

**The League of Women Voters of Greater Cleveland, Shaker Heights Chapter  
 Bond Issue-Permanent Improvement Levy Committee  
Recommends that the Board of Directors Endorse Issue 14,  
the Shaker Heights School District's  
School Capital Improvement Tax Bond Measure and Permanent Improvement Levy,  
 Upgrading Shaker Heights School District Facilities**

The League of Women Voters of Greater Cleveland, Shaker Heights Chapter Bond Issue-Permanent Improvement Levy Committee **endorses and recommends support** for the May 2 Ballot Measure, the request for 2.5 mills, which will raise \$30 million with the issue of 20-year bonds. The ballot request also includes a 1.25 mills Permanent Improvement Levy\* that will create a small fund for capital needs, minimizing the need for future capital requests and helping to extend operating levies. **The total request is for 3.75 mills, which would cost taxpayers \$11 per month or \$132 per year per \$100K of home value. [Click here to learn how schools are funded.](#)**

\*About 80% - or 24 out of 30 school districts in Cuyahoga County – have Permanent Improvement (PI) Levies to fund capital improvements, according to the Cuyahoga County Auditor’s Office. The Ohio Facilities Construction Commission, which guides capital projects for Ohio’s public K-12 schools, considers a PI levy and a maintenance plan as a best practice when schools seek a bond issue. Additionally, the PI levy can only be used for tangible assets (or services on those assets) with an anticipated lifespan of 5 or more years. The funds generated from the passage of this measure CANNOT be used for personnel costs.

**The ballot issue reads:**

Shall the Shaker Heights City School District be authorized to do the following:

- (1) Issue bonds for the purpose of constructing, adding to, renovating, remodeling, furnishing, equipping and otherwise improving School District buildings and facilities and acquiring, improving and equipping sites for such buildings and facilities in the principal amount of \$30,000,000, to be repaid annually over a maximum period of 20 years, and levy a property tax outside the ten-mill limitation, estimated by the County Fiscal Officer to average over the bond repayment period 2.5 mills for each one dollar of tax valuation, which amounts to 25 cents for each one hundred dollars of tax valuation, to pay the annual debt charges on the bonds, and to pay debt charges on any notes issued in anticipation of those bonds?
- (2) Levy an additional property tax to provide funds for the acquisition, construction, enlargement, renovation, and financing of general permanent improvements at a rate not exceeding 1.25 mills for each one dollar of tax valuation, which amounts to 12.5 cents for each one hundred dollars of tax valuation, for a continuing period of time?

	<b>For the Bond Issue and Levy</b>
	<b>Against the Bond Issue and Levy</b>

In arriving at this endorsement, The League considered the arguments of proponents and opponents (as of the date of this document, no organized opposition was found), balancing the tax burden it places on Shaker Heights residents with the need to improve school facilities to support student success. The League of Women Voters (LWV), which was founded in 1920, does not support or oppose candidates for office, but it does take selected stands on issues for which it has an existing position. The committee evaluated the bond issue/permanent improvement levy using national, state and local LWV positions on education, taxation, and funding. The LWV Greater Cleveland (LWVGC) Shaker Chapter found this measure deserved League support.

### **Key Findings:**

The League of Women Voters of Ohio [Position on Education](#) supports the measure.

The LWVGC Shaker Chapter supports: “Study and evaluation of educational priorities within the school system as they relate to maintaining a high-quality educational program with adequate budgetary control and long-term financial planning. Adequate financing of the school system.”

This measure will fund specific upgrades to all of Shaker Heights School District schools, included in the District’s [Facilities Master Plan](#) and Implementation of Plan A. The bond would come in two tranches. The first tranche would be scheduled for the Summer of 2017 for immediate facilities upgrades to commence in the Summer of 2017. The second tranche would be released in 2020. Option A, which does not replace the Middle School, presents a lower tax-burden to the community.

