

**Introduction**

The Bond Accountability Commission (BAC) is an independent, non-profit, all-volunteer organization appointed by the chair of the Board of Education in consultation with the Cleveland Mayor. In authorizing the current BAC, the Board of Education resolved that the BAC is to provide monitoring and oversight of the School District’s implementation of its master facilities plan, communicate its findings to the Board of Education and the community, and regularly report to the Board of Education on its activities.

This annual report is for the period of May 1st, 2023– March 11th, 2024. The BAC hired a new Executive Director, Michael J. Houser, who began his tenure on April 17th, 2023. The BAC held six regular meetings all of which were conducted in person at various locations across the district. On July 10th, 2023, the Commissioners toured the new Longfellow Apartments which was a 21-million-dollar project converting the former school building into affordable senior living apartments.

**History of Segment 8**

The project agreement for Segment 8 was approved by the Board of Education on May 25, 2021. The OFCC approved the project agreement on July 8, 2021, followed by the Ohio Controlling Board’s approval of funding on August 2, 2021. The total budget for Segment 8 is \$128,833,565.00. This total is comprised of the State’s share of \$79,694,565, the District’s share is \$37,503,325 and additional LFI dollars as part of the project agreement in the amount of \$11,635,675. However, the District is estimating an additional \$13 million in LFI dollars to account for the historically higher construction costs for Cleveland school buildings and planned LFI expenditures including bleachers at John F. Kennedy and replacement of the field at Marion C. Seltzer. The BAC and the District recognize the Segment 8 project budget does not account for increases in cost anticipated to occur due to high inflation, the war in Israel and ongoing recession concerns. Segment 8 costs were always expected to be significantly over budget.

**Segment 8 Scope of Work**

<b>Project</b>	<b># Students</b>	<b>Square Footage</b>	<b>Project Budget</b>
Renovation of Joseph Gallagher PK-8	1,180	144,988	\$ 36,618,935
New Clark PK-8	675	86,749	\$ 29,843,813
New Lincoln West HS	600	99,984	\$ 32,958,881
New Marion C. Seltzer PK-8	450	63,282	\$ 22,348,225

<b>Abatement &amp; Demolition</b>	<b>Square Footage</b>	<b>Project Budget</b>
Former Clark Elementary	55,143	\$ 546,740
Former Lincoln West High School	247,690	\$ 1,739,436
Former Marion C. Seltzer	56,186	\$ 542,069
Robert Fulton Elementary	74,121	\$ 631,721
Fullerton Elementary	36,468	\$ 353,983
Former John F. Kennedy High School	255,839	\$ 2,653,824
Watterson-Lake Elementary	65,241	\$ 595,948

Data is compiled from the fully executed Project Agreement for Segment 8.

**Current Status of Segment 8**

I have been working with CMSD’s new Chief Operations Officer Karen Thompson and David Riley of the Riley Law Firm, LLC to stay updated on the process of Segment 8. As to date both the new build for Clark and renovation of Joseph Gallagher are going well. The Commission will be visiting to see the progress of Joseph Gallaher on July 8<sup>th</sup> with Councilwoman Jenny Spencer. The demolition of the old Clark, Fullerton and JFK are all set for the coming months with Watterson Lake projected to be completed by the end of the year. The courts ruled on Marion Seltzer earlier this month, the ruling was in favor of CMSD/City’s which means the district will be providing an updated timeline for Marion Seltzer. With design issues and a lack of funding the district has put a hold on the building of the new Lincoln-West until further notice.

		Scope	Status	Completion date	
<b>Segment 8</b>					
	Clark	New	Bid 2022/Construction started 2023	August 2025	TBD
	Joseph Gallagher	Renovate	Bid 2022/Construction started 2023	March 2025	TBD
	Lincoln West	New	Bid 2022/Construction started 2023	TBD	TBD
	Marion Seltzer	New	Bid 2022/Construction postponed	TBD	TBD
	Clark	Demo	Bid 2022/Demo started 2023	April 2024	N/A
	Fullerton	Demo	Bid 2022/TBD	April 2024	N/A
	JFK	Demo	Bid 2022/Demo started 2023	April 2024	N/A
	Lincoln West	Demo	Bid 2022/TBD	TBD	N/A
	Marion Seltzer	Demo	Bid 2022/Demo started 2023	TBD	N/A
	Robert Fulton	Demo	Bid 2022/TBD	TBD	N/A
	Watterson Lake	Demo	Bid 2022/Demo started 2023	Completed Dec 2024	N/A

