the OFCC signaled through their local Macedonia-based staff, that market conditions adjustment might not be what it had been in the past. Keep in mind that the Segment 7 agreement was in effect with both parties having signed it; CMSD on April 4, 2015 and OFCC on August 17, 2015.
8. From May 2016 until April 2017, both sides engaged in talks to resolve the issue. The matter was finally settled with the OFCC making an adjustment of about 7% (well below their market adjustments in the prior six segments). This resulted in an average cost of about \$285 per square foot. Once settled, the understanding was that both sides would turn their attention to Segment 8 with a more reasonable focus on an appropriate market adjustment.
9. In July 2017, the OFCC informed CMSD that the adjustment for Segment 8 would be less than 1% and would result in a \$255 per square foot cost. The last time CMSD built a school for \$255 per square foot was 10 years ago in 2008. Initial estimates showed that Segment 8 would probably be closer to \$300 per square foot. When OFCC staff was asked how they arrived at this cost they said it was based on "their observations," but they have never provided us with these observations. Until we can secure a more realistic and equitable funding allocation from the OFCC, we have had to halt our construction program.
10. In March of this year, the Bond Accountability Commission (BAC) released a report recommending that the Board revisit the current revised Master Plan passed four years ago and based on data developed in the two years prior to its adoption. The BAC views a revisiting as a matter of sound business judgment and taking into account demographic changes and academic programming needs that have occurred in the last six years. The schools currently in Segment 8 are: MacArthur, Valley View, Seltzer, Sterling, Case, Bolton, Lincoln-West and Gallagher (renovation), and in Segment 9 they are: Tremont, Clark, Denison, Iowa-Maple and Michael R. White.