

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

*SMART Program Quarterly Report
Review for the Quarter Ended
June 30, 2022*

Presented to the Broward County Bond Oversight Committee
September 19, 2022

Q4
2021-22



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Senator George S. LeMieux
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear fellow taxpayer,

As Florida TaxWatch finalizes its review of the Broward Public School District's progress in implementing the SMART Program for the quarter ended June 30, 2022, the 2022-23 school year has begun and students have returned to their classrooms. With the recent murder of students and teachers at an elementary school in Texas, school safety and security questions are once again in the spotlight and highlight the importance of the SMART Program.

It is not the only headline looming large, though. Rising inflation, supply chain disruptions, and worker shortages impact construction costs and increase the overall financial risk of the SMART Program. The release of the final report of the Twentieth Statewide Grand Jury, which was impaneled in response to the February 2018 shootings at Marjory Stoneman Douglas High School and charged with (among other things) examining "whether school officials committed—and continue to commit—fraud and deceit by mismanaging, failing to use, and diverting funds from multimillion dollar bonds specifically solicited for school safety initiatives," casts a shadow on this quarter's deliberations.

The rising risks and critical questions that need answers should remind us all why the Bond Oversight Committee exists and how critical the role of Florida TaxWatch is. I am extremely proud that the Grand Jury recognized Florida TaxWatch for its role and actions as a trusted and constructive third party/independent fiscal watchdog and thank our professional staff and the leaders on the Bond Oversight Committee for their efforts to keep Broward County taxpayers informed on how their tax dollars are being spent. Regardless of the continuing changes and pressures, we will continue to stick to the facts and sound fiscal principles which lead to better governance and taxpayer well-being.

We once again thank Superintendent Cartwright for her commitment to take the issues and recommendations here seriously and we look forward to working with district staff and the SMART Program team to ensure accountability and timely completion of construction projects, and we look forward to working with the leadership of the School Board of Broward County as the work proceeds.

I am pleased to present the following report, which includes the Florida TaxWatch review of the District's Bond Oversight Committee Quarterly Report for the Quarter Ended June 30, 2022. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's upcoming September 19, 2022, meeting.

Sincerely,

Dominic M. Calabro
President & CEO

INTRODUCTION

The Broward County Public Schools' Bond Oversight Committee *Quarterly Report for the Quarter Ended June 30, 2022* ("District Quarterly 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 school safety and security, 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, and Theater Equipment;
- Section 4—Athletics;
- Section 5—Facilities;
- Section 6—Budget Activity;
- Section 7—Supplier Diversity Outreach Program; and
- Section 8—Communications.

The SBBC has provided guidance to the Bond Oversight Committee ("BOC") 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 SBBC;
- Ensuring that bond revenues are expended for the purpose set forth in the bond programs as approved by the SBBC;
- Ensuring that any deferred proposals or changes of plans are executed after appropriate approval of the SBBC;
- 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 SBBC.

To encourage greater accountability, transparency, public support, and confidence in the use of the general obligation bond funds, and to hold the District accountable for spending decisions, Florida TaxWatch has reviewed the District's Quarterly Report against the most recent SMART Program schedule and budget and is pleased to present the following report and recommendations.

SCHOOL SAFETY & SECURITY

The tragic and senseless murder of 14 students and three faculty/staff at Marjory Stoneman Douglas High School in February 2018 focused nationwide attention on school safety and security. The recent mass murders of 19 students and two adults at an elementary school in Texas have once again put the issue of school safety and security in the national spotlight.

In February 2019, the Twentieth Statewide Grand Jury was impaneled to examine four issues related to school safety, including “whether school officials committed—and continue to commit—fraud and deceit by mismanaging, failing to use, and diverting funds from multimillion-dollar bonds specifically solicited for school safety initiatives” (like the SMART Program bonds). In its final report, the Grand Jury found that the SBBC “has—through deceit, malfeasance, misfeasance, neglect of duty and incompetence—mismanaged the SMART Program.” Four elected SBBC members were subsequently removed from office and replaced with gubernatorial appointments.

ALL SINGLE POINT-OF-ENTRY PROJECTS HAVE BEEN COMPLETED

After the shootings at Marjory Stoneman Douglas High School, the SBBC accelerated the release of funds so all remaining Single Point-of-Entry projects could be initiated ahead of schedule. All remaining Single Point-of-Entry projects were complete and operational before students returned to school in the Fall of 2019, bringing the total number of Single Point of Entry projects to 238.

