

Program Progress Update 2

October 8, 2007

Introduction

The Bond Accountability Commission has updated its review of the design and construction progress of the Cleveland Metropolitan School District's construction and rehabilitation program through August 2007.

Information for this report was obtained primarily from the Construction Manager's monthly reports, supplemented by interviews and correspondence with members of the school district's program team.

The Commission has undertaken this review pursuant to its mission, authorized by the Board of Education, to monitor and report publicly on the building program and the spending of Issue 14 funds.

As the program continues, the Commission will provide further updates.

Overview

The program remains behind schedule, and efforts to catch up will depend largely on the district's ability to adopt a viable revision of its program Master Plan for Segment 5 and beyond. Work on those segments that is co-funded by the Ohio School Facilities Commission cannot begin until the Board of Education adopts a revised Master Plan.

Segments 3 and 4 have started late, and the district still faces unresolved contractor claims for more money from Segments 1 and

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

All schools in Segment 1, originally planned for 2002-2005, are now in service, the last being Miles Park K-8, which opened for classes this August. Demolition of a building remains to be done.

All schools in Segment 2, originally planned for 2003-2006, are now also in service. Franklin D. Roosevelt, Daniel Morgan and Warner K-8s opened in August, although work remained to be done at FDR. Work continues at James Rhodes High School, which is being renovated while occupied.

Bidding for Segment 3 schools (originally 2004-2007) is ongoing, although completion of the process was delayed at least another month, until October or later. Site work on some schools is under way, and foundation work was to begin in September.

Bidding on schools in Segment 4 (originally 2005-2008) is to occur February 2008 through April/May 2009, a delay of at least one month from our last report, although the status of two schools remains uncertain.

The district's chief operating officer has attributed some of the delay in launching Segment 3 to the project team's decision to first address lingering contractor claims and work deficiencies from Segments 1 and 2. Delay in property acquisition also was a factor, as was the need for the new administration to radically adjust the content of Segment 3 in autumn 2006 and to adopt design and equipment standards.

The first two segments are expected to run under budget targets by a total of about \$12.2 million, due to much less spending than planned on the Warm, Safe and Dry initiative, which began the program. Projections indicate that after Segment 3 the overall program will be about \$11 million over budget, although the budget for Segment 3 may be adjusted.

The program team is reviewing preliminary designs for Segment 4 schools with the intention of adopting engineering alternatives and other changes to avoid the extensive budget overruns expected in Segment 3. These "value engineering" alternatives are to be incorporated in all future segments.

Timely launching of future segments should provide more opportunity for rejecting bids that greatly exceed budgeted amounts and for further consideration of design alternatives when necessary.

The Ohio School Facilities Commission, which pays for 68 percent of qualifying work in the program, coordinates and participates in a review of architectural drawings for each phase of the program. According to the OSFC, each set of architectural drawings for a typical school building project is reviewed by an average of eight people from various firms (architectural, engineering, construction management, building inspection, technology, and furniture consulting) as well as the school district at least a dozen times. This multi-layer review process is intended to ensure quality without exceeding project budgets.

In the case of Segment 3, this process clearly failed to keep costs within acceptable limits.

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Segment-by-Segment Report

Following is more-detailed information on the schools in each of the first four segments.

Fifteen schools listed in the original 2002 Master Plan for Segments 2-4 were moved to later segments or put on hold, meaning that they may be dropped from the portion of the program that is co-funded by the OSFC because of districtwide declining enrollment. Such schools may end up being closed and/or demolished. However, they also could be renovated or replaced with only locally generated tax dollars or donations, although such a scenario is unlikely in light of the overall program's inadequate local funding. These schools also could be operated for a time with little or even no renovation.

Although each segment was given a time frame in the original Master Plan, the 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 targets are adjusted during each project to accommodate changing circumstances or design changes.

When a target date for occupancy is missed, it does not necessarily mean that construction itself took too long. Construction may have started late because the design and/or bid process was delayed or took longer than expected or because real estate required for the project was not acquired in a timely fashion.

Segment 3 was very late in starting, and postponements of scheduled occupancy dates before construction even starts suggest that catching up will be difficult.

Although Segment 4 work is getting under way closer to schedule, the delay of targeted completion for four schools until well after the segment's original end date underscores the need to launch Segment 5 as soon as possible after the current Master Plan revision is resolved.

Budget targets for each school, like the completion targets, are set with each segment's Project Agreement. Because of ongoing design changes for Segment 4, reliable projected cost totals (the latest estimates of what will be spent) are available only for the first three segments. However, for purposes of financial planning the district 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.

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 undergoing adjustments of designs and enrollment capacity.

