

Bond Accountability Commission

Annual Report 2018

1/23/19

BOND ACCOUNTABILITY COMMISSION ANNUAL REPORT, 2018 YEAR-IN REVIEW

I. Introduction

This annual report is an overview of matters that have been undertaken by the BAC in 2018.

II. Segment 7:

Segment 7 was originally slated for \$161,471,864 on August 17, 2015, and includes seven (7) K-8 schools and two (2) high schools. The schools are located in Wards 1, 6, 8, 12, 13, and 15. The Project Agreement is currently co-funded for \$204,772,040. The local portion (32%) is therefore \$65,511,053 with a state match (68%) of \$139,244,987. Additional expenses for Segment 7 schools not co-funded by the State are currently \$23,565,280. Segment 7 costs continue to outpace the co-funded budget now that construction for the high-schools is in full swing.

Below is the projected commitment (a forecasted budget) provided by OHG, the District owner's agent, for each school in Segment 7 as well as the move-in dates. The levy dollar expenditure (or Locally Funded Initiatives, "LFI") has continued to increase.

School Name & Ward	student capacity/actual	Sq. feet	Co-funded Projected Commitment	Completion Date
Fullerton K-8, W12	375/197	55,459	\$16,267,359	Open 1/8/19
Skyline/Sunbeam K-8, W6	515/384	90,060	\$25,186,274	3/22/19
Waverly K-8, W15	450/232	63,282	\$17,017,771	5/21/19
Rainey Harper K-8, W13	375/132	55,459	\$15,701,951	Open 8/18
Eliot/Young K-8, W1	375/374	55,459	\$15,721,213	Open 1/19 ¹
JFK HS, W1	900/438	149,103	\$38,319,367	July 2020
H. B. Booker K-8, W15	385/367	56,499	\$16,195,927	2/23/19
O.H. Perry K-8, W8	385/249	56,499	\$16,578,715	Open 1/22/19

¹ 73 Whitney Young Academy students are now in modular classrooms.

West Side HS, W15	800/* ²	132,800	\$35,425,886	8/12/20
Total for new construction			\$196,414,463	

The total co-funded projected commitment for new schools in Segment 7 as of November 31, 2018 is \$206,361,041.³ Cleveland's increasing cost in the construction market is one explanation given for the budget increase, as well as the cost of materials, and manpower availability. Part of the increase is also due to delays because of lengthy negotiations between the state and CMSD and failure to obtain timely permits from the City of Cleveland.

III. LFI updates:

The September 2017 BAC report identifies the CMSD resolutions that would not receive State co-funding, but involve spending LFI dollars (Fund 3). At the BAC's request, CMSD has since provided detail on the funding sources for these expenses. Below is a list of the 2017 and 2018 resolutions, purpose of the resolution, funding source, amounts approved by the Board, and balances to date.

LFI Resolutions in 2017 & 2018	Funding Source	Amount approved by CMSD Board	Balance as of September 2018
7601(B)	Fund 1	\$3,000,000	\$783,454
7702(B)	Fund 3	\$1,557,848	\$48,259
7704/8050(B)	Funds 1 & 3	\$30,274,500	\$197,752
7802(B)	Funds 1,3 & 34	\$12,635,490	\$7,230,171
7895(B)	Funds 1 & 3	\$9,500,000	\$2,266,649
8051(B)	Funds 1 & 3	\$750,000	\$278,418
8707(B)	Funds 1 & 34	\$3,675,000	\$1,859,411
2018-8702		3,330,000	\$5350
2018-2901		\$13,702,500	\$5,311,603
Total		\$78,425,338	17,981,067

² West Side High's Academic Program is yet to be announced therefore projecting the number of students is not possible at this time.

³ Abatement & demolition costs for the following schools have a projected commitment of \$10,583,261: Buckeye-Woodland, HW Longfellow, Paul Revere, Sunbeam, Watterson, Waverly, Whiney Young, Halle High, Jesse Owens, Perry, Max. S. Hayes & Mt. Pleasant/AJ Rickoff. This cost is in addition to the new construction cost and is also co-funded by the state. The remaining demolitions for Segment 7 will start this March.