ADDITIONAL SAFETY AND SECURITY MEASURES ARE BUNDLED AS PART OF PRIMARY RENOVATIONS PROJECTS

Additional SMART Program safety improvements include such things as fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware. These improvements are bundled together as part of Primary Renovations projects. The District Quarterly Report (reference page 37) identifies the status of 189 fire alarm and fire sprinkler projects (see Table 1) that are part of these Primary Renovations projects.

TABLE 1. SCHOOL SAFETY & SECURITY

	Planning	Design	Hire Contractor	Construction	Complete/ Closeout	Total
Fire Alarms	0	4	20	70	6	100
Fire Sprinklers	1	5	24	50	9	89

In response to concerns by Committee member Demopoulos, Florida TaxWatch has done a deeper dive and reviewed the *School Spotlights* (reference pages 65 through 363) for each school to determine the status of Primary Renovations projects with scopes of work that include one or more activities related to student safety and security (e.g., fire alarms and sprinklers, emergency exit signage, lightning protection, etc.). Florida TaxWatch identified 141 such projects. Their completion is tied to the schedule for the

Primary Renovations projects into which they are bundled; however, 82 of these Primary Renovations projects are “flagged” for schedule delays, 15 are flagged with budget issues, and the remaining 45 projects are not flagged and are presumed to be on schedule. These flagged Primary Renovations projects are identified in Table 2.

NOTE: It is important to recognize and understand that the improvements related to student safety and security may be in place and operational, and that the other activities with which the safety and security improvements are bundled (e.g., re-roofing, building envelope and interior renovations, etc.) may be the reason a given Primary Renovations project is flagged for schedule issues.

TABLE 2. FLAGGED PRIMARY RENOVATIONS PROJECTS THAT INCLUDE SAFETY & SECURITY IMPROVEMENTS

Schedule Flags	Budget Flags
Apollo Middle School	Coconut Creek High School (2)
Atlantic Technical College (Ashe)	Indian Trace Elementary School
Atlantic West Elementary School	James S. Hunt Elementary School
Attucks Middle School	Oakridge Elementary School
Blanche Ely High School	Park Springs Elementary School
Boyd H. Anderson High School	Pasadena Lakes Elementary School
Broadview Elementary School	Peters Elementary School
C. Robert Markham Elementary School	Riverside Elementary School
Castle Hill Elementary School	Sanders Park Elementary Magnet
Central Park Elementary School	Sawgrass Elementary School
Challenger Elementary School	South Plantation High School
Charles Drew Family Resource Center (2)	Sunshine Elementary School
Collins Elementary School	Tequesta Trace Middle School
Coral Springs High School	Welleby Elementary School
Country Isles Elementary School	
Cresthaven Elementary School	
Crystal Lake Middle School	
Dania Elementary School	
Deerfield Beach Elementary School	
Deerfield Beach Middle School	
Deerfield Park Elementary School	
Dillard 6-12 School	
Driftwood Elementary School	
Driftwood Middle School	
Eagle Point Elementary School	
Embassy Creek Elementary School	
Fairway Elementary School	
Griffin Elementary School	
Gulfstream Early Learning Center	

Hollywood Central Elementary School	
Hollywood Park Elementary School	
J.P. Taravella High School	
Larkdale Elementary School	
Lauderdale Lakes Middle School	
Lauderdale Manors Early Learning Center	
Lauderhill 6-12 STEM-MED Magnet	
Lauderhill Community School at Park Lakes	
Lauderhill - Paul Turner Elementary School	
Maplewood Elementary School	
Margate Middle School	
Marjory Stoneman Douglas High School	
McArthur High School	
McFatter Technical High School & Tech. Coll.	
Millennium 6-12 Collegiate Academy	
Morrow Elementary School	
Nob Hill Elementary School	
North Lauderdale Pre K-8	
Nova High School	
Oakridge Elementary School	
Olsen Middle School	
Palmview Elementary School	
Park Trails Elementary School	
Pembroke Lakes Elementary School	
Piper High School	
Plantation Middle School	
Pompano Beach Elementary School	
Pompano Beach Middle School	
Ramblewood Elementary School	
Ramblewood Middle School	
Riverglades Elementary School	
Royal Palm STEM Museum Magnet	
Sandpiper Elementary School	
Sawgrass Springs Middle School	
Sea Castle Elementary School	
Seagull Alternative High School	
Sheridan Park Elementary School	
Sheridan Technical College	
Silver Lakes Middle School	
South Broward High School	
Stranahan High School	
Sunland Park Academy	