The District has stretched the 2004 capital levy well beyond historic levels and is utilizing operational funds to maintain District facilities. This practice of relying on operational funds for maintenance, limits the District to making only emergency repairs. The District’s Proposed Capital Plan includes all relevant financial factors and has received input on those factors by the Ohio Facilities Construction Commission (OFCC), and along with outside advisors and District staff input, it is regarded as an appropriate plan.

While exceptionally well-maintained, the District’s aging facilities will continue to require costly repairs and improvements. Putting off needed maintenance and upgrades only adds to the overall cost of eventual repairs. The District’s Facilities Master Plan identifies \$173 million in deferred facility maintenance, renovation, and replacement needs to bring the schools up to current OFCC standards. Of the \$173 million, \$30 million addresses the most critical needs of the District. There are **no alternate plans** to address the identified \$143 million gap between the \$30 million raised through the proposed bond issue and the deferred facility maintenance, renovation, and replacement needs. Yet the District must ensure that Shaker Heights Public Schools will be safe, warm, dry, efficient, and sanitary places for students to learn over the coming decades. The state of Ohio currently does not provide sufficient funding to adequately repair or improve existing school facilities.

## Why Support This Measure?

1. The proposed capital projects are fundamentally necessary. They include improvements to the fire safety and emergency lighting systems, HVAC systems, technology and security systems, electrical and plumbing systems, roofing, windows, doors, drainage, flooring, and required ADA improvements. We cannot wait any longer to undertake these projects. We have exceeded the usable lifespan of many of these systems and have spent significant dollars every year “patching” things that are well past their useable life. This is not an effective use of taxpayer money and costs the District millions each year.
2. The improvements will have the added benefit to all taxpayers of maintaining or increasing our property values. Put another way, permitting the continued degradation of school infrastructure is a sure way to increase future maintenance, repair, and replacement costs while also decreasing our property values by making the District less desirable to existing and future residents.
3. Once completed, these capital projects are expected to eliminate millions of dollars of ongoing repair and maintenance costs. This savings directly benefits the annual operating budgets and frees up money allowing the District to extend the period between operating levies, as well as use operational funds for educational programming.
4. Interest rates on bonds are still at or near their historic lows making the timing now optimal for borrowing and buying. Additionally, the District is finally poised to pay off all its outstanding debt (not including this \$30 million bond) in 2026.
5. The Permanent Improvement Levy will raise approximately \$1 million every year and will help continue to keep pace with the upkeep, repairs, and equipment replacement to operate the District. The revenues raised are restricted to being spent on capital items as per Ohio Revised Code 5705.01, which outlines allowable use of funds from a Permanent Improvement Levy. This funding source for the District is considered a best practice from a capital management standpoint and is utilized by many other schools in the county and state.
6. In sum, the timing is right; the market is favorable; the needs are significant; and the plans are sound. We support this investment in Shaker’s future and applaud those who worked on this plan. The LWVGC Shaker Heights Chapter Bond Issue-Permanent Improvement Levy Committee encourages our community to support the Measure (Issue 14) on Tuesday, May 2, 2017.

**Background:**

The history of bond issues raising capital funds for school improvements, gives a background to this request. In an election held on November 2, 2004 the electors of the School District approved the issuing of \$23.5 million of bonds for the purpose of building and facilities improvement. \$9,999,995 and \$8,498,960 of bonds were issued under this authority in April 2005 and April 2007, respectively. On October 6, 2009, the School District issued \$600,000 of unvoted bond anticipation notes for the purpose of acquiring eight school buses. On November 25, 2008, the School District issued \$4,999,999 in school improvement bonds with interest rates varying from 4.00 to 4.50 percent. The bond issue included serial and capital appreciation bonds in the amounts \$4,880,000, and \$119,999, respectively. The serial building and facilities improvement bonds will be fully repaid in fiscal year 2026. The capital appreciation bonds will mature in fiscal year 2018.

