

Monitoring and Oversight of General Obligation Bonds to Improve Broward County Schools:

*SMART Program Quarterly Report Review
for the Quarter Ended December 30, 2019*

Presented to the Broward County Bond Oversight Committee
March 9, 2020



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Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

The beginning of the 2019-20 school year marked the beginning of Year 6 of the SMART Program. This is significant in that all of the planned facilities construction projects at Broward public schools were to have been started by the end of Year 5. This has not happened. We now know that it is going to take longer than expected to complete the planned renovations, perhaps several years beyond the original forecast completion dates.

SMART Program funds have dramatically improved the amount and quality of technology in the classrooms. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1. Weight rooms and track facilities have been improved and tens of thousands of pieces of music and arts equipment have been purchased.

The District continues to struggle to find a sufficient number of proven roofing companies to replace 42 million square feet of roof on 1,300 buildings at more than 200 schools. Hiring challenges coupled with permitting issues and delays have made some roofing companies reluctant to work on SMART projects.

Perhaps the greatest concern is the issue of financial risk. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but the most recent risk assessment estimates that the total cost of SMART Program facility improvements could increase by about \$436 million over original budgets. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

I am pleased to present the following report, which includes the Florida TaxWatch review of the SMART Program quarterly report for the quarter ending December 30, 2019. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's March 9, 2020 meeting.

Sincerely,

Dominic M. Calabro
Dominic M. Calabro
President & CEO

INTRODUCTION

On February 22, 2020, Florida TaxWatch received the Bond Oversight Committee Quarterly Report for the Quarter Ended December 31, 2019 (“Quarterly Report”). This single 866-page report provides updated information on the implementation of the District’s SMART Program and the use of general obligation bond funds to purchase and install technology upgrades, purchase music and arts equipment, improve safety, upgrade athletic facilities, and renovate educational facilities.

The Quarterly Report consists of an Introduction and the following eight sections:

- Section 1 ---Technology School Board Broward County (SBBC) Schools;
- Section 2 --- Technology Charter Schools;
- Section 3 --- Music & Art Equipment;
- Section 4 --- Athletics;
- Section 5 --- Facilities;
- Section 6 --- Budget Activity;
- Section 7 --- Supplier Diversity Outreach Program; and
- Section 8 --- Communications.

The School Board of Broward County has provided guidance to the Bond Oversight Committee in Section 4 of Resolution 15-106 (as amended). In reviewing quarterly reports prepared by District staff, the Committee is charged with:

- Verifying the effective use of bond proceeds and compliance with the purposes set forth in the bond programs as approved by the Board;
- Ensuring that bond revenues are expended for the purpose set forth in the bond programs as approved by the Board;
- Ensuring that any deferred proposals or changes of plans are executed after appropriate approval of the Board;
- Validating that no bond funds are used for any teacher or administrative salaries or other school operating expense; and
- Reviewing efforts by District staff to maximize bond revenues by balancing best value, quality, and efficiency in meeting the bond programs as approved by the Board.

To encourage greater accountability, transparency, public support, and confidence in the use of the general obligation bond funds, Florida TaxWatch has reviewed this report against the most recent SMART Program budget. TaxWatch is pleased to present the following report and recommendations.

TECHNOLOGY

The SMART Program allocates \$80.9 million for Technology (computer devices and hardware) for SBBC schools (\$68.9 million) and charter schools (\$12.0 million), all of which is programmed to be spent in Years 1-3. As of June 30, 2018, the planned SMART technology deployment has been fully completed for all 230 SBBC schools. The District reports that all planned charter school SMART Program technology projects were completed as of the end of the quarter ended March 31, 2017. Table 1 provides a final summary of the SMART Program technology deployment.

TABLE 1.
FINAL SMART PROGRAM TECHNOLOGY UPGRADE SUMMARY

	SBBC Schools	Charter Schools	Total
Student Laptops	64,455	5,086	69,541
Teacher Laptops	13,333	1,417	14,750
Desktops	5,051	1,712	6,763
Tablets	523	3,099	3,622
Computer Carts Trays	1,066	316	1,382
Wireless Access Points	13,166	0	13,166
Category 6 Cable Drops	12,738	0	12,738
Digital Classrooms	0	1,347	1,347
Accessories & Peripherals	0	3,394	3,394

All SBBC schools now comply with the District's standard of 1 computer for every 3.5 students. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1.

The SMART Program allocates \$11 million to the Technology and Support Services Center (TSSC) to purchase infrastructure to support upgrades for school networks and computer expansion. The District reports that greatly increased demand for network capacity and reliability has required either the replacement or implementation of systems that provide:

- Improved network security perimeter defense and traffic management;
- Load balancing of Internet and internal network traffic;
- IP address management and Domain Name Systems (DNS) operations;
- Core network capacity and speed; and
- Back-up and recovery.

To meet this demand, the District has spent or encumbered \$10,095,206 million to:

- Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- Upgrade the application-specific load balancing system (\$31,497);
- Improve the reliability of critical network services and systems (\$905,556);
- Improve the speed and capacity of the core network (\$806,481);
- Replace the out-of-service tape back-up system with a virtual back-up tape solution (\$393,593);
- Replace the existing automatic call distribution system with one that will be integrated into the District’s current voice application system (\$386,313);
- Relocate and build storage for offsite disaster recovery (\$221,488);
- Replace disk storage that supports the Enterprise Resource Planning (ERP) system (\$212,881);
- Implement enhanced content filters (\$1,354,141);
- Build firewall internet capacity (\$1,395,356);
- Update data network infrastructure (\$385,070);
- Address the immediate need for additional storage space (\$596,425);
- Upgrade systems that support the Student Information System and Data Warehouse (\$385,141);
- Provide additional capacity to support Internet growth and security requirements (\$357,193);
- Replace/upgrade back-up to an enterprise solution (\$314,988); and
- Provide additional hardware to support centralized management tools Local Area Network endpoints (laptops/desktops) (\$265,169).

The District reports that all of the above projects have been completed. The one remaining project is the replacement of Uninterrupted Power Supply (UPS) devices and computer batteries as needed (\$904,794). The UPS project is expected to be completed by the end of Q1 2020 (September 30, 2020).

MUSIC, ART, AND THEATRE EQUIPMENT

MUSIC EQUIPMENT

The District has allocated amounts of \$300,000 for high schools, \$100,000 for middle schools, and \$50,000 for elementary schools to permit schools to address their most critical music equipment needs. The total amount of SMART Program funding allocated to purchase new music instruments and equipment is \$19.2 million.