As shown in the charts below, which are based on the Construction Manager's report for August, Segment 1 is projected to be well under budget, due almost entirely to the fact that nearly a third of the Warm, Safe and Dry budget was not spent.

The school construction component of Segment 1 was over budget about 3.4 percent. Segment 2 is projected to be 7.3 percent over budget, and Segment 3 is projected to be over budget by 22.9 percent.

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 now complete at all schools. Classes began in August at the last one, Miles Park Elementary School.

Every project in the segment remained in the closeout phase in August, meaning some construction issues remained to be resolved. For John Adams, outstanding contractor claims and what are described as masonry issues are in mediation. An issue over steel decking was 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 school district hoped to gain approval in September, but so far it has not.

Master Plan Autumn 2006 Segment 1, originally 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	(\$16,821,595)	(\$299,674)
Adams	1,335	new	Aug-06	met	\$36,728,095	(\$37,974,078)	(\$1,245,983)
Hay	1,232	reno	Jun-05	plus 11m	\$34,749,207	(\$36,483,213)	(\$1,734,006)
Memorial	631	new	Aug-05	met	\$14,615,213	(\$15,321,434)	(\$706,221)
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	(\$12,273,494)	(\$503,322)
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
Adams site					\$0	(\$723,849)	(\$723,849)
Memorial demo					\$0	(\$568,804)	(\$568,804)
Totals					\$225,527,914	(\$206,208,704)	\$19,319,210

Segment 2, originally 13 schools, cut to seven.

- Franklin D. Roosevelt K-8, Daniel Morgan K-8, and Warner (all-girls K-8, currently K-2) opened for classes in August 2007, joining Mary Martin K-8, Mary Bethune K-8, and Hannah Gibbons K-8 as operating schools.
- Installation of gym equipment and exterior restoration and painting remained to be completed at FDR, the latest target being September.
- All other schools were in the closeout phase.
- Demolition of the old Daniel Morgan was scheduled for this summer.using to store furniture, for surplus sale.
- Rhodes is being renovated while occupied. Phases 1-5a (of 7) are now complete and in use for classes after overtime and a second shift were used this summer to get parts of the school ready for the start of classes in August. Finish painting and fixture installation was completed in the auditorium in August.

Master Plan Autumn 2006	Student capacity	Scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Segment 2, originally 2003-06							
Warner	570	new	Jul-06	plus 10m	\$15,348,461	(\$15,822,167)	(\$473,706)
Mound*	450	new	Jul-06	plus 11m	\$40,278	(\$40,278)	\$0
Morgan	480	new	Jul-06	plus 10m	\$13,042,017	(\$13,508,073)	(\$466,056)
Martin	490	reno	Jul-06	plus 1m	\$8,641,685	(\$8,868,743)	(\$227,058)
Roosevelt	1,115	reno	Jul-06	plus 13m	\$14,232,255	(\$16,222,078)	(\$1,989,823)
Gibbons	351	new	Jun-06	plus 2m	\$9,779,954	(\$10,456,314)	(\$676,360)
Bethune	500	reno	Jun-06	plus 2m	\$9,114,898	(\$9,678,213)	(\$563,315)
Hayes*	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 3m	\$22,943,915	(\$24,663,643)	(\$1,719,728)
West Side HS*			Jun-06		\$523,078	(\$917,794)	(\$394,716)
Willson Demo LFI					\$0	(\$317,112)	(\$317,112)
Totals					\$95,111,207	(\$102,046,291)	(\$6,935,084)

*moved to other segment or put on hold, but expense charged to this segment

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

- Site preparation was ongoing at Robinson G. Jones, Garfield and Artemus Ward and was to begin in September at Buhrer and Patrick Henry.
- Bidding was planned for September for East Clark. Bids were to be advertised in September for Wade Park and in September or October for Harvey Rice. All are delays from previous schedules of a July/August timeframe. A delay in acquiring property from a developer is the issue for Rice.
- Land acquisition was still incomplete for Willson, but bidding was still planned for fall. Willson originally was to have been a Segment 2 school.
- A delay in the planned start of Garfield construction, caused by a surveyor's error on land elevations used in construction drawings, has pushed back the planned opening of the new school until December 2008 from August 2008.
- **Latest scheduled occupancy dates:** Dec. 2008: Garfield, Ward, Jones. Jan. 2009: Buhrer, Henry. March 2009: East Clark, Wade Park, Rice, Willson. As a practical matter, schools completed in March 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.