On October 30, 2012, the School District issued \$2,340,000 for energy efficiency improvements, \$830,000 for stadium improvements, and \$1,000,000 for buses in general obligation. The bonds were issued for a fifteen-year period with a final maturity at December 15, 2027. On October 30, 2012, the School District issued \$4,994,310 in general obligation bonds to refund a portion of the 2005 school improvement bonds. The general obligation bonds included serial and capital appreciation bonds in the amount of \$4,875,000 and \$119,310, respectively. The bonds were issued for a thirteen-year period with a final maturity at December 15, 2025. As of June 30, 2016, \$3,175,000 of the defeased debt is outstanding. The serial and capital appreciation bonds remained outstanding at June 30, 2016. The capital appreciation bonds were originally sold at a discount of \$375,690, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is in 2020. The maturity amount of the outstanding capital appreciation bonds is \$495,000. The issuance resulted in an economic gain of \$543,228. The issuance resulted in a difference (savings) between the cash flow requirements to service the old debt and the cash flows required to service the new debt of \$227,729.

On March 11, 2015, the School District issued \$5,345,000 in general obligation bonds to refund a portion of the 2007 and 2009 school improvement bonds in the amounts of \$3,600,000 and \$1,885,000, respectively. The bonds were issued for an eleven-year period with a final maturity on December 15, 2025. As of June 30, 2016, \$5,485,000 of the defeased debt is outstanding. The issuance resulted in a difference (savings) between the cash flow requirements to service the old debt and the cash flows required to service the new debt of \$347,326. General obligation bonds will be paid from the general fund, debt service fund or the building fund. Compensated absences will be paid from the general fund.

The School District pays obligations related to employee compensation from the fund benefitting from their service. The School District's overall debt margin was \$56,552,027 with an unvoted debt margin of \$803,308 on June 30, 2016. The Treasurer's Office again received the Auditor of State Award with Distinction (only 5 percent of school districts and local governments receive the honor) for strong fiscal stewardship, ending the 2015-16 fiscal year \$2.9 million below budgeted expenditures. The District continues to demonstrate strong fiscal stewardship through the receipt of numerous accolades and commendations each year from the Auditor of State and

from professional organizations that acknowledge the accuracy and integrity of the District's financial reporting. The School District's bond rating was reaffirmed as Aaa by Moody's and AA+ bond rating from Standard and Poors.

[https://ohioauditor.gov/auditsearch/Reports/2011/Shaker\\_Heights\\_CSD\\_10-Cuyahoga.pdf](https://ohioauditor.gov/auditsearch/Reports/2011/Shaker_Heights_CSD_10-Cuyahoga.pdf)

[Shaker Heights City School District Shaker Heights, Ohio Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016](#)

### **Oversight:**

The establishment of the Finance and Audit Committee (F&A Committee) in October 2002 by the Board of Education paved the way for a new era in the School District's financial management function. By creating the F&A Committee, the Board added an ongoing mechanism designed to provide additional financial insight and oversight to complement the School District's internal financial management. The F&A Committee consists of six citizen members, two Board of Education members, and the School District Treasurer. The backgrounds of the members are primarily concentrated in business and financial management. The F&A Committee's charter includes the twin objectives of monitoring the financial affairs of the School District and serving as the primary contact for the School District's external financial auditors.

The School District has communicated to the community the extent to which the School District relies upon their support for the major part of its operations, and will continue to work diligently to carefully monitor expenses, staying within the School District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth, however, forces the School District to come back to the voters from time to time and ask for additional financial support.