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The District reports that an additional 353 pieces of music equipment were delivered during Q2 2019-20. Overall, 59,269 pieces of musical equipment have been ordered. Of that total, 58,110 (98 percent) have been delivered. The deployment of music equipment has been completed at 193 of the 195 schools (99 percent) with music programs.

Approximately \$17.6 million has been spent or encumbered on music equipment as of December 31, 2019. Music and art equipment has been purchased from 13 vendors (see Table 3). Of the approximately \$17.6 million spent on replacement music and art equipment, approximately \$10.9 million (61.7 percent) has been spent with one vendor, All County Music.

TABLE 2.
Q1 2019-20 MUSIC & ART VENDOR PAYMENTS (CUMULATIVE)

Vendor	Amount	Percentage
All County Music	\$10,861,767	61.7%
Cascio Interstate Music	\$3,228	0.0%
Enabling Devices	\$8,284	0.0%
JW Pepper	\$3,383	0.0%
Malmark	\$6,372	0.0%
Music Arts Enterprises	\$3,728,841	21.2%
Music Man	\$1,270,567	7.2%
Romeo Music	\$440,549	2.5%
School Specialty	\$64,250	0.4%
Summer Arts Sessions	\$9,600	0.1%
Summer Hays Music	\$11,964	0.1%
Vista Pan Steel Instruments	\$5,036	0.0%
Wenger	\$1,188,234	6.8%
Total	\$17,602,076	100.0%

ART EQUIPMENT

The SMART Program allocates \$313,600 for 136 replacement kilns. Kilns are ordered on an “as needed” basis subject to the process for kiln evaluation/repair/orders. The District reports that 127 kilns have been delivered to school sites; 8 kilns are in the warehouse awaiting delivery to school sites; and 1 kiln has been ordered but not yet delivered. The District anticipates that all kilns will be delivered and installed before the start of the 2020-21 school year.

THEATER EQUIPMENT

The District reports that SMART funding will be made available to schools to upgrade and/or add to their sound, lighting, and stage equipment. The District reports that \$1,036,000 million will be allocated to 39 schools over the term of the SMART Program:

- Elementary schools with full theater programs (3) will receive \$7,000;
- Middle schools with full programs (7) will receive \$14,000;
- Middle schools with partial programs (3) will receive \$7,000;
- High schools with full programs (19) will receive \$42,000; and
- High schools with partial programs (5) will receive \$14,000.

The District reports that all 39 schools with full or part-time theater programs are beginning to use their stage, lighting, and sound equipment.

ATHLETICS

TRACK PROJECTS

The SMART Program allocates \$3.81 million for new tracks at three middle schools and 12 high schools. The District reports that the 15 planned track resurfacing projects at the 3 middle schools and 12 high schools have been completed.

WEIGHT ROOMS

The SMART Program allocates \$3.63 million for new weight rooms at each of the 30 high schools. The District reports that weight room projects have been completed at 29 of the 30 high schools. Of the 1 remaining high school (Northeast High School), the weight room project is currently in the Design Phase. The Chief Portfolio Services Officer reports that the weight room is being relocated to a building that is set for Primary Renovations and cannot proceed until construction for the building is complete. Once the selected vendor gains access, the new weight room can be completed within 90 days (see p.69). The Chief Portfolio Services Officer reports that Gilbane was terminated as the Construction Manager for Northeast High School’s SMART project. As a result, construction of the weight room has been extended to a planned completion date of Q4 2020 (December 31, 2020), a delay of 15 months.

FACILITIES

CONSTRUCTION SCHEDULE

Twice since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The most recent (Fall 2018) revision to the construction schedule was designed to ease the flow of projects moving through the Design phase; avoid an overabundance of projects being initiated simultaneously; and lighten the demand on an oversaturated construction and labor market.

A January 6, 2020 conference call was conducted to discuss schedule delays and explore ways to speed up construction. Participants on this call included Superintendent Runcie and his staff and contractors, Florida TaxWatch, and representatives from a community organization representing Broward County's businesses and professionals looking to resolve the County's most critical issues.

The current construction schedule envisions the completion of all Primary Renovations projects by the end of Q1 of calendar year 2023. During the January 6, 2020 conference call, however, District staff stated that meeting the current schedule would require a monthly spend of \$24 million, and that the District is not currently spending anywhere near this amount. Despite their best efforts, District staff confirmed that the best scenario would have all Primary Renovations projects completed by the end of calendar year 2023, an additional delay of nine months.

A much longer delay was discussed at a February 11, 2020 workshop of the School Board. District staff hiring challenges (e.g., badging, difficulty of effort, harsh working conditions, and process complexities) have made some South Florida roofing companies reluctant to bid and work on SMART Program roofing projects. Whereas experienced roofing companies are completing the permit review process in as little as one to three months, the permit review process for newer roofing companies is taking up to six to nine months.

District staff expressed optimism at the February 11 workshop that, under current conditions, roofing projects could be completed for about 20 schools each year. With approximately 200 schools yet to be completed, it will likely take 10 years or longer to complete all of the SMART Program roofing projects.

It is apparent from the January 6, 2020 conference call and the February 11, 2020 workshop that the schedule for completing the Primary Renovations projects will require multiple revisions going forward.