Master Plan Autumn 2006	Student capacity	Scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Segment 3, originally 2004-07							
Wade Park	501	new	Dec-08	plus 3m***	\$12,473,064	(\$15,429,614)	(\$2,956,550)
East Clark	450	new	Dec-08	plus 3m***	\$13,892,376	(\$14,798,821)	(\$906,445)
Patrick Henry	450	new	Aug-08	plus 5m***	\$12,289,813	(\$15,900,058)	(\$3,610,245)
Buhrer	350	new	Dec-08	plus 1m***	\$9,977,906	(\$13,724,428)	(\$3,746,522)
Mooney*	575	new			\$1,565,393	(\$1,506,578)	\$58,815
Garfield	426	new	Aug-08	plus 4m***	\$11,610,319	(\$14,533,837)	(\$2,923,518)
Jones	450	new	Aug-08	plus 4m***	\$11,764,356	(\$13,389,411)	(\$1,625,055)
Ward	450	new	Aug-08	plus 4m***	\$11,689,572	(\$13,706,437)	(\$2,016,865)
Rice	450	new	Dec-08	plus 3m***	\$13,683,580	(\$16,271,667)	(\$2,588,087)
Westside HS					\$668,653	(\$1,358,857)	(\$690,204)
Willson	574	new	Mar-09	on target	\$12,099,809	(\$16,631,752)	(\$4,531,943)
Totals					\$111,714,841	(\$137,251,460)	(\$25,536,619)

*moved to other segment or put on hold, but expense charged to this segment

***baseline target already postponed

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

All schools are in the design phase. These are the first designs that will specifically accommodate the school 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.

The project team, reacting to initial estimates that school designs would cause the segment to 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. The review was continuing, according to the Construction Manager, and these value-engineering changes will be used as a guide for the other Segment 4 schools.

- 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 attempting to buy 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."

- Demolition of George Washington Carver and Nathan Hale is to occur in fall of 2008. Carver students are to be moved to Benesch for the 2008-09 academic year. Swing space for Nathan Hale and Audubon students has yet to be determined.
- Charles Lake, Euclid Park, Thomas Jefferson, Moses Cleaveland, and Corlett are scheduled for demolition 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.
- **Enrollment capacity changes:** Adlai Stevenson, originally 412, was first reduced to 350 but is now increased to 450; Anton Grdina, originally 687, was first reduced to 625 and now to 540; Charles Lake, originally 350 students, will now be built for 400.
- **Latest scheduled occupancy dates:** July 2009: Jamison. Aug. 2009: Jamison, Lake and Euclid Park. Dec. 2009: Stevenson, Grdina, Dickens. Feb. 2010: Thomas Jefferson. July 2010: Carver, Hale. Jefferson. Aug. 2010: Audubon, Mound.

Master Plan Autumn 2006	Student capacity	Scope	Occupancy target	Performance vs. target	Budget w/changes	Projected spending	Under/(over) budget
Segment 4, originally 2005-08							
Dickens	450	new	Jul-09	Plus 5m***	\$ 12,494,986		
Corlett Demo					\$ 306,984		
Euclid Park	351	new	May-09	Plus 3 m***	\$ 11,863,599		
Lake	400	new	May-09	Plus 3m***	\$ 10,839,838		
Jefferson	785	new	Aug-09	Plus 6m***	\$ 19,180,135		
Mound	450	new	Aug-09	Plus 12m***	\$ 12,357,939		
Grdina	540	new	Sep-09	Plus 3m***	\$ 15,353,880		
Audubon	400	new	Sep-09	Plus 11m***	\$ 15,924,000		
Carver	450	new	Jun-09	Plus 13m***	\$ 12,573,570		
Hale	350	new	Jul-09	Plus 12m***	\$ 11,003,700		
Jamison	450	new	May-09	Plus 2m***	\$ 12,128,122		
Cleaveland Demo					\$ 531,656		
Stevenson	450	new	Aug-09	Plus 4 m***	\$ 10,805,210		
Totals					\$145,363,619		

***baseline target already postponed

Segments 5-9: These plans are subject to change in the ongoing revision of the Master Plan.

- The district has made tentative plans for a new Segment 10.

Conclusion

The program remains at a critical stage regarding cost control and timetable.

Every opportunity must be explored to keep Segment 4 costs close to budgeted amounts while still producing first-class schools for Cleveland's students. With work on Segment 5 designs growing closer as a result of pending Master Plan revision, it is imperative that Segment 4 be made a viable template for future cost control.

It is only somewhat less important that the project team resolve contractor claims and workmanship deficiencies lingering from Segments 1 and 2, so that it can focus entirely on cost control and quality of work in the current and future segments.

The timetable is important because the prices of labor and materials tend to rise with time. And if the program is not in hurry-up mode, the project team could at least have the option of throwing out bids when all are too high and rebidding the work.

