

# **Annual Report**

## ***A look at 2014 and the year ahead***

**January 24, 2015 (revised 1.29.15)**

Last year was an exciting one for the Cleveland Metropolitan School District's construction program, marked by significant progress on three of Segment 5's high schools, which are due to open for classes this August, addition of a new 720-student preK-8 to the Segment 6 construction plan after deletion of three elementary schools, community "open house" meetings on potential changes to the overall Master Plan, and of course voter approval in November of Issue 4, which authorized an additional \$200 million in borrowing for completion of the program and other building updates as well as a continuing half-mill levy for maintenance and improvements.

For the District, this year's focus will be completion of the three high schools (John Marshall, Cleveland School of the Arts, and Max Hayes Vocational), progress on demolitions and construction in Segment 6, and completion of a state-required revision of the Facilities Master Plan as well as issuance of Issue 4 bonds or notes to finance the launch of Segment 7 and a program to update schools not included in the state-funded Master Plan.

For its part, the Bond Accountability Commission provided input on how best to shape the Master Plan to fit enrollment trends while continuing to maintain the District's schools and continued to monitor the expenditure of money borrowed under Issue 14, a \$335 million bond authorization approved by voters in May 2001, for Segments 5 and 6 and for repairs and for updates of other District buildings. The BAC also established its own Web site (bondaccountability.org) to provide access to its reports, explanatory information on aspects of construction and financing, and information on BAC public meetings.

Pending renewal of its operating subsidy from the School District, the BAC will continue in 2015 to produce its Program Progress Updates, which remain the only comprehensive source of public information on Issue 14 construction and spending, its

updates on handling of bond issues and related matters, and updates on inclusion of minorities and women in the workforce and contracting.

Commissioners spent a significant amount of time in 2014 planning for how the construction program and its financing could be improved to better provide cost efficiency, transparency and accountability. These produced the following list of recommendations to the District, which the BAC intends to pursue in 2015:

### **Construction and repairs**

- Prompt design and delivery of monthly reports detailing projected payments to contractors and subcontractors under the CMR, DB or GC delivery methods, change orders, transfers of money to and from contingency/bid-day savings funds, and any changes to GMP amounts. Change orders should be itemized, listing amount and reason for each.
- Commitment to supervise the repair ("refresh/update") program through a professional construction manager, to award program contracts based on OSFC competitive-bidding protocols, and to report monthly on each project's cost, including awarded contract amounts, itemized change orders and reasons, and total projected cost.

### **Construction planning**

- District public release of a detailed construction Master Plan, including cost estimates, for work co-funded by the state and of a separate detailed plan, including cost estimate and budget, for District LFI repairs and improvements.
- Establishment and disclosure of a systematic process for determining repair ("refresh/update") priorities, scope of projects, and allocation of funding.

### **Finance**

- Commitment that any future federal rebates of interest paid on any QSCBs (Qualified School Construction Bonds) sold by the District, either the \$55 million already sold and any others sold in the future, will be devoted to bond retirement or to construction/repairs.

### **BAC meeting schedule**

(Dates tentative; times and locations to be announced; public invited)

**Saturday Feb. 28**

**Saturday March 21**

**Tuesday April 21**

**Tuesday May 29**

**Tuesday July 21**

**Tuesday Sept. 15**

**Tuesday Nov. 17**

For meeting updates, check [www.bondaccountability.org](http://www.bondaccountability.org)

## **Finance (continued)**

- A commitment strongly to consider the competitive method of bond sale for each issue and, when the negotiated method is chosen, to commission after each such sale a comparison of the interest rates obtained with the prevailing contemporary market rates for securities of similar maturities and a similar credit level, both competitive and negotiated.
- A commitment, when a negotiated method of bond sale is chosen, to employ underwriter-selection criteria designed only to get the best interest rates for taxpayers.

## **Inclusion**

- A clear explanation of and regular reports on implementation of CMR supplementary or general conditions pertaining to construction-site student visits, internships and hiring of CMSD students and/or recent graduates for each project.
- Agreement that CMR subcontracts designated for contract purposes as de facto self-performed work by a majority (white male-owned) CMR will not be designated as DBE subcontracts in District reporting on compliance with goals for minority/female contract participation and, further, that CMSD will develop and implement a system for determining whether certified DBE contractors or subcontractors are performing a “commercially useful function” as defined by the District's Community Inclusion Plan Program Statement.
- Commitment in the case of CMR, DB, or GC projects to add certified DBE sub-subcontractors to the DBE reporting.
- Commitment to produce workforce reports for both construction and refresh/update projects and that these reports include a numerical/percentage breakdown of the various groups now reported simply as “minority.”
- Commitment to use of a thumbprint ID system for project workforce to not only properly account for minority participation but also possibly enhance District construction-cost savings.