RECOMMENDATION 1

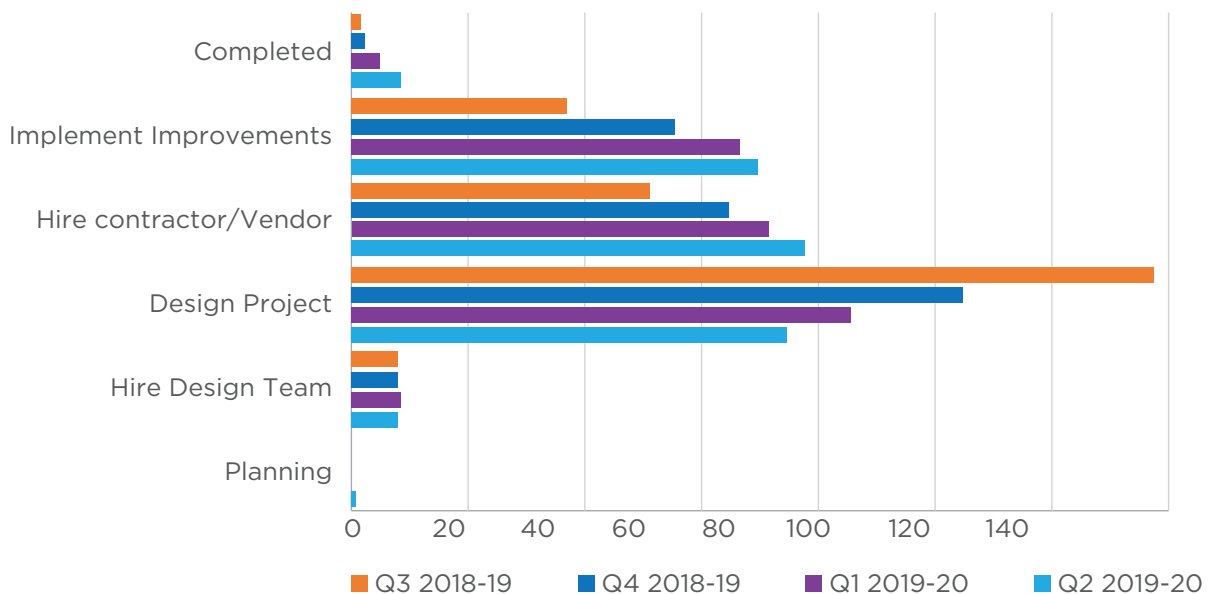
Florida TaxWatch recommends the Executive Director, Capital Programs, brief the Bond Oversight Committee at its March 9, 2020 meeting on the continued viability of the current facilities construction schedule, as well as other likely scenarios and construction schedules.

PRIMARY RENOVATIONS PROJECTS

The District reports that 237 Primary Renovation projects are either underway or complete at Broward County schools. The status of the Primary Renovation projects over the past four quarters is shown in Figure 1.

When compared to Q1 2019-20, Figure 1 shows a decrease in the number of active Primary Renovation Projects in the Design Phase (85 to 74) and an increase in the number of active Primary Renovation Projects in the Hire Contractor/Vendor Phase (71 to 77) and in the Implement Improvements Phase (66 to 69). Florida TaxWatch considers this to be a good sign. This trend has continued for the past four reporting quarters. In addition, the number of completed Primary Renovations projects has increased from 5 to 9.

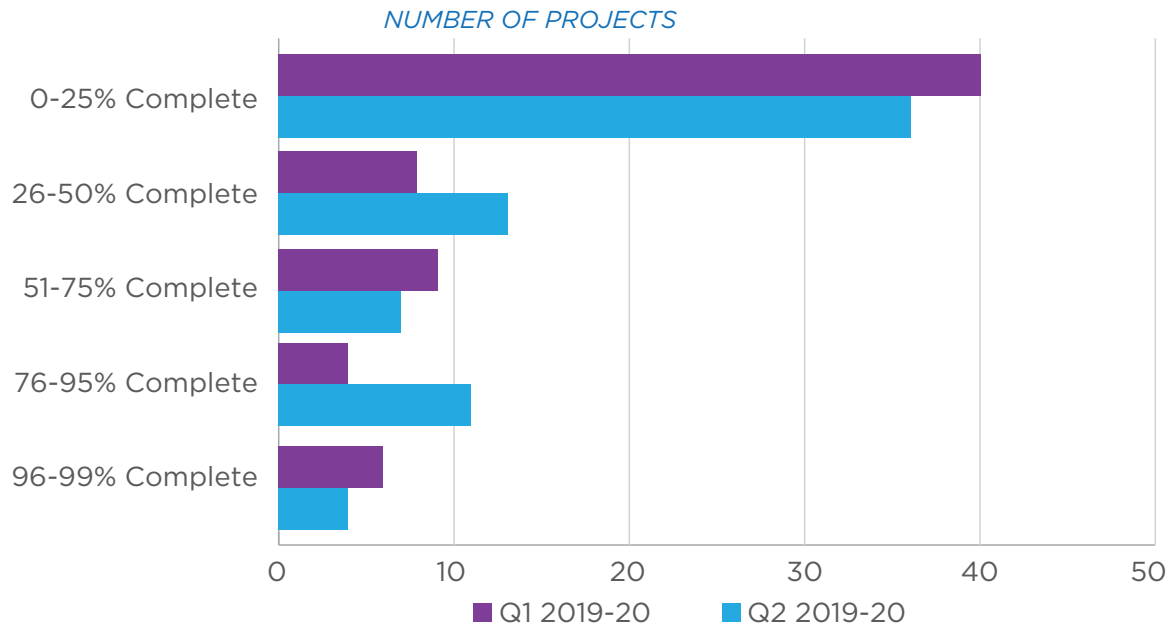
FIG. 1 - MORE PRIMARY RENOVATIONS PROJECTS ARE MOVING FROM DESIGN TO CONSTRUCTION
NUMBER OF PROJECTS



The current status (percentage completed) of the 69 Primary Renovations projects is shown in Figure 2. Although the construction phase of more Primary Renovations projects is underway, the majority (36) of Primary Renovations projects are less than 25 percent complete. The greatest movement is in the

number of Primary Renovations projects that are between 76 percent and 95 percent complete, which increased from 4 projects to 11 projects during Q2 2019-20.

FIG. 2 - THE MAJORITY OF ACTIVE PRIMARY RENOVATIONS PROJECTS ARE LESS THAN 25 PERCENT COMPLETE



FLAGGED SCHOOLS AND PROJECTS

In previous reports, Florida TaxWatch has identified schools and projects that were “flagged” for either schedule or budget issues.