These projects are part of a modernization program that began after the roof at the former East High School, now East Professional Center, collapsed in 2000. Since the program began, the District has built or substantially renovated 51 buildings. The Ohio Facilities Construction Commission has paid two-thirds of eligible expenses, and bond issues approved by District voters have paid the rest. Costs for Segment 8, including demolition of older buildings, are estimated at more than \$128 million.

The eighth and final segment of CMSD’s construction program includes three new buildings and major renovation of a fourth school. The District will renovate Joseph M. Gallagher PreK-8 School and build replacements for Clark PreK-8 School, Marion C. Seltzer PreK-8 School and the Lincoln-West high school campus. All the construction projects will take place on the current sites.

Source: [www.clevelandmetroschools.org/Segment8](http://www.clevelandmetroschools.org/Segment8)

**Locally Funded Initiatives**

As of the end of January 2024, the District has \$100,787.30 in locally funded initiatives (LFI) expenditures and 2,933,199.69 remaining in MOU total.

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<b>Cleveland Municipal School District</b>
<b>Locally Funded Initiatives (LFI) Expenditures From July 1, 2015 to Present</b>
<b>As of January 31, 2024</b>

Segment 8			
	Clark	98,627.30	
	Fullerton	1,430.00	
	John F. Kennedy	730.00	
	Joseph Gallagher		
	Lincoln West		
	Marion Seltzer		
	Robert Fulton		
	Watterson-Lake		
	<b>Segment 8 Total</b>		<b>100,787.30</b>
Segment 8 MOU			
	Clark	272,777.69	
	Fullerton		
	John F. Kennedy	13,044.36	
	Joseph Gallagher	2,463,035.51	
	Lincoln West		
	Marion Seltzer	184,342.13	
	Robert Fulton		
	Watterson-Lake		
	<b>Segment 8 Mou Total</b>		<b>2,933,199.69</b>

**Facilities Funding Summary**

The main local sources of funding for the District’s construction projects are the result of voter approved Issue 14 and Issue 4. Issue 14 was a \$335M bond issue and a tax levy of 0.5 mills passed in 2001. In 2014 Issue 4 was passed resulting in a \$200M bond issue and 0.5 mills permanent improvement tax levy. The other significant source of funding comes from the State via the Ohio Facilities Construction Commission (OFCC). When the District’s original plan was finalized in 2002, the State’s share was determined to be 68% of the total project cost.

The revenue and expenditures for the District’s facilities projects are allocated into several different funds based on how they are used. Fund 003 is for permanent improvement and operational upkeep. The District is responsible for 100% of these costs. These locally funded investment (LFI) dollars are used for projects not co-funded by the OFCC. Fund 010 is the classroom facilities fund. All projects co-funded with the OFCC are included in Fund 010. Fund 003 dollars can be moved to Fund 010 as necessary for approved co-funded projects.

- **Fund 003** is for permanent improvement and operational upkeep. The District is responsible for 100% of these costs. These locally funded investment (LFI) dollars are used for projects not co-funded by the OFCC.

- **Fund 010** is the classroom facilities fund. All projects co-funded with the OFCC are included in Fund 010. Fund 003 dollars can be moved to Fund 010 as necessary for approved co-funded projects.
- **Fund 034** is the classroom facilities maintenance fund to be used for the buildings included as part of the classroom facilities fund. Revenue of about \$4 million per year is comprised from a half mill permanent improvement levy and state equalization payments.

As of the end of January 2024, the District has **\$-33,445,939.14** remaining to be used to complete Segment 8 as well as other maintenance, repairs and renovation work for school buildings and properties. Confirmed this figure through email with Diana Grant on 3/11/2024.