IV. Funds 1, 3, 10, and 34:

As a brief overview, Fund 1 is the general CMSD fund and can be used for any approved expenditures. Fund 3 is defined as locally funded investment dollars (LFI) that are spent on school projects not co-funded by the State. Every dollar spent in this fund is a dollar not matched by the state, thus reducing the opportunity to obtain future state dollars.

Nevertheless, CMSD has 91 school buildings that require constant operational upkeep. Therefore these expenses are deemed necessary, but should be based on conservative and timely decisions. Fund 3 dollars can be transferred to fund 10 if eligible for co-funding. Fund 10 dollars are funds that are matched by the State for new constructions or State approved renovations. And finally, Fund 34 is ½ mill permanent improvement levy. It is the Project Maintenance Fund, and can only be used for upkeep of buildings. The revenue from the mill and the state equalization payment adds approximately \$4 million to this fund annually.

In 2018 the Board of Education approved two additional resolutions related to LFI expenditures:

- 1) 2018-8702(B): AUTHORIZING TERMS OF AGREEMENTS WITH VARIOUS CONTRACTORS AND SUPPLIERS TO PROVIDE COMMERCIAL/INDUSTRIAL REPAIR SERVICES AS NEEDED AND MATERIAL TO DISTRICT FACILITIES ON AN "AS NEEDED" BASIS FOR THE PERIOD OF OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019 WITH TWO (2) ONE YEAR RENEWAL OPTIONS FOR THE CLEVELAND MUNICIPAL SCHOOL DISTRICT IN AN AMOUNT NOT TO EXCEED \$3,330,000. This resolution is to ensure funds for various operational system repairs (i.e. asphalt, boiler system, carpentry, electrical systems, elevators, environmental issues, fencing, fire alarms, generators, glazing, HVAC, masonry, overhead doors, painting, playgrounds, plumbing, roof, sheet metal, sound and sprinkler systems), grounds and properties, and vehicle repair. While seemingly all encompassing, this is not a large sum for the amount of potential work described in the resolution.

- 2) 2018-2901(B): AUTHORIZING THE CEO TO RETAIN PROFESSIONAL DESIGN SERVICES AND AWARD CONTRACTORS FOR OPERATIONS DIVISION CONTRACTS FOR NECESSARY REPAIRS AND/OR TO IMPLEMENT PORTFOLIO DESIGN INITIATIVES TO PREPARE SCHOOLS FOR ACADEMIC PROGRAMS AND OTHER FACILITY REQUIREMENTS AT VARIOUS SCHOOLS FROM MARCH 2018 THROUGH JUNE 2019 THAT ARE NOT CO-FUNDED BY THE OHIO FACILITIES CONSTRUCTION COMMISSION IN AN AMOUNT NOT TO EXCEED \$13,702,500. This is a very broad resolution granting expenditures on a

variety of projects related to renovations and repairs. It also earmarks \$500,000 from Fund 3 for moving expenses related to Segment 7 school move-ins, an amount not co-funded by the State.

CMSD continues to provide detail behind each resolution and updates this information at the BAC's request. See attached report.

V. E-Rate

The E-Rate program of the Federal Communications Commission (FCC) provides discounts/rebates to eligible school districts and libraries for costs associated with telecommunications and Internet access, the hardware needed to assemble local networks and maintenance of these systems. In 2015, the BAC discovered \$8 million in lost rebate opportunities and demanded that CMSD examine its processes and determine how the rebates were overlooked. An investigation by outside counsel and a state audit were completed in early 2016. Since that time, CMSD has modified its strategic sourcing model from purchasing individualized telephone and network equipment to vendor contracted telephone and network services including the necessary equipment for telephone and network replacement and maintenance. CMSD is no longer purchasing equipment. They have entered into several service agreements. (Education Network of America, Spectrum, AT&T, Windstream).

CMSD has also contracted with an E-Rate consultant, Funds for Learning, to assist with E-Rate timelines, processes and procedures. The critical difference is that CMSD has shifted from paying 100% cost of services upfront and waiting for reimbursements to paying for the unfunded percent of services rendered. Going forward this new approach addresses the BAC's concerns regarding E-Rate.