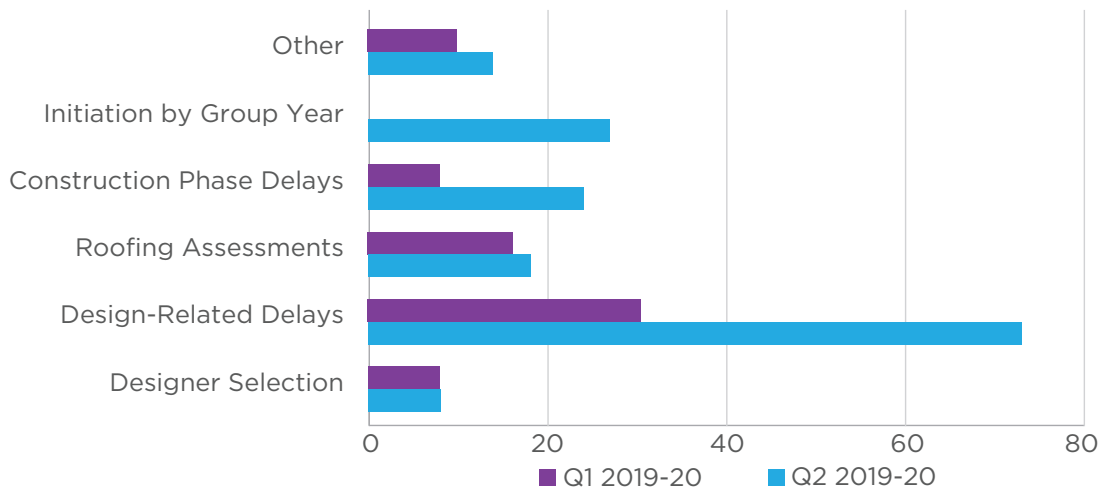
- Schedule issues reflect a risk of or inability to meet the planned milestone date for progressing to the next phase in the process. Schedule flags are removed once the project has regained the time and is back on its planned schedule.
- Budget issues reflect a need for School Board approval of an increase in funding based on bid and/or change order results. When the School Board approves the necessary budget increase, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s *School Spotlight*.

SCHEDULE-RELATED ISSUES

The District Facilities Construction Report identifies 162 Primary Renovations and 2 Other (weight room, fire alarms, etc.) projects that have been flagged for schedule-related issues during Q2 2019-20. This represents a significant increase over the 73 Primary Renovations and 3 Other projects that were flagged for schedule-related issues during Q1 2019-20 (see Figure 3).

The vast majority of schedule-related delays in Q2 2019-20 are design-related (73) and construction-related (24). "Initiation by Group Year" refers to Year 1-3 projects that are being permitted to transition into construction, thereby delaying some Years 4-5 projects.

FIG. 3 - THE NUMBER OF CONSTRUCTION PROJECTS EXPERIENCING SCHEDULE DELAYS CONTINUES TO INCREASE
NUMBER OF PROJECTS



All 8 of the projects that are flagged for "Designer Selection" issues were flagged during Q1 2019-20. These delays are occurring due to additional review of the delivery method and securing School Board approval to perform the project using Construction Manager At-Risk (CMAR) services. Requests for Qualifications (RFQs) have been issued for these projects.

Only 33 of the 73 projects that are flagged for "Design-Related Delays" were flagged during Q1-2019-20. Reasons for the design-related delays during Q2 2019-20 include:

- Design firm has been delayed in submitting construction documents for permit review;
- Design firm has not submitted design documents per the Professional Services Agreement;
- Design firm has taken an above-average amount of time to complete the required documents;
- Multiple revisions have been required by the design firm in order to secure a permit;
- Project is pending a presentation to the School Board on demolition or renovation prior to completing the design;
- Design firm has not met the deadlines for design deliverables;
- Delay was experienced due to required decisions by the District;
- Multiple backcheck reviews were required to close out comments before submission for permit review;
- Revision of the scope of a project;

- Design firm is non-responsive after review and comments by the Building Department;
- Clarification of scope of services and requirements;
- Multiple bids were required to receive a competitive cost;
- Need to redesign project to comport with the budget;
- Required roofing reality checks; and
- Termination of the original design firm.

It is important to note that, for 32 of these delayed projects, the remedy identified by the District is to enforce the terms and conditions of the contract. Florida TaxWatch has included recommendations in both its Q4 2018-19 and Q1 2019-20 reports to the Bond Oversight Committee recommended that the Executive Director, Capital Programs, identify actions taken by the District to enforce the terms and conditions of contracts with design firms, vendors, and contractors. This should include the name of the vendor, the action(s) taken, and the reason for the action(s).

In response to Florida TaxWatch’s recommendations, the Q2 2019-20 Facilities Report (reference page 137) states that “[B]eginning with this FY20 Q2 BOC Report (quarter ending December 31, 2019), Facilities will include a report listing the vendor name, action taken, reason for action, and the amount of the credit.”

Since Q1 2018-19 (quarter ending September 30, 2019), the District has recovered \$149,600 in penalties from the following architect/engineering firms:

TABLE 3.
FINANCIAL PENALTIES (SINCE Q1 2019-20)

School	Vendor	Fee Amount
Stranahan High School	Wolfberg Alvarez	\$19,600
Pioneer Middle School	Williamson Dacar	\$18,000
Westwood Heights Elementary School	ACAI	\$16,000
Mirror Lake Elementary School	ACAI	\$18,000
North Side Elementary School	ACAI	\$12,000
McNab Elementary School	ACAI	\$7,500
Hollywood Hills High School	ACAI	\$14,700
Nova High School	ACAI	\$15,800
James S. Rickards Middle School	Williamson Dacar	\$28,000
Total		\$149,600

The Q2 2019-20 Facilities Report also states that additional letters have been sent out to notify design firms of the processes and penalties for multiple submittals to the Building Department, and to firms that have completed the Design Phase to advise them how their performance will be evaluated.

One-half (9) of the 18 projects that are flagged for “Roofing Assessment” delays were flagged during Q1 2019-20. Reasons for the roofing-related delays during Q2 2019-20 include:

- Roofing reality check (identify opportunities for cost and/or scope efficiencies); and
- Design firm has taken an above-average amount of time to complete the required documents.

Only one of the 27 projects that are flagged for “Initiation by Group Year” delays was flagged during Q1 2019-20. These 27 projects are Years 1-3 projects that are being prioritized for advertisement and bids.