### **The District continues to provide a "high quality educational program".**

1. Shaker Heights is one out of 8 International Baccalaureate (IB) World Schools in the nation to provide the program for grades K-12, the first in Greater Cleveland, and the only school in Ohio to offer IB for pre-K through 12<sup>th</sup> grade. The High School offers 25 International Baccalaureate courses (most taught over two years) and 24 Advanced Placement courses, and continues to rank among top Ohio schools with National Merit, National Hispanic, and Advanced Placement Scholars.
2. Shaker's ACT and SAT scores rank significantly above state and national averages and higher than Solon, Orange and Chagrin Falls.
3. The Shaker Heights High School had the highest number of AP Scholars in a decade. Of AP test-takers, 82% scored a grade of 3 or better. Since 2011-12, Shaker has seen a substantial increase in enrollment in AP courses, and the number of students taking at least one IB course has nearly doubled.

4. All Shaker students take Mandarin Chinese in grades 1-5; have six choices of languages in the high school; play an instrument in grades 5-6 and learn to swim! In 2016, Shaker graduates gained admission to all Ivy League colleges.
5. Shaker students win local, state, and national art, music, drama, and language awards; and, compared to all local schools, Shaker sends the most students to National History Day competitions. The Shaker Heights Chamber Orchestra was 3<sup>rd</sup> in 10 school districts throughout the country that were invited to compete in the National Orchestra Cup at Lincoln Center in New York City. Shaker Heights has an outstanding Arts Curriculum in Music, Theatre Arts and Visual Arts which are incorporated throughout all grade levels. It has long been held in high regard and attracts families to the Shaker Schools as well as adding to the cultural enrichment of the community.
6. As elucidated in “Measuring What Matters - A Quality Profile for Shaker Heights Schools and A Five Year Strategic Update” (Fall 2016), the District continues its progress toward stated goals to maintain continuous improvement standards and engage students in an “enriching educational experience.” The aspirational goals of the District are “Excellence - Equity - Exploration”.
7. In addressing achievement gaps at all grade levels as identified in The Five Year Strategic Plan, programs have been implemented such as the long-standing MAC and MAC Sisters Scholars, the Innovative Center for Personalized Learning (IC), Shaker’s First Class, and summer enrichment programming.
8. SELF (Summer Exploration Learning and Fun) provides multi-aged enrichment and differentiated services for all students at all grade levels. Its enrollment has tripled since its inception. Varied programs focus on reinforcement of academic skills, as well as STEAM programming (Science, Technology, Engineering, Arts and Mathematics).
9. Career and Technical Education students are offered greater opportunities for career development due to a recent expansion beyond the Tri-Heights Career Prep Consortium schools.

**Other Concerns that Factored into our Process:**

1. Taxation levels are already high in Shaker. Shaker has one of the highest real estate tax rates in Cuyahoga County (see chart below) and this Bond Issue-PI Levy will make it even higher. People may choose to live in other communities with lower taxes. The City of Shaker Heights has undertaken a number of projects that may well increase the District’s property tax base in the future (for example, The Van Aken District, Avalon Station II, and Transit Village). The successful enhancement of the Van Aken District’s becoming a source of increased property tax revenue won’t be fully realized due to the 30-year tax increment financing (TIF) that was used to develop the project. TIF is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects. Through the use of TIF, municipalities typically divert future property tax revenue increases from a defined area or district toward an

economic development project or public improvement project in the community.] That said, the School District stands to make an additional \$550,000 a year in new taxes. That income from new taxes could go up another \$175,000 a year to \$725,000 once a residential development goes in on the site of the former city parking lot on Farnsleigh Road. Additionally, the increase in school taxes will be offset by a scheduled 1 mill reduction in 2020, and a 2.3 mill reduction in 2026, as previous bond issues are repaid.