VI. Community Outreach

There was a huge push this year for community outreach by the BAC. Despite its 10+ years of existence, few members of the public know of or appreciate the BAC's role. The BAC has since made regular contact with Cleveland Neighborhood Progress, Cleveland councilpersons whose constituents are directly impacted by new school construction, the Greater Cleveland Congregation, and the Detroit-Shoreway Development Community. In addition, direct contact was made with Tri-C, the Urban League, the Hispanic Contractors Association, the Spanish American Committee, the Cleveland Trades Council, the Construction Employers Association, and the Greater Cleveland Partnership to explore the community's efforts regarding workforce inclusion.

VII. Where does Segment 8 Stand?

School Name & Ward	student capacity	Jan. 2018 enrollment	Jan. 2019 enrollment	
Bolton W6	550	338 (Dike?)	303	new
Case W5	450	305	257	new
Marion-Sterling W5	450	347	334	new
Marion-Seltzer W15	450	423	456	new
Lincoln-West HS W14	800	631	570	new
Joseph Gallagher W15	800	760	742	renovation
Douglas McArthur Girls W17	450	345	322	new
Valley View Boys W17	450	197	197	new

With \$73,949,004 in Fund 3 as of December 31, 2018, it is unlikely that the thirteen remaining schools in the Master Plan can be built. In March of 2018, the BAC recommended that CMSD revisit all factors that impact future CMSD school construction. CMSD has recently launched a process to update the Plan by evaluating school quality, enrollment and choice patterns, financial stability and building factors. Community engagement was to begin in October 2018 through March of 2019. The BAC is requesting that it be timely informed of the data gathering progress, all community meeting schedules, and progress with future negotiations with the OFCC. This is to ensure that the BAC remains a reliable resource to the public. ⁴

VIII. Workforce Inclusion & DBE

Workforce Inclusion was addressed in depth at the November 2018 BAC meeting. Although CMSD has its contractors report monthly on minority and female hires, this information is then obtained by CMSD’s consultant, The Project Report, with no comparative analysis. The BAC has recommended that CMSD explore the possibility of hiring a biometrics firm to conduct random spot checks on existing worksites to objectively verify the accuracy of data provided by the contractors.

IX. BAC Financials for 2018-2019

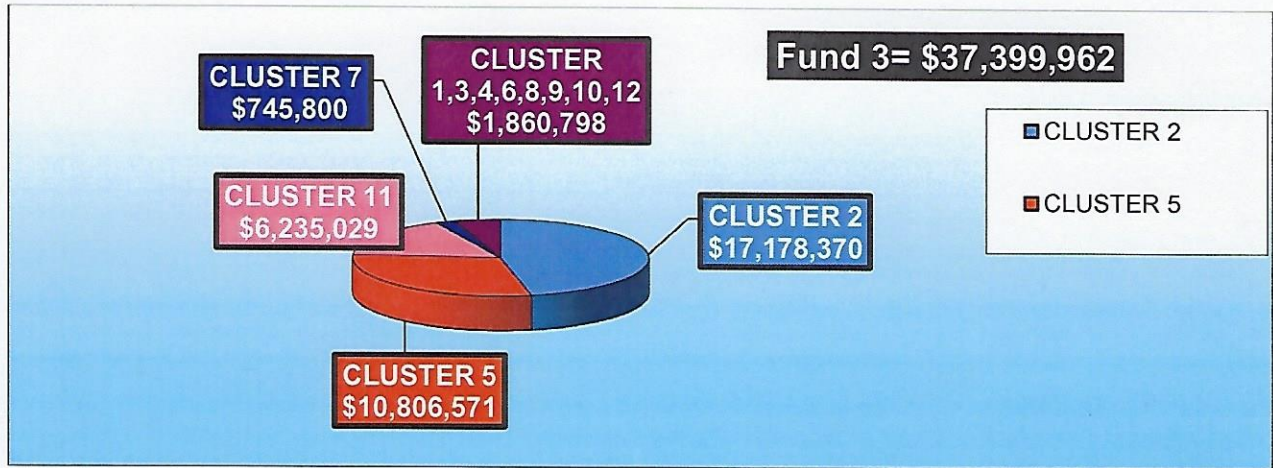
See attached

⁴ As a side note, enrollment for CMSD as of January 2019 is 36,042 as compared to 37,728 last March of 2018.