To reach the BAC: [bondaccountability@hotmail.com](mailto:bondaccountability@hotmail.com) / (440) 781-8654 / [www.bondaccountability.org](http://www.bondaccountability.org)

## **The BAC's mission**

The Bond Accountability Commission is an independent, non-profit, all-volunteer organization appointed by the chair of the Board of Education in consultation with Cleveland Mayor Frank Jackson.

In authorizing the current BAC, the Board of Education resolved that the Commission's responsibilities include monitoring implementation of and revisions to the Facilities Master Plan; working to review the design, engineering, contract bidding and awards, procurement, and construction of projects funded by the voter-approved Issue 14 (May 2001); communicating its findings to the community; regularly reporting to the Board; holding public meetings; and issuing an annual report.

A Memorandum of Understanding signed in February 2007 by leaders of the Bond Accountability Commission 2, Inc., and the School District states that the mission of the BAC is to "inform the public concerning the expenditure of funds by the School District for the School Facilities Projects." The memorandum says that to accomplish its mission, the BAC has the "authority to monitor and review the development, content and implementation of the Facilities Master Plan; the construction of the School Facilities Projects; and the expenditure of Issue 14 Funds."

The memorandum commits the District to support the oversight process by providing access to records, documents and other information in order to "enable full and fair participation by the public in the evaluation of the School District's plans to acquire, build, repair, replace, and modernize the School Facilities."

## BAC financial report

### Bond Accountability Commission 2 Inc. Revenue, expenditures and outlook for 2015-17

|                                  | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Salary, taxes                    | \$58,759         | \$70,611         | \$70,729         | \$70,475         | \$70,430         | \$70,315         | \$70,281         | \$70,233         | \$70,500         | \$70,500         | \$70,500         |
| health insurance                 | \$0              | \$0              | \$6,679          | \$9,526          | \$11,452         | \$10,230         | \$11,113         | \$12,179         | \$14,272         | \$15,628         | \$17,113         |
| health care reimburse            | \$0              | \$0              | \$0              | \$201            | \$500            | \$792            | \$289            | \$622            | \$4,946          | \$0              | \$0              |
| payroll service                  | \$700            | \$1,108          | \$1,183          | \$1,316          | \$1,328          | \$1,398          | \$1,407          | \$1,493          | \$1,600          | \$1,700          | \$1,800          |
| office supplies, printing        | \$4,709          | \$999            | \$1,720          | \$1,362          | \$1,466          | \$694            | \$612            | \$1,142          | \$1,500          | \$1,500          | \$1,500          |
| govt fees                        | \$199            | \$750            | -\$61            | -\$10            | -\$11            | \$0              | \$0              | \$125            | \$100            | \$100            | \$100            |
| equipment                        | \$0              | \$0              | \$0              | \$0              | \$347            | \$0              | \$0              | \$0              | \$1,078          | \$0              | \$0              |
| website                          | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$96             | \$120            | \$125            | \$130            |
| bank fees                        | \$0              | \$0              | \$63             | \$31             | \$27             | \$36             | \$36             | \$36             | \$50             | \$50             | \$50             |
| consult                          | \$644            | \$0              | \$1,689          | \$65,611         | \$89,294         | \$51,273         | \$14,640         | \$0              | \$0              | \$0              | \$0              |
| insurance (D&O, crime)           | \$0              | \$0              | \$0              | \$0              | \$2,504          | \$2,359          | \$2,290          | \$2,404          | \$2,600          | \$2,600          | \$2,600          |
| <b>Total expenditures</b>        | <b>\$65,011</b>  | <b>\$73,468</b>  | <b>\$82,003</b>  | <b>\$148,513</b> | <b>\$177,337</b> | <b>\$137,097</b> | <b>\$100,669</b> | <b>\$88,329</b>  | <b>\$96,766</b>  | <b>\$92,203</b>  | <b>\$93,793</b>  |
| Balance Forward                  |                  | \$89,049         | \$55,802         | \$175,750        | \$289,294        | \$194,210        | \$137,986        | \$117,941        | \$30,036         | \$107,004        | \$101,867        |
| Grant income **                  | \$0              | \$40,000         | \$40,000         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| Interest                         | \$4,060          | \$221            | \$1,951          | \$2,056          | \$2,253          | \$874            | \$624            | \$425            | \$400            | \$400            | \$400            |
| Other income (CMSD)              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| **                               | \$150,000        | \$0              | \$160,000        | \$260,000        | \$80,000         | \$80,000         | \$80,000         | \$0              | \$173,333        | \$86,667         | \$0              |
| <b>Total income</b>              | <b>\$154,060</b> | <b>\$129,270</b> | <b>\$257,753</b> | <b>\$437,807</b> | <b>\$371,547</b> | <b>\$275,083</b> | <b>\$218,610</b> | <b>\$118,365</b> | <b>\$203,769</b> | <b>\$194,070</b> | <b>\$102,267</b> |
| <b>Year-end assets (deficit)</b> | <b>\$89,049</b>  | <b>\$55,802</b>  | <b>\$175,750</b> | <b>\$289,294</b> | <b>\$194,210</b> | <b>\$137,986</b> | <b>\$117,941</b> | <b>\$30,036</b>  | <b>\$107,004</b> | <b>\$101,867</b> | <b>\$8,475</b>   |