**Residential Real Estate Tax Rates (selected communities)**

**Rates of Taxation for Tax Year 2016 Due in 2017**

	<b>Residential Effective Tax Rate</b>	<b>Tax as a percentage of Market</b>	<b>Annual Per \$100,000 Valuation</b>
Cleveland Hts	130.24	4.08%	\$4,080
University Hts	129.52	4.06%	\$4,060
Shaker Heights	129.09	4.01%	\$4,010
South Euclid	110.03	3.42%	\$3,420
Lyndhurst	102.68	3.17%	\$3,170
Beachwood	95.74	2.98%	\$2,980
Cleveland	92.22	2.86%	\$2,860
Gates Mills	89.55	2.80%	\$2,800
Mayfield Hts.	86.96	2.72%	\$2,720
Moreland Hills/Chagrin Falls	83.67	2.59%	\$2,590
Pepper Pike	78.16	2.42%	\$2,420
Orange	75.8	2.35%	\$2,350
Solon	74.02	2.29%	\$2,290
Shaker Heights (w/tax increase))	133.34	4.14%	\$4,142

2. Consistent with overall demographic trends, enrollment is projected to decline to a low level – and with the loss of students comes a loss of State funding. We recommend analyzing school population and school funding in a few years.
  
3. We do not have good analysis of what will happen with Shaker Middle School now that we are not replacing it right away. If our community will be replacing it someday, what projects at the SMS are worth putting money into now? The District’s [Facilities Master Plan](#) identifies \$173 million in necessary repairs, and the School Board is asking for funding for \$30 million, \$23 million of which will be targeted for non-SMS facilities. In doing so, the School Board agreed not to pursue the option (Option B) that would have included building a new Middle School. The School Board chose to address only the most pressing needs of District legacy buildings and to develop a stable, permanent

improvement fund for future repairs and maintenance. The Finance and Audit Committee in their January 2017 Finance & Audit Committee Report, recognized that the long-term benefits of Option B may make it the more prudent option, but it cautioned that pursuing Option B could have an impact on passing future operating and capital levies. Given this gap, what is the plan for coming back to voters for more? Over and above the \$30 Million, what is needed and what is realistic? What meaningful projects fall into the gap?

4. What will happen with State of Ohio funding? The cost to educate young people across the State is significant and those costs continue to rise. More Ohio tax dollars are spent for primary and secondary education than for any other single governmental function. The complexities of school finance practically require that taxpayers have the equivalent of a finance degree in order to understand how the money is spent. While it is increasingly difficult to understand the complexities of how schools within the state of Ohio are funded, it is also increasingly critical that taxpayers understand these issues in order to be informed voters. Until the State creates a new system of funding schools, local taxpayers in Ohio will continue to shoulder the responsibility of providing quality education for our children.
5. The LWVGC Shaker Heights Chapter Bond Issue-Permanent Improvement Levy Committee is concerned that the community may perceive the District's recent low grades on the Ohio State Report Card as a reflection on the quality of the schools, rather than the result of a rubric that utilizes hard to understand metrics and tests that often penalize schools that seek to educate the most diverse populations. It should be noted that the State has used three different tests in the past three years and also raised academic benchmarks which dropped scores statewide. Disproportionate and misleading scores create a perception that does not reflect the reality or quality of Shaker's education system. The committee is concerned that residents may choose not to support this measure if they put too much stock in the report card results. Note: No district with more than an 18% poverty rate received an A on indicators met. Shaker classifies 33% of the student body as economically disadvantaged; yet, has one of the best graduation rates in Northeast Ohio.

### **Conclusion:**

**Despite these concerns, the LWVGC Shaker Heights Chapter Bond Issue-Permanent Improvement Levy Committee is convinced that this measure is for the good of our schools and our community.**

While the ballot measure would increase the District's indebtedness, it would not affect the District's bond rating. The District cannot put off all the work on the schools. Delaying needed maintenance and upgrades only adds to the cost of eventual repairs. An essential element of providing equitable education for today's students is to ensure the existence of infrastructure to support learning. Additionally, outmoded Internet access raises productivity and efficiency

concerns that have financial implications for the entire District. To provide students with the education they need in order to thrive in a globally connected world, we must fund, acquire, and maintain the infrastructure that will make our schools better able to support students with the opportunity to learn and thrive.