Eleven (11) of the 24 projects that are flagged for “Construction Phase” delays were flagged during Q1 2019-20. Reasons for these delays during Q2 2019-20 include:

- Roofing sub-permit problems;
- Original milestone schedule for construction was found to be unrealistic;
- Need to update specifications to comport with District standards;
- Poor contractor performance;
- Contractor did not submit correct documents; and
- Delays in systems testing;

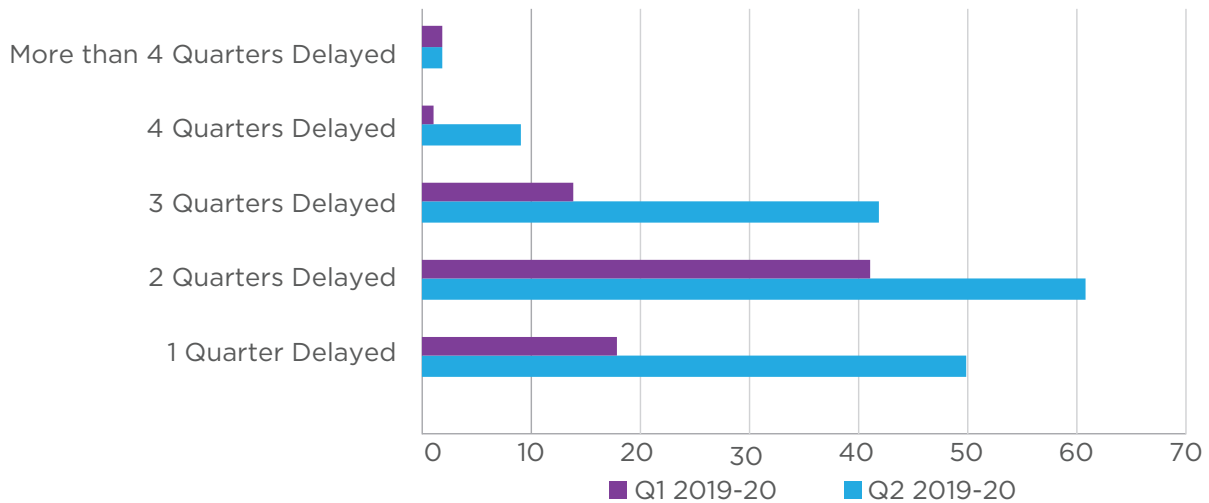
Five (5) of the remaining 14 projects that are flagged for “Other” delays were also flagged during Q1 2019-20. Reasons for these delays during Q2 2019-20 include:

- Need for better pricing and schedule management;
- Delays in negotiating a quality Guaranteed Maximum Price (GMP);
- Difficulties receiving correct quotes from multiple contractors;
- Delays in selecting contractor;
- Construction cost estimates; and
- Decisions related to enrollment and scope of work.

Florida TaxWatch reviewed each school’s School Spotlight to compare the actual/forecast completion dates to the new planned completion dates to better understand how long these projects are delayed. As shown in Figure 4, of the 164 projects that have been flagged for schedule-related delays as of the end of Q2 2019-20:

- 50 projects have been delayed by one quarter;
- 61 projects have been delayed by two quarters;
- 42 projects have been delayed by three quarters;
- 9 projects have been delayed by four quarters; and
- 2 projects have been delayed by more than four quarters.

FIG. 4 - FACILITY CONSTRUCTION PROJECTS CONTINUE TO EXPERIENCE LENGTHY DELAYS
NUMBER OF PROJECTS



BUDGET-RELATED ISSUES

The District Facilities Construction Report identifies 8 Primary Renovations projects that have been flagged for budget-related issues, none of which was flagged during Q1 2019-20. The Budget flags represent \$19.6 million in additional funding that will be needed to complete these 8 projects. When the School Board approves the necessary budget increases for these projects, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s *School Spotlight*. A review of the *School Spotlight* for each school identifies Primary Renovations projects at 70 schools where additional funding totaling more than \$192.4 million has been approved by the School Board (see Table 4).

TABLE 4
 ADDITIONAL PRIMARY PROJECT FUNDING APPROVED BY SBBC (CUMULATIVE)

School	Add. \$	School	Add. \$
Anabel C. Perry Pre K-8	\$1,950,037	McNab Elementary School	\$1,915,437
Atlantic Technical, Arthur Ashe Jr., Campus	\$1,836,449	Miramar Elementary School	\$2,286,935
Banyan Elementary School	\$962,979	Mirror Lake Elementary School	\$2,113,400
Bayview Elementary School	\$946,739	North Side Elementary School	\$1,769,430
Blanche Ely High School	\$7,310,000	Nova High School	\$11,993,745
Bright Horizons Center	\$1,893,100	Oakland Park Elementary School	\$2,701,330
Castle Hill Elementary School	\$1,567,030	Oakridge Elementary School	\$1,473,860
Chapel Trail Elementary School	\$2,850,436	Palm Cove Elementary School	\$1,318,659
Charles W. Flanagan High School	\$6,793,361	Pembroke Pines Elementary School	\$1,175,000
Coconut Creek Elementary School	\$517,143	Pinewood Elementary School	\$2,398,000
Colbert Museum Magnet	\$834,903	Pioneer Middle School	\$3,467,193
Cypress Bay High School	\$18,839,000	Pompano Beach Elementary School	\$1,390,551
Cypress Elementary School	\$452,897	Pompano Beach Middle School	\$4,787,180
Dave Thomas Education Center - East	\$1,861,494	Quiet Waters Elementary School	\$1,576,000
Dillard 6-12	\$4,266,232	Ramblewood Elementary School	\$1,353,158
Eagle Ridge Elementary School	\$1,047,383	Riverglades Elementary School	\$448,177
Embassy Creek Elementary School	\$1,340,700	Riverland Elementary School	\$2,551,192
Everglades Elementary School	\$1,132,500	Rock Island Elementary School	\$1,072,944
Everglades High School	\$2,707,254	Sandpiper Elementary School	\$452,942
Fairway Elementary School	\$3,507,900	Sea Castle Elementary School	\$1,508,179
Falcon Cove Middle School	\$12,047,000	Seagull Alternative High School	\$1,131,082
Forest Glen Middle School	\$3,858,800	Silver Lakes Elementary School	\$1,505,741
Forest Hills Elementary School	\$1,083,601	Silver Ridge Elementary School	\$1,074,700
Fort Lauderdale High School	\$1,363,887	Silver Shores Elementary School	\$1,231,560
Gator Run Elementary School	\$1,535,323	Silver Trail Middle School	\$1,781,150
Griffin Elementary School	\$1,868,208	Stirling Elementary School	\$2,155,295
Hawkes Bluff Elementary School	\$3,906,437	Stranahan High School	\$13,710,000
Hollywood Hills High School	\$7,154,351	Sunland Park Academy	\$881,100
Indian Ridge Middle School	\$945,102	Sunrise Middle School	\$3,950,050
James S. Rickards Middle School	\$5,449,080	Sunset Lakes Elementary School	\$1,780,500
Lake Forest Elementary School	\$1,202,142	Walker Elementary School	\$1,837,090
Liberty Elementary School	\$88,093	West Hollywood Elementary School	\$1,231,160
Manatee Bay Elementary School	\$625,661	Westchester Elementary School	(\$547,142)
Maplewood Elementary School	\$2,295,826	Westwood Heights Elementary School	\$2,517,269
McFatter Tech. Coll./Broward Fire Academy	\$358,512	William E. Dandy Middle School	\$4,023,550
		TOTAL	\$172,843,218

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q1 2019-20:

- Authorized 5 schools to advertise for bids;
- Authorized 8 schools to advertise for CMAR;
- Approved bid recommendations from contractors at 8 schools;
- Approved additional funding for Liberty Elementary School;
- Approved PSA amendments (scope and/or service fees) to 6 PSAs;
- Approved modifications to the original scope of work and/or service fees for renovations at Plantation High School; and
- Approved change orders for projects at 2 schools (no fiscal impacts).