<b>Cleveland Municipal School District</b>			
<b>Segment 8 Summary</b>			
<b>Current Project Agreement Budget \$117,197,890</b>			
<b>As of January 31, 2024</b>			
			\$
<b>Bond Proceeds</b>			35,971,768.85
<b>State Match Contributions</b>			10,156,634.00
<b>Total Interest</b>			2,452,748.29
<b>Local Interest Transferred from Segment 4</b>			1,372,405.95
<b>Total Available Before Encumbrances and Expenditures</b>			<u>49,953,557.09</u>
<b>Project Expenditures</b>			
	Clark New K8	1,846,990.84	
	Joseph Gallagher Renovation	6,563,413.57	
	Lincoln West	650,081.83	
	Marion Seltzer	1,448,316.40	
	Clark Demo	376,162.27	
	Fullerton Demo	36,699.23	
	JFK Demo	792,642.33	
	Lincoln West Demo	-	
	Marion Seltzer Demo	36,953.06	
	Robert Fulton Demo	13,850.00	
	Watterson-Lake Demo	594,907.02	
<b>Total Project Expenditures</b>			12,360,016.55
<b>Cash Balance Before Encumbrances</b>			<u>37,593,540.54</u>
<b>Project Encumbrances</b>			
	Clark New K8	30,585,949.74	

	Joseph Gallagher Renovate	35,238,961.83	
	Lincoln West	1,814,885.00	
	Marion Seltzer	906,854.50	
	Clark Demo	418,985.04	
	Fullerton Demo	140,951.24	
	JFK Demo	1,760,553.14	
	Lincoln West Demo	108,080.88	
	Marion Seltzer Demo	2,783.01	
	Robert Fulton Demo	39,978.52	
	Watterson-Lake Demo	21,496.78	
<b>Total Project Encumbrances</b>			71,039,479.68
<b>Total Available</b>			<b>-33,445,939.14</b>

### BAC Monitoring & Reporting

The BAC conducted monthly reviews of District revenue and expenditures for capital projects including all audit revenue expenditures, CMSD Building Inventory and Construction Project Status spreadsheets, CMSD Project Summary and CMSD’s Facilities Construction Report. Executive Director Michael J. Houser has also started sharing these reports so commission members can review on their own time.

The following meeting transcripts are available to the community on the BAC website at [www.bondaccountability.org](http://www.bondaccountability.org).

- In September 2023, the BAC spoke with new CEO Dr. Warren Morgan about his plans for the district and his first 100 days. Dr. Morgan spoke about funded provided during covid helped with necessary technology that enabled scholars to engage in remote and hybrid learning. The funding also provided tremendous wrap-around services that benefit families and scholars but will end abruptly at the end of the 2023 fiscal year. This transcript is available by clicking [here](#).
- In November 2023, had a conversation with Joseph Diorio, Mark Barr and farewell to Bill Prenosil of the OFCC. The conversation was centered around the future financial status of the school district, the impact of pandemic funding, activities impacting local dollars, financial analysis of the expenditures co-funded with the OFCC and other LFI expenditures, segment 8 update, and remaining District funds. This transcript is available by clicking [here](#).
- In January 2024, the BAC meet with CMSD new CFO Kevin Stockdale to discuss the General Fund Five-Year Forecast. Through its Office of Budget and School Funding, notified the district that DEW examined the district’s fall 2024 Five Year Forecast submission and identified forecast deficits in school year 2024-2025 (SY24-25) on line 10.010 of -\$18,334,639 and in school year 2025-2026 on line 12.010 of -\$168,033,031 and required that we submit a district-approved written plan by January 31, 2024. Pursuant to a request by the district, DEW granted an

extension through February 29, 2024 to allow adequate time for the district to develop a thoughtful plan to address our financial challenges. This presentation is available by clicking [here](#).

### Work Deficit Reduction Plan

Reflecting upon the financial challenges facing the district and the priority to protect school-directed budgets, Dr. Warren Morgan, Chief Executive Officer, and the Cleveland Metropolitan School District Board of Education adopted a goal to reduce central office by at least 10%. Central office budgets include staff, services, and programs whose budgetary allocation is aligned to a centralized administrative team and not allocated through a specific school's budget. The district will prioritize reductions in central office administrative positions at 1111 and East Professional Center, among the other central office reductions. Reflecting Dr. Morgan's commitment to driving savings through central office budgets reductions, the central office budget process began in January – months earlier than is typical – and ahead of the school-based budgeting process, which begins in February 2024. The central office budget process is now midstream and concludes in April 2024. As required by DEW, the district will monitor implementation of the plan and may revise the plan if warranted by significant changes in assumptions or priorities, while upholding our commitment to eliminating projected deficits. The spring Five Year Forecast will reflect the finalized and approved central office budgets and school-directed budgets. Reduction Plan is available by clicking [here](#).