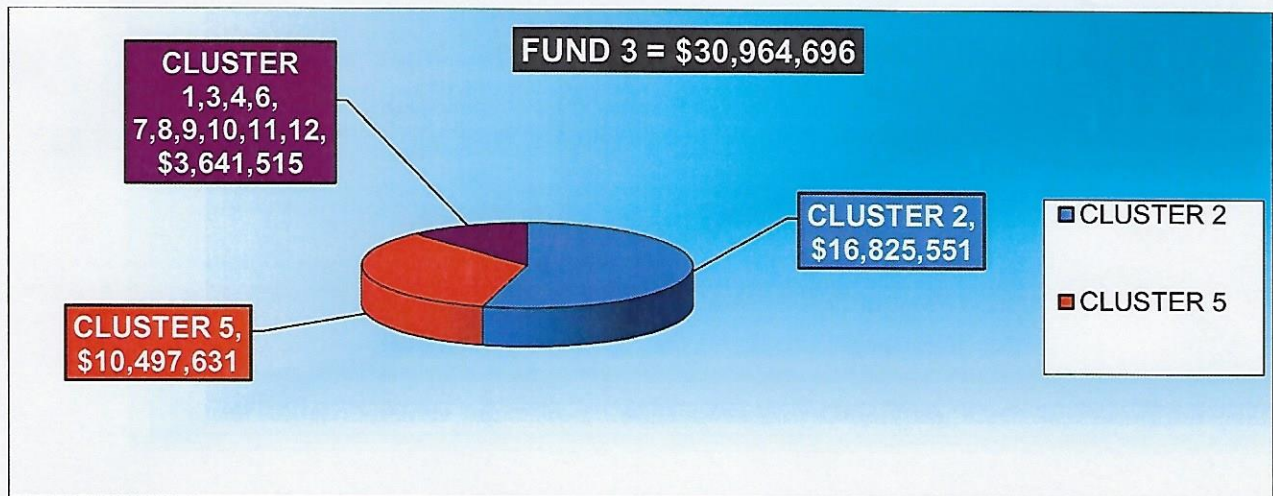
IX. Conclusion:

The BAC will continue to reach out to the Community, share and interpret collected data, and attend OFCC meetings to better understand the future of CMSD's Master Plan.