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. The Executive Director, Capital Programs, reports (to date) change orders are tracking at 0.14 percent of the total construction value. Of the \$512,099 added to construction costs through change orders:

- \$55,865 was attributed to consultant error;
- \$128,656 was attributed to consultant omission;
- \$15,187 was at the District's request; and
- \$375,813 was attributed to unforeseen conditions.

Tax savings (dollars returned to projects in the form of credit) totaled \$12,3661.

THE "BIG 3" SCHOOLS

As previously recommended by Florida TaxWatch, the District has provided a more balanced and accurate "snapshot" of the status of facilities renovation projects at the Big 3 schools. The status of the Primary Renovation and other projects is identified, and key milestones and their target completion dates are identified.

The planned dates for "substantial completion" of Primary Renovation projects are as follow:

- Blanche Ely High School Primary Renovation --- Q4 calendar year 2021. This represents an additional delay of 15 months, which is due to the length of time to obtain a notice to proceed (NTP) for construction, combined with the time taken to secure a roofing sub-permit;
- Northeast High School Primary Renovation (Phase 1) --- Q3 calendar year 2022.
- Northeast High School Primary Renovation (Phase 2) --- Q4 calendar year 2021. This represents delay of 3 months from the substantial completion date identified in the Q1 2019-20 Facilities Construction Report; and
- Stranahan High School Primary Renovation --- Q1 calendar year 2021.

SINGLE POINT-OF-ENTRY PROJECTS

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. In response, the District's Facilities Report highlights the District's efforts to ensure the safety and security of Broward County students, including the acceleration of all Single Point-of-Entry projects (which limit access to the school through one entrance point during school hours). The School Board is to be commended for accelerating the release of funds so Single Point-of-Entry projects can be initiated ahead of schedule. Additional safety improvements include fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware.

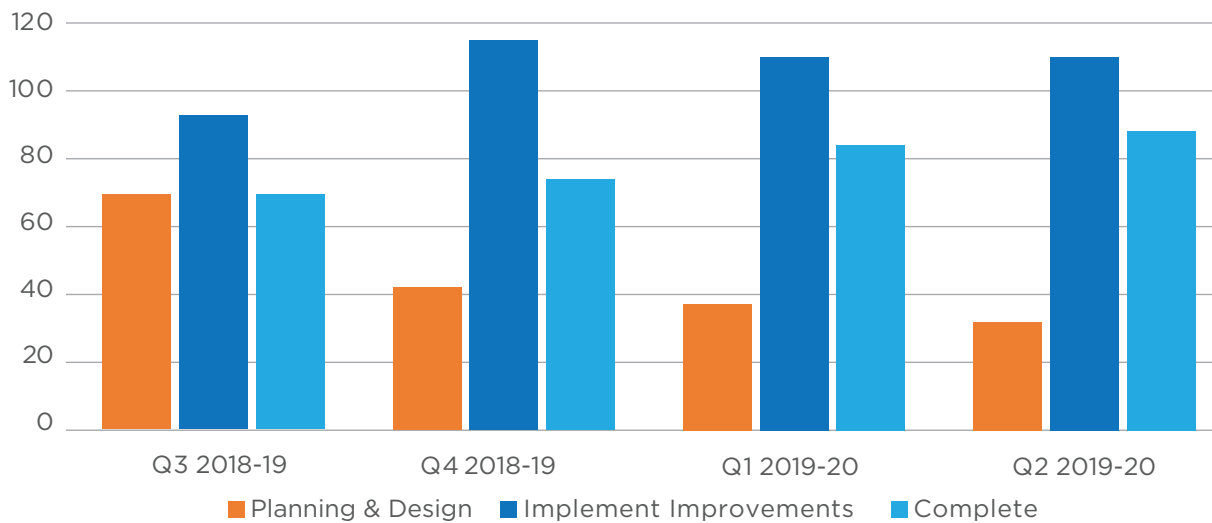
The Q3 2018-19 Report moved up the timing for completing the remaining Single Point-of-Entry projects, committing to complete all of the remaining Single Point-of-Entry projects before students return to school in the Fall. The District reports that all Single Point-of-Entry projects were complete and operational before students returned to school in the Fall.

SCHOOL CHOICE ENHANCEMENT PROGRAM

The District reports that School Choice Enhancement Program (SCEP) projects are underway or complete at 230 schools. SCEP projects are budgeted at \$100,000; the scope of the capital project (e.g., electronic marquees, shade structures, playgrounds, etc.) is determined by a vote of the teachers, staff, and parents of students at the school.

As of December 31, 2019, the number of SCEP projects in the Planning Phase has decreased from 37 to 32. The second phase, Implementation, includes selection and procurement. There are currently 110 schools in the second phase. The third phase, Completion, occurs when all items have been delivered and installed. There are 88 schools with completed SCEP projects. As shown in Figure 5, the number of SCEP projects that are in the Planning and Design Phase have decreased over the past four quarters and the number of Completed projects has increased.

FIG. 5 - THE DISTRICT IS MAKING PROGRESS IMPLEMENTING SCEP PROJEC
 NUMBER OF PROJECTS



BUDGET ACTIVITY

EXPENDITURES

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. As previously recommended by Florida TaxWatch, the District has included SMART Program budget allocations for years 6 (FY 2019-20) through 8 (FY 2021-22). With the inclusion of budget allocations for years 6-8, the SMART Program total budget has increased from \$1.149 billion to 1.168 billion, an increase of about \$19.6 million. This includes the \$800 million in general obligation bond (GOB) funding and \$368.6 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$181.2 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

SMART Program expenditures increased from \$303,880,223, to \$340,391,852 an increase of about \$36.5 million during Q2 2019-20. The Chief Financial Officer reports a SMART Program balance of \$536,666,982 at the end of Q2 2019-20. The Chief Financial Officer reports that a second series of the General Obligation Bonds was issued in February 2019 to ensure projects have available funds in line with the projected construction delivery timeframes.