Sunrise Middle School	
Tedder Elementary School	
The Quest Center	
Tropical Elementary School	
Village Elementary School	
Walker Elementary School	
West Hollywood Elementary School	
Westchester Elementary School	
Westpine Middle School	
William E. Dandy Middle School	

The current SMART Program budget for school safety and security improvements is \$164.7 million. A summary of school safety and security budget activity through June 30, 2022, is presented in Table 3.

TABLE 3. SMART PROGRAM SAFETY & SECURITY PROJECT BUDGET ACTIVITY
(THROUGH JUNE 30, 2022)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$84,899,473	\$84,723,389	\$28,950,072	\$21,919,568	\$12,929,700	\$20,924,049
Non-GOB Funds	\$17,107,387	\$53,507,494	\$17,269,128	\$16,512,570	\$10,859,319	\$8,866,477
Completed/Meets Standards						
GOB Funds	\$21,867,592	\$18,958,245	\$16,943,210	\$573,301	\$700,857	\$740,877
Non-GOB Funds	\$1,679,673	\$7,473,866	\$5,867,371	\$553,832	\$526,297	\$526,366

MUSIC, ART, AND THEATER EQUIPMENT

Overall, more than 60,000 pieces of musical equipment have been ordered and delivered. A summary of the music equipment purchased through the SMART Program is provided in Table 4.

TABLE 4. MUSIC EQUIPMENT ORDERED AND DELIVERED
(Q4 2021-22)

	Ordered	Delivered
Elementary	47,342	47,342
Middle	3,847	3,847
High	8,303	8,303
Center	584	584
Total	60,076	60,076

The District reports that all 136 kilns have been purchased and delivered to the schools. Planned theater upgrades have been completed at all 40 schools with full or part-time theater programs.

The current SMART Program budget for music, art, and theater equipment is \$45.6 million. A summary of SMART Program budget activity through June 30, 2022, is provided in Table 5.

TABLE 5. SMART PROGRAM MUSIC & ARTS PROJECT BUDGET ACTIVITY
(THROUGH JUNE 30, 2022)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$12,010,000	\$12,304,052	\$3,343,815	\$2,665,899	\$2,401,635	\$3,892,703
Non-GOB Funds	\$3,055,000	\$7,767,498	\$1,421,078	\$2,326,758	\$1,826,164	\$2,193,498
Completed/Meets Standards						
GOB Funds	\$5,482,000	\$5,482,000	\$4,672,208	\$214,731	\$322,392	\$272,669
Non-GOB Funds	\$20,518,000	\$20,069,850	\$19,826,625	\$172,933	\$70,292	\$0

ATHLETICS

The 15 planned track resurfacing projects at the three middle schools and 12 high schools have been completed as of September 30, 2018, and the 30 planned weight room upgrades have been completed as of March 31, 2021.

The current SMART Program budget for Athletics is \$7.6 million. A summary of SMART Program expenditures Through June 30, 2022, is provided in Table 6.

TABLE 6. SMART PROGRAM ATHLETICS PROJECT BUDGET ACTIVITY
(THROUGH JUNE 30, 2022)