If the August projections for the first three segments hold and if the Segment 4 budget is adhered to, the school district will have spent about \$189 million of the \$335 million available from Issue 14 on the co-funded portion of the program. With \$30 million spent or obligated as of Aug. 31, 2007, for work that the OSFC does not co-fund, that would leave about \$116 million of Issue 14 money to fund the district's share of Segment 5 and beyond (not counting interest, premiums and non-bond proceeds).

Based on its new Master Plan proposal, the project team estimates that the district will have enough local money to complete Segements 5, 6 and 7. Segments 8 though 10 would require voter approval of an additional bond issue that the administration has estimated at \$217 million.

As stated in our previous progress report, construction of good schools in a cost-effective manner will provide sound support for the district's inevitable request for more money to finish the program.

Glossary

The following terms are defined as used in this report:

Architect: Buildings are designed by architects selected by the local districts, subject to OSFC approval. Districts have the capability to design, within the limits of the OSFC's Ohio School Design Manual, buildings that meet the educational needs of their communities. The District and the architect may choose among an array of room types and sizes, building materials and styles, etc. The OSFC relies upon the Architect to select and specify Design Manual-compliant materials and systems of institutional quality, long-lasting building components and equipment, suitable for the intended purpose and affordable within the Project Agreement budget. Components should also perform well in terms of life cycle costs when operation and maintenance costs are considered. The architect is responsible for the documents that are developed during design and that are ultimately used for the construction of the project. After bids are opened, the project architect and the construction manager evaluate them and recommend award of the contracts to the Board of Education. Eleven months after a new or renovated school is occupied, an inspection of the building is conducted by the Architect and Construction Manager and deficiencies are listed. The Contractor is obligated to correct those deficiencies.

Construction Manager: The Cleveland-based joint venture of Ozanne-Hammond-Gilbane-Regency, selected by the Ohio School Facilities Commission, is responsible for scheduling, estimating, and providing overall coordination for the program's construction component. Employed by the OSFC but works closely with the CMSD administration. Districts, with assistance from the construction manager, are responsible for bidding out all construction contracts. The Construction Manager, with the assistance of the Architect, coordinates the construction contract closeout process. After all items on the Architect's list of items needing attention have been corrected, the Construction Manager, with the assistance of the Architect, processes a Certificate of Contract Completion for approval by the OSFC's Project Administrator.

Construction Complete: Essentially the stage at which the building is deemed fit for occupancy and use as a school, though some work may remain to be done.

Closeout: A project is considered to have entered the closeout phase one month from the time that the School District takes occupancy of the building. At this point, the architect and Construction Manager work to ensure satisfactory completion of all contract and design requirements.

Master Plan: All participants in OSFC-funded programs are required to have a Master Facilities Plan approved by the OSFC. The plan includes the scope of work and budget. While the budget includes a contingency for change orders and cost increases, the OSFC staff may recommend an amendment to change the scope and increase or decrease the budget. An amendment can be a scope adjustment (examples include an increase in the size or number of buildings due to an enrollment change or additional

items to replace in a renovation project) or a cost increase (examples include a response to changes in market conditions, soil conditions, or contractor claims).

OSFC: The Ohio School Facilities Commission. Appointed by the Ohio governor, the OSFC oversees the entire construction and renovation program and supplies 68 percent of the funding for most of the work and materials.

Project Administrator: An OSFC employee who is the primary interface for the school district, the construction manager and the project's design professional. The administrator attempts to accommodate the needs of the school district within the framework of OSFC policies and procedures. Project administrators track, approve, and provide assistance at every phase of the project through multiple submittals of building design, construction, and eventually final closeout. These individuals also work with school district staff, architects, and construction managers on a day-to-day basis; performing such tasks as overseeing the preparation, reviewing, and auditing of quarterly requests for the disbursement of state funds, and insuring that project dollars are spent appropriately.

Project Agreement: The OSFC and the school district must enter a Project Agreement, a comprehensive document that defines the scope of work, the projected budget, and other issues, such as the requirement of a maintenance plan. Both the OSFC and the board of education must approve the Project Agreement.

Renovate, Build New: Generally the choices for disposition of a school building. The district, within certain financial limits, may elect to renovate an existing school building. It also may choose to demolish the building and replace it with a new one on the same site or a different one.

Swing Space: A building where students may attend classes while their original school is being renovated or replaced.

Warm, Safe and Dry: The first phase of Segment 1, it was intended, as the name implies, to ensure that all school buildings then in use met basic standards, whether or not they were later destined for demolition as part of the School Facilities Program.

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