]

During Q2 2019-20, the School Board approved the following funding increases:

- Sunrise Middle School --- Approved recommendation to award Construction Agreement (\$3,950,050);
- Sea Castle Elementary School --- Approved recommendation to award Construction Agreement (\$1,508,179);
- Chapel Trail Elementary School --- Approved recommendation to award Construction Agreement (\$2,850,436);
- William Dandy Middle School --- Approved recommendation to award Construction Agreement (\$4,023,550);
- Maplewood Elementary School --- Approved recommendation to award Construction Agreement (\$2,295,826);
- Oakland Park Elementary School --- Approved recommendation to award Construction Agreement (\$2,701,330);
- Stirling Elementary School --- Approved recommendation to award Construction Agreement (\$2,155,295); and
- Liberty Elementary School --- Approved request for additional funding (\$88,093).

These increases total almost \$19.6 million. Since inception of the SMART Program, the School Board has approved net increases/decreases of \$181,212,027.

ASSESSMENT OF FINANCIAL RISK

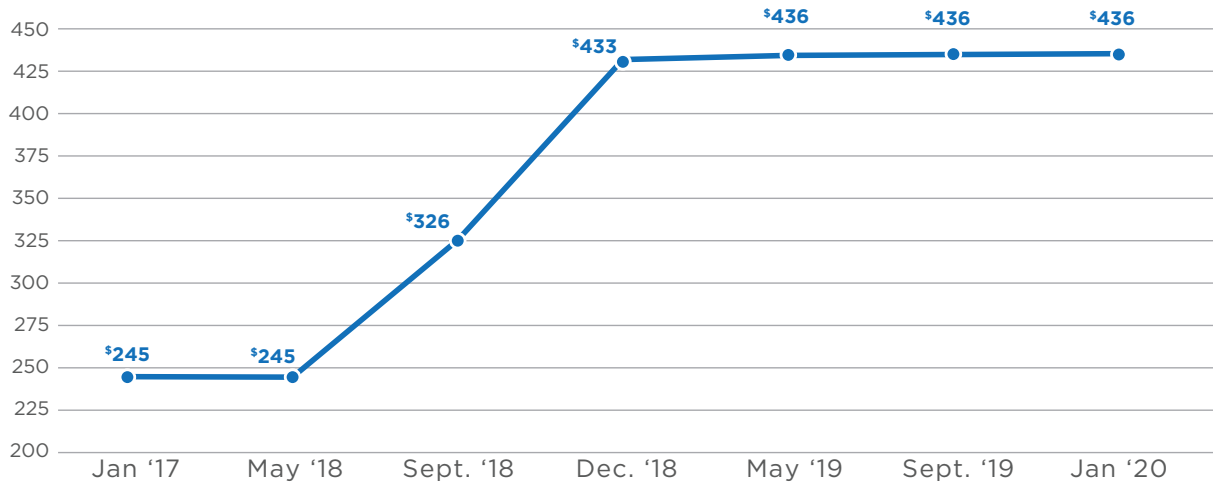
At the October 8, 2018 BOC meeting, Superintendent Runcie made it clear that the planned renovation projects will cost more than what is currently budgeted. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs.

FloridaTaxWatch has previously recommended that the District's report to the Bond Oversight Committee include an assessment of financial risk. It is TaxWatch's understanding that the contract between the School Board and Atkins North America requires Atkins to provide the District with quarterly reviews on program cost risks and market conditions; however, there is no assessment of financial risk included in the Q2 2019-20 report to the Bond Oversight Committee.

Only after Florida TaxWatch contacted the Executive Director, Capital Programs, was a copy of the January 2020 assessment of SMART Program financial risk and market conditions provided to Bond Oversight Committee members. The financial risk assessment prepared by Atkins shows no change from the risk assessments prepared in May 2019 and August 2019 (see Figure 6), and recommends that the District "continue to place new revenues into the unassigned reserve funds to support the SMART

Program to the current 70% range of program risk of approximately \$436 million, as market conditions and risks continue to be assessed.”

FIG. 5 - PROJECTED SMART PROGRAM FINANCIAL RISK HAS REMAINED STABLE OVER THE PAST 14 MONTHS (\$ MILLIONS)



Florida TaxWatch considers the issue of financial risk to be the greatest concern and controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward. Given the significance of the quarterly reviews on program cost risks and market conditions, Florida TaxWatch considers the absence of an assessment of SMART Program financial risk to be a glaring omission from the report to the Bond Oversight Committee.

RECOMMENDATION 2

Florida TaxWatch recommends that the District ensure that Atkins North America provide the District with a timely quarterly review of program cost risks and market conditions, and that these assessments of financial risk be included in all subsequent quarterly reports to the Bond Oversight Committee.

The District has set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program. Due to approved School Board approvals through the end of Q2 2019-20, the SMART Program reserve balance is currently \$32.4 million (includes future years). This is \$19.6 million less than the balance reported for Q1 2019-20. Given the current stabilization of financial risk, it is unclear whether this reserve will be sufficient to mitigate the projected assessed financial risk.

The Chief Financial Officer reports that there is currently \$40 million in “capital unallocated reserves” plus \$73.5 million set aside for charter school millage sharing that could be used to help mitigate construction cost overruns. If the state continues to fully fund charter school capital outlays, then this

\$73.5 million could be moved to capital reserves. The District also has an additional \$223 million in the outer years of the District's educational facilities plan that could be used to mitigate construction cost overruns. The Chief Financial Officer acknowledges that the funds needed to address the updated construction risk assessment and complete the SMART Program are "having an impact" on the District's overall capital program.

HARD COSTS VERSUS SOFT COSTS

Bond Oversight Committee members have, on more than one occasion, requested a breakdown of "hard costs" versus "soft costs" of SMART projects. "Hard costs" include tangible expenses that are directly related to the physical construction or implementation of the project's scope, and include such costs as materials, equipment, labor and supervision, etc., and typically make up about 65-75 percent of total budget. "Soft costs" include expenses that are indirectly related to the physical construction or implementation of the project's scope, and include such costs as architect and engineering fees, program management fees, furniture and fixtures, general and administrative costs, etc., and typically make up 30-35 percent of total budget.

