

Bond Accountability Commission 2, Inc.
2019 Annual Report

1/21/20

Mark Donnelly – Executive Director, BAC

Introduction:

In 2019 the Bond Accountability Commission and the Cleveland Municipal School District (CMSD) navigated several significant challenges. From the well documented OFCC funding concerns, to the a major revision of the School Construction Master Plan, to completing the majority of segment 7 construction (JFK and West Side High Schools are still under construction), and the massive effort to reach out to the entire City of Cleveland to gather input and ideas regarding the best use of the dwindling construction funds, the CMSD had a very full plate in 2019.

The BAC had a significant role in encouraging the review of the master plan after an in-depth review of LFI funding in 2018. The BAC also attended OFCC meetings in Columbus and invited an OFCC representative to present an explanation of state funding to a BAC meeting in the Spring of 2019. The BAC also had an additional challenge of replacing their Executive Director in the summer of 2019.

The BAC is tasked with holding CMSD accountable for the construction funds and to ensure the processes followed by CMSD are in the best interest of the taxpayer. Our summary of 2019 for the BAC will include some reference to the work and efforts undertaken by the District during the same time period.

Segment 7 Update

Segment 7 construction included 2 new High Schools as well as 7 new K-8 buildings. The construction process for each of the K-8 buildings has been completed and these schools are all in their first year of operation. These buildings are transitioning from the construction phase to the operation and maintenance phase. As each building has a standard one-year warranty for all construction workmanship, the OFCC mandates a warranty log of all items reported as defective during the first year. The responsible contractor is notified by the CMSD Owner's Agent who schedules the repairs and inspects the work for compliance with the building specifications. Prior

to the one-year warranty period expiring, the Owner Agent schedules an 11-month walk-through of the new facility with the building custodian, District operations staff, and the applicable architect and contractors. A punch list will be created from this walk-through and the items on this list must be properly addressed before the retainage is authorized to be paid out. The retainage is a percentage of the contractor's fee that is held back to ensure the warranty items are properly addressed.

In December of 2019, A.B. Hart, Whitney Young and O.H. Perry held their 11-month walk-through inspections. The remaining K-8 buildings will hold their respective warranty walk-through in the coming months.

The two High Schools are proceeding on plan and should be completed this coming summer, in time for the 2020-21 school year.

There were also 12 older schools that were to be demolished during segment 7 and these facilities are listed in the table below along with the applicable completion date. While these buildings are not the focus of the construction process, they do represent over \$ 8 million in bond funds expended to abate and demolish these structures and the BAC fully realizes it's responsibility to review the process for managing and expending funds for demolition projects.

Segment 7 - CMSD Construction Program

School Name	Capacity	Current Enrollment	Completion Date
A. B. Hart K-8	375	220	January 2019
Sunbeam K-8	515	450	March 2019
Waverly K-8	450	276	July 2019
Rainey Harper K-8	375	219	August 2019
Whitney Young K-8	375	350	January 2019
Haller K-8	385	382	February 2019
O. H. Perry K-8	385	301	January 2019
JFK - High School	900	N/A	Summer 2020
West Side High School	800	N/A	Summer 2020

Segment 7 - CMSD Demolition Projects

School Name	Project Budget	Completion Date	
Mt. Pleasant	\$625,597.13	June 2020	On schedule
Buckeye Woodland	\$338,260.46	June 2020	On Schedule
H.W. Longfellow	\$378,194.46	July 2018	Partial Abatement
Paul Revere	\$1,243,438.56	Not out to bid	
Sunbeam	\$565,781.00	July 2019	
Whitney M Young	\$896,174.00	July 2019	
Max Hayes	\$2,288,838.68	March 2017	
Halle	\$347,641.28	May 2017	
Oliver H Perry	\$728,605.00	July 2019	
Waverly	\$448,177.64	October 2016	
Jesse Owens	\$251,345.00	September 2016	
Watterson Lake	Project deferred		Landmarked Building
Total Abate & Demo Budget	\$8,112,053.21		

Construction Fund/LFI Fund Update

As of the end of 2018 the CMSD available bond fund balance was \$ 73,949,002 as reported by the BAC last January. The current balance stands at \$66,396,581.88 as of January 9, 2020. This amount of money will be used for the segment 8 constructions as well as to complete segment 7 and provide maintenance funding for summer projects over the next few years.

BAC New Executive Director

In the late spring / early summer months of 2019 the BAC was notified that their Executive Director was moving on to another position and would be leaving the BAC. The BAC began the process of searching for the right candidate to fill the position. They hired a consultant to assist

with the search and to screen several applicants prior to setting up interviews with members of the BAC. The new Executive Director officially started in late September 2019.