Respectfully submitted,

Anne Batzell  
Michael Baron  
Audrey Morris  
Terry Stoller  
Meg Weingart

**The Committee met with:**

- **Earl Leiken**, Mayor, City of Shaker Heights
- **Bryan C. Christman**, Treasurer, Shaker Heights School District
- **Dr. Gregory C. Hutchings, Jr.**, Superintendent, Shaker Heights School District
- **Stephen M. Wilkins**, Assistant Superintendent Business and Operations, Shaker Heights School District
- **Anthony Peebles**, Chair, Finance and Audit Committee
- **Martin R. Kolb**, Member, Finance and Audit Committee, Chair, Mayor's Financial Task Force
- **Alex Liston Dykema**, President, Shaker Heights School Board, Member, Finance and Audit Committee
- **William L. Clawson II**, Immediate Past President, Shaker Heights School Board, Member, Finance and Audit Committee
- **Dr. John L. Morris**, President, Shaker Heights Teachers Association

**Documents/Sources reviewed:**

Finance and Audit Committee January 2017 Report  
[http://www.shaker.org/Downloads/08 FA ReprtPacketFinal 010617.pdf](http://www.shaker.org/Downloads/08_FA_ReprtPacketFinal_010617.pdf)

State of the Schools presentation given by Dr. Hutchings February 28, 2017

Cuyahoga County Residential Tax Rate by City, Village or Township for Tax year 2016 due in 2017.

Treasurer's Report to Shaker Board of Education:  
<http://www.shaker.org/Downloads/FinStmtDec2016.pdf>

Measuring What Matters; Sept 2016, a publication sent to every household:  
[http://www.shaker.org/Downloads/Shaker\\_MWM2016LR.pdf](http://www.shaker.org/Downloads/Shaker_MWM2016LR.pdf)

LWV Shaker Levy Reports from 2006, 2010, 2014

Van Aken District Projected Schools Return, January 2106 Proposed Plan

Shaker Strong website: <https://sites.google.com/site/shakerheightslevy/why-do-we-need-a-levy>

Shaker Heights Levy FAQ: <https://sites.google.com/site/shakerheightslevy/faqs>

Shaker Heights High School Profile (October 2016)

[http://www.shaker.org/Downloads/HSProfile2016\\_Updated0217.pdf](http://www.shaker.org/Downloads/HSProfile2016_Updated0217.pdf)

The Board of Education Facilities Update February, 2017

<http://filecabinet7.eschoolview.com/1391A5F2-FF15-4DEE-B9F8-E67C4F4DCD69/BoardUpdateFebruary142017.pdf>

January Statement from the Board regarding Option A-\$30 million for the District

<http://www.shaker.org/January102017Statement.aspx>

December, 2016 Board Meeting Minutes includes Public Communication to the Board, Capital Project Update.

<http://www.shaker.org/Downloads/MinRegMtg121316REVISEDFINALjh11117.pdf>

January, 2017 Board Meeting Minutes includes: Public Communication to the Board, Capital Project Planning, Finance and Audit Report, Resolution regarding Placement of Bond Issue and Permanent Improvement Levy, Lengthy Discussion of the Resolution by All Board Members.

<http://www.shaker.org/Downloads/MinutesRegMtg011017Rev021117.pdf>

Five Year Forecast as of Oct. 2016 Presentation to the Board of Education

<http://www.shaker.org/Downloads/12ForecastPresentOct16Rev09-16-16.pdf>

Five Year Forecast Report in Detail

<http://www.shaker.org/Downloads/11ForecastPacketOct2016 10-08-16.pdf>

Strategic Plan 2014-2015 For the Shaker Heights Schools

<http://www.shaker.org/Downloads/SPPDFforweb.pdf>

*“As construction season nears, Shaker council enacts a flurry of Van Aken Legislation”,*

By [Thomas Jewell, special to cleveland.com](http://www.cleveland.com), March 01, 2016