As previously recommended by Florida TaxWatch, the District's Q2 2019-20 Facilities Report included a breakdown of hard and soft costs for five schools (Manatee Bay Elementary School, Indian Ridge Middle School, McNicol Middle School, Palm Cove Elementary School, and Silver Shores Elementary School) at which construction activities had been completed. The hard costs for these projects range from 70 percent (McNicol Middle School) to 86 percent (Manatee Bay Elementary School). Soft costs range from 14 percent (Manatee Bay Elementary School and Silver Shores Elementary School) to 30 percent (McNicol Middle School).

SUPPLIER DIVERSITY & OUTREACH

The Supplier Diversity Outreach Program Report includes data specific to the participation of and committed funding to Minority/Women Business Enterprises (M/WBE), ethnic-owned business enterprises (EBEs) and small business enterprises (SBEs). This permits the reporting of historically underutilized businesses, in addition to M/WBEs, as previously recommended by Florida TaxWatch.

The Chief Strategy & Operations Officer reports that, as of the end of Q2 2019-20, there were 785 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. Of these 785 E/S/M/WBEs:

- 79 (10.1 percent) are SBE certified companies;
- 349 (44.4 percent) are MBE certified companies;
- 233 (29.7 percent) are M/WBE certified companies; and
- 124 (15.8 percent) are WBE certified companies.

The Chief Strategy & Operations Officer reports an E/S/M/WBE commitment of \$7.06 million during Q2 2019-20. This represents about 24.2 percent of the total \$29.2 million in contracts awarded during the quarter.

Through December 31, 2019, the District has issued purchase orders to E/S/M/WBEs totaling \$162.8 million. This represents a cumulative E/S/M/WBE prime commitment of 26.6 percent. Of this \$162.8 million E/S/M/WBE commitment:

- \$6.7 million has been awarded to E/S/M/WBE firms for Safety projects;
- \$0 has been awarded to E/S/M/WBE firms for Music and Arts projects;
- \$10,700 has been awarded to E/S/M/WBE firms for Athletics projects;
- \$156.0 million has been awarded to E/S/M/WBE firms for Renovation projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

As previously recommended by TaxWatch, the Q2 2019-20 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

In terms of the total cumulative SMART Program minority spend (per ethnicity):

- 10.9 percent has been awarded to African American-owned companies;
- 69.8 percent has been awarded to Hispanic American-owned companies;
- 3.7 percent has been awarded to small business enterprises;
- 4.8 percent has been awarded to Asian American-owned companies; and
- 10.8 percent has been awarded to White Female-owned companies.

As previously recommended by TaxWatch, the District has stepped up its efforts to award SMART Program purchase orders to women-owned companies. Approximately one-fourth (25.2 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q2 2019-20 Report highlights the District's continued efforts to promote the SMART Program. During Q2 2019-20, outreach efforts include:

- Face-to-face outreach events;
- Digital media publications;
- Social media campaigns;
- Online feedback tools; and
- Printed materials.

Staff mentions their efforts to increase the quality of content and highlighting the message of the SMART Program. What has not been clearly communicated or understood until now is the magnitude of the roofing effort. More than 1,300 buildings at more than 200 schools have planned roofing projects, totaling more than 42 million square feet. This equates to more than 729 football fields (including the end zones), more than 964 acres, or more than 1.5 square miles. This is slightly larger than the total land area of the Town of Pembroke Park in Broward County.

LOOKING AHEAD

The District continues to make progress in implementing the \$1.168 billion SMART Program. SMART Program expenditures and commitments now exceed \$630.2 million. All planned computer devices have been ordered and received, all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students, and all technology projects planned for charter schools have been completed.

The replacement of music, arts, and theater equipment continues, with all planned projects accelerated and underway, and more than 58,000 pieces of musical equipment have been delivered to Broward public schools. More than 130 kilns have been delivered, and theater equipment has been ordered and is being delivered to the 39 schools with theater programs.

All 15 planned track resurfacing projects have been completed and 29 of the 30 weight room projects have been completed. The District continues its efforts to ensure participation by Minority/Women Business Enterprises (M/WBE), ethnic-owned business enterprises (EBEs) and small business enterprises (SBEs) that provide commodities (supplies), construction, professional services, and business services to District schools.

During Q2 2019-20, the number of active Primary Renovation Projects in the Design Phase decreased and the number of active Primary Renovation Projects in the Hire Contractor/Vendor Phase and in the

Implement Improvements Phase increased. FloridaTaxWatch considers this to be a good sign and reflects a continuing trend over the past four quarters. Despite additional time built into the new construction schedule, the number of Primary Renovations projects flagged for schedule related delays during Q2 2019-20 increased from 73 to 162. Florida TaxWatch finds the fact that Primary Renovations projects at 162 schools have currently been flagged for Schedule issues extremely concerning. The trajectory of the completion of these projects should be accelerating in a positive direction with a realistic timetable that will be successfully completed. Anything less is unacceptable.

It has become increasingly apparent that the current facilities construction schedule is no longer realistic. Under the “best-case scenario,” as discussed on a January 6, 2020 conference call with Florida TaxWatch, all Primary Renovations projects would be completed by the end of calendar year 2023, an additional delay of nine months. Under the “worst-case scenario,” as discussed at the February 11, 2020 School Board workshop, it could take 10 years or longer to complete the planned Primary Renovations projects.

Also of great concern is the issue of financial risk. Primary Renovations projects at 8 schools were flagged for Budget issues during Q2 2019-20. More than \$19.6 million in additional funding is required to complete these projects. Since inception, the School Board has approved \$192.4 million in additional funds for SMART construction projects.

Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements could now increase by about \$436 million. Atkins reports that “construction volume and employment indicators show a plateau in 2019, which may lead to construction price stabilization, although it is too early to tell.” Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

In this report, Florida TaxWatch has offered recommendations to help guide the Bond Oversight Committee in its oversight of the implementation of the SMART Program, and to ensure that public’s right-to-know how the taxpayer-approved General Obligation Bond funds are being spent is well-served. Florida TaxWatch looks forward to presenting the results of its review to the Committee and the public, and to providing continued support and guidance as the Bond Oversight Committee continues its effective oversight of SMART Program implementation.

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As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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