### Financial Challenges

- Since FY2020-21, the American Rescue Plan/Elementary and Secondary School Emergency Relief Fund (ARP/ESSER) has funded a total of \$465M in temporary CMSD expenditures.
- These funds allowed strategic enhancements in health/safety, technology, and other areas.
- With a 2024 ARP/ESSER sunset and an assumption that 100% of ARP/ESSER expenditures are picked up by the General Fund, the Nov. 2023 forecast projects a 2-year negative cash balance of \$168M.
- Since being placed under a fiscal precaution status by the Ohio Department of Education & Workforce (DEW), District leaders have been working diligently to identify reductions that bring our budget in line with expected revenues/the end of temporary APR/ESSER funds and create a positive cash balance in the next two fiscal years.
- However, there is much work yet to be done to fully eliminate our deficit moving forward and realize financial health.
- The Board of Education reviewed and submitted the budget deficit plan to the Ohio Department of Education & Workforce (DEW) by February 29th deadline.

Source: <https://www.clevelandmetroschools.org/Page/21403>

Click [here](#) for CEO Report Deficit Reduction Plan for Ohio Dept of Ed. & Workforce (DEW) (02.13.24)

**BAC Financial Summary**

<b>BAC Financial Summary as of March 2024</b>						
<b>FY24 (July 1 - June 30)</b>						
	<b>March 2024</b>			<b>YTD</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>Revenue</b>						
CMSD Subsidy1		206,392	(206,392)	-	206,392	(206,392)
Grant/projects			-	-	-	-
Miscellaneous			-	-	-	-
Total Revenue	-	-	-	-	-	-
<b>Expenses</b>						
Payroll	2,496	7,731	(5,236)	44,561	68,642	(24,081)
Payroll service	180	180	(0)	1,766	1,695	71
Health insurance			-	-	-	-
Rent	250	250	-	2,250	2,250	-
Liability insurance (D&O)			-	2,099	2,200	(101)
Equipment			-	-	-	-
Supplies, printing, etc.	50	110	(60)	350	250	100
Communications			-	-	481	(481)
BWC premium			-	-	-	-
Consult/projects			-	-	-	-
Travel/mileage			-	-	-	-
Seminars/events			-	1,043	800	243
Training and education		500	(500)	-	1,500	(1,500)
Total Expenditures	7,570	8,161	(591)	52,069	77,818	(25,749)
<b>Net Income/(Loss)</b>	<b>(7,570)</b>	<b>(8,161)</b>	<b>591</b>	<b>(52,069)</b>	<b>(77,818)</b>	<b>25,749</b>
Cash Balance Beginning	5,447					
Cash Balance End	208,863					

*\*Cash basis accounting*

*1Annual installment of \$103,196 for BAC operations; per two-year funding resolution (for FY24 & FY25) approved by BOE on 4/11/23; payment is received no later than May of the fiscal year preceding the fiscal year the funds are to cover (FY2 received February '24)*

**BAC Commissioners**

<b>Commissioner</b>	<b>Employer</b>	<b>Title</b>
Don Brown, Chair	Progressive Insurance	Senior Resolution Consultant
Nancy Schuster, Vice Chair	Schuster & Simmons Co., LPA	Principal
Tom Cook, Treasurer	53 Group	President
Caroline Peak, Secretary	Cleveland Public Library	Branch Manager
Jack Bialosky Jr.	Bialosky Cleveland	Senior Principal
Lenora Lockett	Cuyahoga County	Director, Equity and Inclusion
Alfonso Sanchez	Construction Cray Consulting Group, Inc.	Retired
SeMia Bray		Principal Consultant
Akeem Perry	Geffen Mesher	Director, Workforce & Development