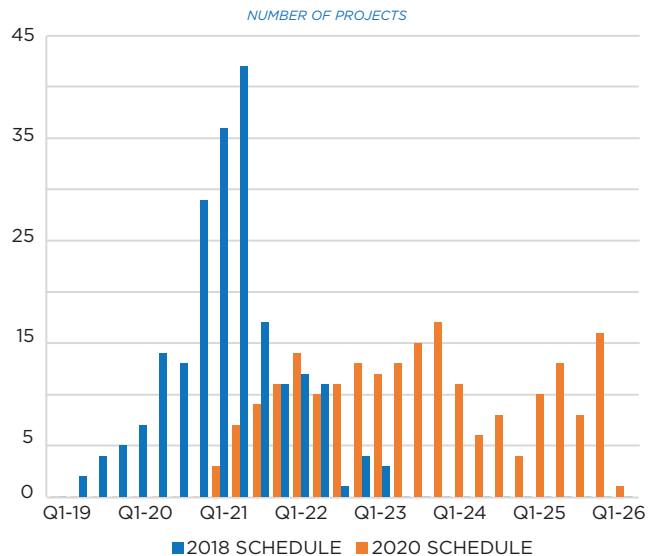
	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$40,000	\$40,000	\$17,402	\$10,393	\$9,526	\$2,679
Non-GOB Funds	\$0	\$17,867	\$9,725	\$3,036	\$2,944	\$2,162
Completed/Meets Standards						
GOB Funds	\$7,333,360	\$6,508,351	\$6,438,812	\$6,936	\$58,833	\$3,770
Non-GOB Funds	\$126,640	\$207,189	\$181,095	\$422	\$15,120	\$10,552

RENOVATIONS

The most recent (Schedule 2020) revision to the construction schedule acknowledges that nearly all projects have been flagged and deemed at risk of schedule delays with potential budget impacts and reflects completion of most planned facility construction projects in late 2025, with remaining projects completed in Spring 2026 (a delay of an additional three years).

Figure 1, which overlays the 2020 Schedule with the previous (2018) schedule, shows that the 2020 Schedule will flatten and extend the facilities construction schedule, extending the completion dates for more than 140 planned Primary Renovations projects by more than two years.

FIG. 1 - 2020 SCHEDULE WILL FLATTEN AND EXTEND THE FACILITIES CONSTRUCTION SCHEDULE



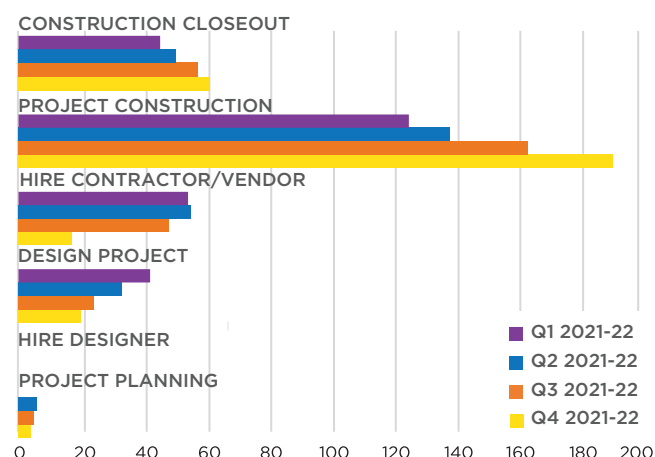
MORE PRIMARY RENOVATIONS PROJECTS ARE MOVING INTO THE CONSTRUCTION PHASE

The District reports that there are currently 189 Primary Renovations projects under active construction, and another 61 Primary Renovations projects either completed or in the process of being closed. The status of the Primary Renovations projects over the past four quarters is shown in Figure 2.

When compared to Q3 2021-22, Figure 2 shows a decrease in the number of active Primary Renovations Projects in the Design Phase (24 to 20); a decrease in the number of active Primary Renovations Projects in the Hire Contractor/Vendor Phase (48 to 17); and an increase in the number of active Primary Renovations Projects in the Project Construction Phase (162 to 189).

All of these numbers are moving in the right direction. Florida TaxWatch considers this to be a good sign since project delays have occurred most frequently in the Design Phase. In addition, the number of Primary Renovations projects in the Construction Closeout Phase has increased from 57 to 61.

FIG. 2 - MORE PRIMARY RENOVATIONS PROJECTS ARE MOVING INTO THE CONSTRUCTION PHASE
NUMBER OF PROJECTS



THE DISTRICT APPEARS TO HAVE SIGNIFICANTLY UNDERREPORTED THE NUMBER OF PRIMARY RENOVATIONS PROJECTS THAT HAVE BEEN FLAGGED FOR SCHEDULE 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. With the adoption of the 2020 Schedule, the list of projects flagged for schedule-related issues (i.e., delays) was effectively “wiped clean.”