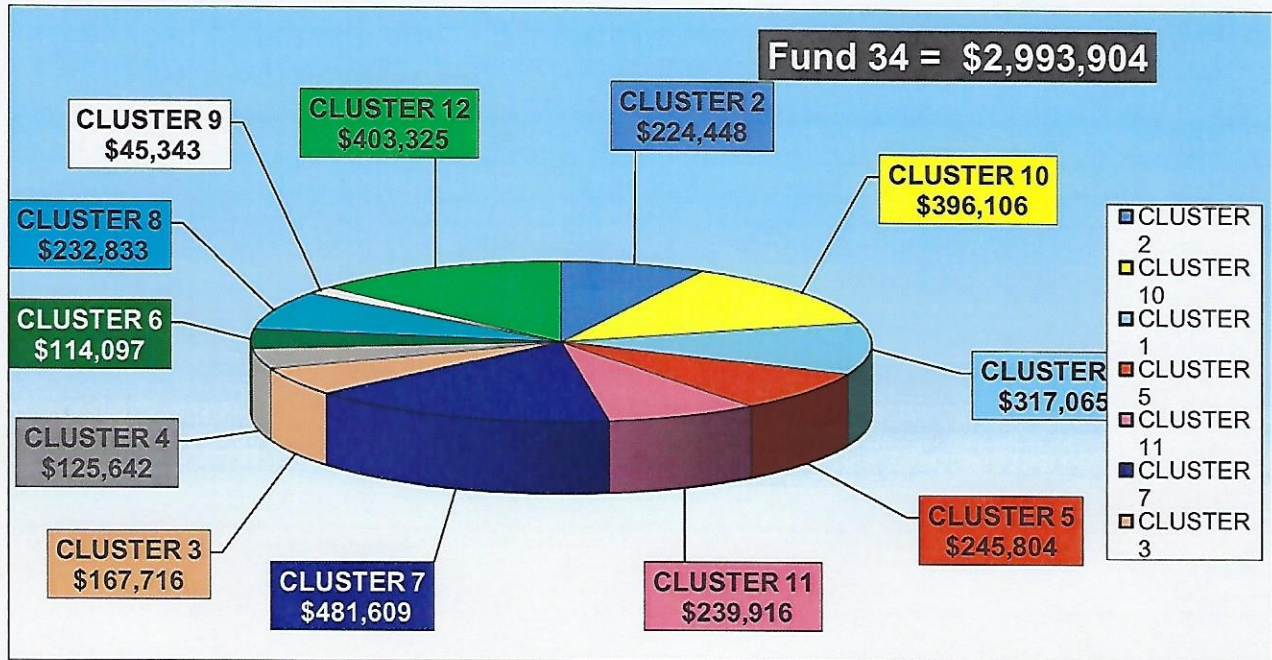
September 2018



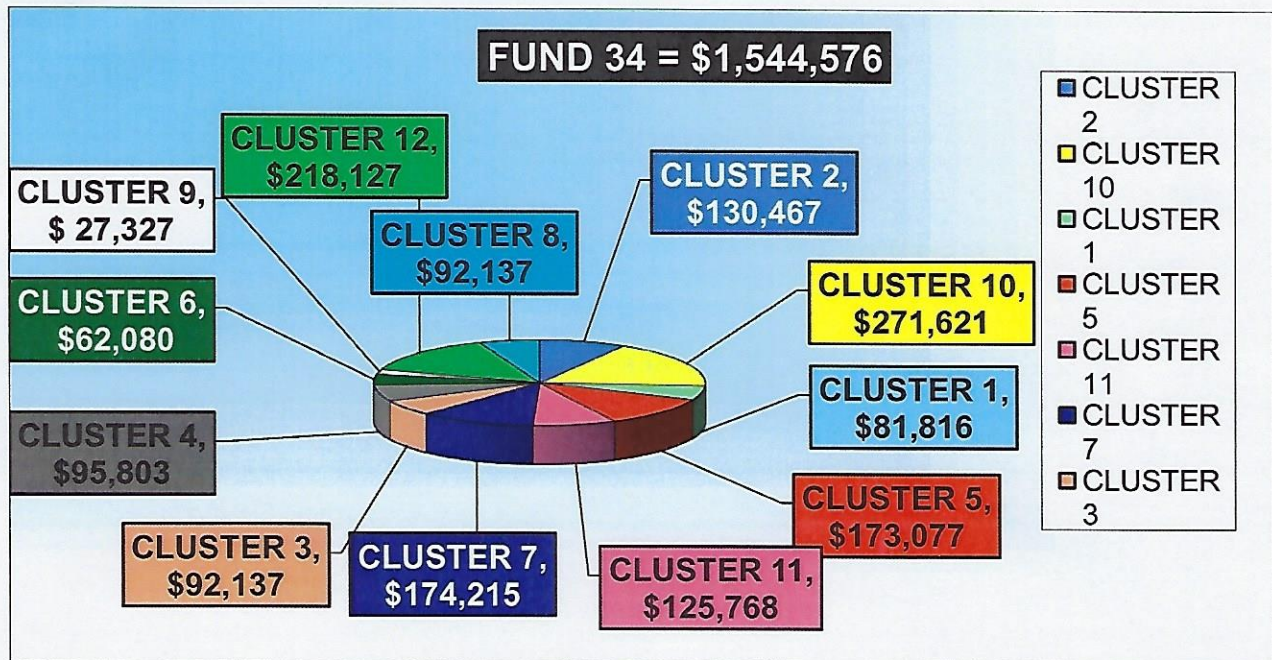
June 2018



September 2018



June 2018



CLUSTER 1	3	34	Total\$ 003+034
Douglas MacArthur Girls	\$20,040	\$9,346	\$29,386
Valley View	\$13,702	\$2,986	\$16,688
Artemus Ward	\$24,258	\$42,888	\$67,146
Brooklawn	\$2,445	\$48,321	\$50,765
Shuler	\$56,214	\$11,740	\$67,954
Clara Westropp	\$0	\$4,151	\$4,151
Garfield	\$10,119	\$67,048	\$77,168
John Marshall HS	\$240,244	\$57,814	\$298,058
Newton D Baker	\$13,637	\$5,318	\$18,955
Riverside	\$95,504	\$40,479	\$135,983
Robinson G Jones	\$20,490	\$26,976	\$47,466
Nathaniel Hawthorne	\$0	\$0	\$0
TOTAL \$	\$496,654	\$317,065	\$813,719

CLUSTER 2	3	34	Total\$ 003+034
Marion Seltzer	\$15,889	\$9,288	\$25,176
Gallagher	\$10,096	\$33,983	\$44,079
Louisa May Alcott	\$365	\$33,172	\$33,537
Almira	\$6,097	\$15,201	\$21,298
Max Hayes	\$9,784	\$64,731	\$74,515
Wilbur Wright	\$15,196,275	\$47,490	\$15,243,765
Louis Agassiz	\$1,935,161	\$17,207	\$1,952,367
H Barbara Booker	\$4,705	\$3,376	\$8,081
TOTAL \$	\$17,178,370	\$224,448	\$17,402,819

CLUSTER 3	3	34	Total\$ 003+034
Tremont	\$16,688	\$49,215	\$65,903
Buhrer	\$8,026	\$32,795	\$40,821
Garrett Morgan	\$37,069	\$577	\$37,646
Luis Munoz Marin	\$25,570	\$30,000	\$55,570
Orchard	\$3,075	\$7,292	\$10,367
Paul L Dunbar	\$6,150	\$37,599	\$43,749
Scranton	\$14,285	\$10,238	\$24,524