#### Outlook based on calendar year

#### Health care reimbursement for 2015 pro-forma presumes expenditure of balance of encumbered reimbursement fund

Based on bare-bones budget including requested CMSD subsidy plus BOE-unencumbered cost-assessment funds totaling \$27,768.51 as of 11/30/14, BAC operating money will be exhausted circa Jan. 31, 2018

## Commissioner Profiles

**Alfonso Sanchez, chairman:** Retired Executive Vice President of Turner Construction, where he presided over major construction projects, including the Key Tower, the Galleria, Cleveland Public Library, and Cleveland Clinic buildings. He continues to help owners manage complex projects from site acquisition to final occupancy. Mr. Sanchez earned a Bachelor of Science degree in Mechanical Engineering from the University of Illinois and a Juris Doctor degree from Cleveland State University.

**Eric Paszt, treasurer:** Retired Purchasing Director at Turner Construction Co., where he was instrumental in purchasing for numerous major construction projects, including the Cleveland Clinic Cancer Center and Cole Eye Clinic, the Bank One Building, Cleveland Public Library, and Rainbow Babies and Children's Hospital.

**Nancy C. Schuster, Secretary:** Principal of the Cleveland law firm Schuster & Simmons Co. L.P.A., and former chief federal prosecutor for the Northern District of Ohio. Ms. Schuster has been Vice President of the Ohio City community development corporation, President of the Parma City School Board, Commissioner on the Rules of Practice and Procedure for Ohio Courts and Chairman of the Judicial Administration and Legal Reform Committee of the Ohio State Bar Association. She represents clients in a variety of transactions and in State and Federal courts throughout Ohio.

**Donald Brown:** Multi-product Agent with Progressive Insurance. Currently he is a Resolution Specialist in the company's national call center. Mr. Brown and his wife are longtime residents of West Park. Their daughter is a student at CMSD's Douglas MacArthur Girl's Leadership Academy. Over the years he has stayed active in the Student Parent Organization and has served as its President. Mr. Brown is also on the board of the Isaiah Project in Cleveland's Clark-Fulton neighborhood.

**Diane Downing:** Senior Vice President and Regional Manager of Corporate Affairs for Huntington National Bank; Board member, Cleveland-Cuyahoga County Port Authority; former regional representative of U.S. Senator George V. Voinovich; and former Vice President of Administration for the Cleveland Browns. Ms. Downing served in the cabinets of Cleveland Mayors Voinovich and Michael R. White, working under the latter as project manager for construction of Cleveland Browns Stadium, and has been Deputy Director of the Ohio Lottery.

**Robert H. Jackson:** Senior Partner in the Cleveland law firm of Kohrman, Jackson & Krantz PLL. He is a corporate lawyer, book collector and supporter of public libraries. Mr. Jackson is chair of the Advisory Committee of the Baker-Nord Center for the Humanities at Case Western Reserve University, and a director at the Western Reserve Historical Society. He has been appointed Distinguished Visiting Scholar at the Kelvin Smith Library of Case Western Reserve University.

**Peter van Dijk:** Architect and design consultant with Westlake Reed Leskosky. Mr. van Dijk was responsible for the designs of Blossom Music Center, the IMG Building, University School, Cleveland State University Music Building, Playhouse Square theater restoration, and Federal Reserve Bank restoration.