The new Executive Director was able to attend most of the CMSD high school community planning meetings as well as the emerging recommendation meetings and a few School Board meetings to get familiar with the construction process. However, this change in personnel must be referenced due to the continuity of leadership and institutional knowledge has shifted. Also, the BAC oversight and review of the construction was limited during a significant portion of the year when many schools opened, and important decisions were made by the District.

As the BAC begins a new year, the Executive Director will continue to review several projects from the past and embark on a few new projects to establish long term accountability for the Districts new facilities.

OFCC Funding Review

In November of 2019 the BAC reported on many of the political and economic factors that have shaped the OFCC policy decision for holding the line of the established construction budgets that began with Segment 6 and 7 projects. It has been established a very long time ago that the cost of construction in the city of Cleveland was the most expensive place to build in the state of Ohio. So, when the OFCC developed the budgeting method that grouped several counties and then averaged the costs of construction, Cleveland was going to get a smaller budget than was needed to build a new school. From 2002 through 2011 the state compensated for this by allowing “market Condition Adjustments”. However, a combination of factors forced the OFCC to change that practice.

The tobacco settlement money was exhausted by the end of 2011 which forced the state of Ohio to take out bonds to co-fund the school construction. This tightened the available funds and the annual budget for the OFCC was drastically reduced (*see Exhibit on the next page*). Then many schools throughout Ohio began to pass construction bond issues at a higher rate and this increased the number of requests for matching dollars from the OFCC. All of these pressures meant that the state could no longer add dollars to the CMSD construction budgets which created a larger burden on CMSD. By using more money on LFI than planned, these dollars were not available to be spent on another facility where they would be matched 2:1 by the OFCC.

For example, a \$3 million unplanned LFI on one building means that CMSD cannot use that same \$3 million on the next building and receive the \$6 million in matching funds; that’s a \$9

million dollar hit. If you apply that math to several buildings being constructed, the numbers can get very large, very quickly.

OFCC Annual Budget 2002 - 2018

Year	Disbursements	Average Disbursement
2002	\$814,255,198.00	\$815,436,514.40
2003	\$645,872,226.00	
2004	\$580,967,111.00	
2005	\$516,570,962.00	
2006	\$743,129,044.00	
2007	\$899,035,795.00	
2008	\$988,010,707.00	
2009	\$1,050,285,616.00	
2010	\$1,006,312,442.00	
2011	\$909,926,043.00	
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2012	\$528,814,987.00	\$362,439,216.43
2013	\$315,899,786.00	
2014	\$330,710,677.00	
2015	\$378,821,145.00	
2016	\$288,471,769.00	
2017	\$267,876,026.00	
2018	\$426,480,125.00	

This change in OFCC policy explains why the construction funds are getting used up so quickly and why CMSD can only complete 4 or 5 more schools before the funds are gone.

Community Outreach from CMSD

During 2019, CMSD held 30 community meetings all across the city of Cleveland to share data, gather input, initiate meaningful dialog, and to learn from the citizens of each community. This huge project was initiated when the BAC and CMSD realized the available funds would not meet the needs of the project plan. Also, the total District enrollment and demographics of the student population had significantly changed from the beginning of the construction in 2002. Prior to the first community meeting CMSD gathered a massive amount of data regarding where students attend school, how well each school performed, building capacity versus actual

enrollment, and much more. This information was made available in print at each meeting as well as on-line.

The BAC was engaged at each of these community meetings and supports the manner in which the District presented the information. Even if it did not favor CMSD, the District was very transparent and open about all of the facility and academic data presented. After gathering the initial feedback, the District prepared the emerging recommendations and went back to the public to share these plans to gather additional input. Based on this additional input, the plans for the K-8 facilities and the High Schools were adjusted again.

As a result of this year long process, the plan for segment 8 of the construction process will be significantly different from the plan established in 2002. Early indications are positive with CMSD moving forward with the revised plan. The BAC will watch and see how it progresses.

Moving Forward

The BAC has a lot of work to do in the new decade. The construction will continue with a revised plan for segment 8, segment 7 still has yet to be completed, and the long term maintenance plan for the new and renovated facilities must be reviewed and verified to ensure the investment in the construction lasts well into the future.

The BAC is also planning to review use of the bond funds for summer projects as well as verifying proper procedures are in place for the continuing construction. In addition, the new Executive Director is attempting to re-construct an accounting of each segment for the entire construction process to provide a complete picture of all funds expended during this process.

These projects will take some time to accomplish, however the taxpayers have mandated that the construction funds be used prudently, efficiently and in the best interest of the students, and that is what the BAC will continue to strive for in 2020 and beyond.