TOTAL \$	\$110,863	\$167,716	\$278,580

CLUSTER 4	3	34	Total\$ 003+034
Lincoln West	\$41,776	\$61,480	\$103,256
Clark	\$12,515	\$20,123	\$32,638
Thomas Jefferson	\$0	\$39,411	\$39,411
Walton	\$14,337	\$4,628	\$18,966
TOTAL \$	\$68,628	\$125,642	\$194,270

CLUSTER 5	3	34	Total\$ 003+034
Benjamin Franklin	\$2,477,661	\$103,229	\$2,580,889
Charles A Mooney	\$38,439	\$29,232	\$67,670
Denison	\$14,052	\$822	\$14,873
James Ford Rhodes	\$932,585	\$100,440	\$1,033,025
William Cullen Bryan	\$7,342,693	\$12,082	\$7,354,776
William Rainey Harpe	\$1,142	\$0	\$1,142
TOTAL \$	\$10,806,571	\$245,804	\$11,052,375

CLUSTER 6	3	34	Total\$ 003+034
Fullerton	\$1,508	\$8,328	\$9,836
Mound	\$414	\$36,864	\$37,278
South HS	\$752,983	\$4,486	\$757,469
Warner Girls	\$23,619	\$49,799	\$73,418
Washington Park	\$16,647	\$0	\$16,647
Willow	\$2,195	\$14,621	\$16,816
TOTAL \$	\$797,367	\$114,097	\$907,166

CLUSTER 7	3	34	Total\$ 003+034
Adlai Stevenson	\$2,331	\$22,891	\$25,223
Charles Dickens	\$2,468	\$28,498	\$30,966
John Adams HS	\$500,851	\$171,543	\$672,394
JFK	\$181,543	\$125,267	\$306,809
Miles	\$414	\$29,598	\$30,012
Miles Park	\$28,270	\$27,591	\$55,862
Nathan Hale	\$414	\$26,937	\$27,351
Paul Revere	\$0	\$136	\$136
Robert H Jamison	\$7,444	\$31,991	\$39,435
Charles W Eliot	\$14,537	\$3,696	\$18,233
Whitney M Young	\$7,526	\$13,462	\$20,988
TOTAL \$	\$745,800	\$481,609	\$1,227,409

CLUSTER 8	3	34	Total\$ 003+034
Alfred Benesch	\$40,702	\$20,796	\$61,498
Andrew J Rickoff	\$42,852	\$63,197	\$106,049
Grdina	\$4,319	\$38,564	\$42,883
Carver	\$15,926	\$34,207	\$50,133
Marion Sterling	\$14,052	\$57,113	\$71,165
Jane Addams HS	\$13,347	\$18,956	\$32,302
TOTAL \$	\$131,198	\$232,833	\$364,031

CLUSTER 9	3	34	Total\$ 003+034
Buckeye Woodland	\$41,231	\$0	\$41,231
Harvey Rice	\$4,659	\$27,577	\$32,236
Sunbeam	\$414	\$17,766	\$18,180
TOTAL \$	\$46,304	\$45,343	\$91,647

CLUSTER 10	3	34	Total\$ 003+034
Bolton (Dike?)	\$14,052	\$18,831	\$32,883
CSA	\$0	\$14,861	\$14,861
Iowa Maple	\$20,040.28	\$5,235.70	\$25,275.98
FDR	\$31,143	\$122,514	\$153,656
Glenville HS	\$14,197.00	\$53,271	\$67,468
John Hay HS	\$95,918	\$68,104	\$164,022
Bethune	\$1,370	\$65,767	\$67,137
MR White	\$34,576	\$7,076	\$41,652
Patrick Henry	\$362,099	\$40,447	\$402,546
TOTAL \$	\$573,394	\$396,106	\$969,500

CLUSTER 11	3	34	Total\$ 003+034
Campus Internationa	\$5,792,220	\$0	\$5,792,220
Willson (Case?)	\$3,234	\$21,554	\$24,788
Case	\$51,336	\$25,376	\$76,712
Design Lab/ Health Careers	\$32,306	\$0	\$32,306
MLK HS	\$13,918	\$38,619	\$52,537
Daniel E Morgan	\$27,587	\$79,239	\$106,826
Mary B Martin	\$600	\$35,723	\$36,323
Wade Park	\$31,269	\$39,405	\$70,674
Digital Arts/ Success Tech HS	\$210,804	\$0	\$210,804
EPC	\$71,754	\$0	\$71,754
TOTAL \$	\$6,235,029	\$239,916	\$6,474,944

CLUSTER 12	3	34	Total\$ 003+034
Collinwood HS	\$141,010	\$202,240	\$343,250
East Clark	\$3,825	\$32,636	\$36,461
Euclid Park	\$4,740	\$43,755	\$48,495
Ginn Academy HS	\$0	\$0	\$0
Hannah Gibbons	\$21,407	\$47,704	\$69,111
Kenneth W Clement Boys	\$4,826	\$1,836	\$6,662
Memorial	\$33,376	\$68,767	\$105,925
Perry	\$600	\$6,388	\$6,988
TOTAL \$	\$209,784	\$403,325	\$616,890

	Fiscal Projections	Fiscal Projections	Fiscal Projections
	7/18-6/19	7/19-6/20	7/20-6/21
Salary & Taxes	\$77,000.00	\$80,000.00	\$85,000.00
health insurance	\$0	\$0	\$0
Checks drawn			
payroll service	\$1,535	\$1,200	\$1,300
supplies, printing, misc.	\$1,006	\$1,500	\$1,500
govt fees	\$0	\$125	\$125
equipment	\$600	\$800	\$1,000
website host fee	\$1,300	\$130	\$150
bank fees	\$0		
insurance (D&O, crime)	\$1,778	\$1,878	\$2,000
training/seminars	\$668	\$800	\$800
utilities	\$0	\$0	\$0
rent	\$1,500	\$3,000	\$3,000
Total expenditures	\$85,388	\$89,433	\$94,875
Interest	\$0	\$0	\$0
Misc	\$441	\$0	\$0
CMSD subsidy	\$103,196	\$103,196	\$103,196
TOTAL Income	\$103,637	\$103,196	\$103,196
Surplus/Deficit	\$18,249	\$13,763	\$8,321
Beginning assets	\$49,919.50	\$63,683	\$72,004