The District identified 37 projects (reference page 44) that, at the end of the reporting period, are experiencing schedule variances. Twenty-five (25) of the delayed projects are 95 percent or more completed. The District offers several reasons for these delays:

- 21 projects are substantially complete; however, the District has required additional work;
- 4 projects are experiencing delays due to errors and omissions;
- 5 projects are experiencing delays due to contractor delays;
- 3 projects are experiencing delays due to unforeseen circumstances;
- 2 projects are delayed due to materials shortages and/or supplier delays; and
- 2 projects are delayed for reasons that are “undefined.”

A review of the *School Spotlights* for each school by Florida TaxWatch, however, suggests that the District has significantly underreported the number of Primary Renovations projects that have been flagged for schedule issues. The *School Spotlights* contained in the Q4 2021-22 Report show the following 126 Primary Renovations projects as being flagged for schedule issues:

- Apollo Middle School (unforeseen conditions)
- Atlantic Technical College Arthur Ashe Jr. Campus (owner delays)
- Atlantic West Elementary School (owner delays)
- Attucks Middle School (contractor delays)
- Banyan Elementary School (owner delays)
- Blanche Ely High School (owner delays)
- Boulevard Heights Elementary School (unforeseen conditions/material/supplier delays)
- Boyd H. Anderson High School (errors & omissions/contractor delays)
- Broadview Elementary School (contractor delays)
- C. Robert Markham Elementary School (contractor delays)
- C. Robert Markham Elementary School (designer delays)
- Castle Hill Elementary School (owner delays)
- Central Park Elementary School (owner delays)
- Challenger Elementary School (material/supplier delay)
- Chapel Trail Elementary School (errors & omissions)
- Charles Drew elementary School (A/E delays)
- Coconut Palm Elementary School (unforeseen conditions)
- Collins Elementary School (owner delays/contractor delays)
- Coral Springs High School (material/supplier delay)
- Country Isles Elementary School (contractor delays)
- Cresthaven Elementary School (contractor delays)
- Cross Creek School (owner delays/contractor delays)
- Crystal Lake Middle School (owner delays/errors & omissions/contractor delays)
- Cypress Bay High School (owner delays)
- Dania Elementary School (owner delays)
- Dave Thomas Education Center – East (contractor delays)
- Deerfield Beach Elementary School (contractor delays)
- Deerfield Beach High School (owner delays/material/supplier delays)
- Deerfield Beach Middle School (designer delays)
- Deerfield Park Elementary School (owner delays)
- Dillard 6-12 (owner delays/contractor delays)
- Dillard Elementary School (owner delays)
- Driftwood Elementary School (designer delays)
- Driftwood Middle School (owner delays/contractor delays)
- Eagle Point Elementary School (owner delays/contractor delays)
- Embassy Creek Elementary School (owner delays/errors & omissions/contractor delays)

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- Endeavour Primary Learning Center (material/supplier delay)
 - Fairway Elementary School (owner delays)
 - Falcon Cove Middle School (owner delays/unforeseen conditions)
 - Flamingo Elementary School (owner delays)
 - Floranada Elementary School (owner delays/contractor delays)
 - Forest Glen Middle School (owner delays/contractor delays)
 - Forest Hills Elementary School (contractor delays)
 - Fort Lauderdale High School (owner delays)
 - Gator Run Elementary School (owner delays)
 - Griffin Elementary School (owner delays)
 - Gulfstream Academy of Hallandale Beach K-8 (unforeseen circumstances)
 - Gulfstream Early Learning Center of Excellence (material/supplier delay)
 - Harbordale Elementary School (contractor delays)
 - Hollywood Central Elementary School (designer delays/contractor delays)
 - Hollywood Park Elementary School (owner delays)
 - Horizon Elementary School (unforeseen circumstances)
 - J.P. Taravella High School (owner delays/contractor delays)
 - Lakeside Elementary School (material/supplier delay)
 - Larkdale Elementary School (owner delays)
 - Lauderdale Lakes Middle School (owner delays)
 - Lauderdale Manors Early Learning and Resource Center (owner delays)
 - Lauderhill 6-12 STEM-MED Magnet School (designer delays)
 - Lauderhill Community School at Park Lakes Learning Center (owner delays)
 - Lauderhill – Paul Turner Elementary School (owner delays/unforeseen conditions)
 - Lyons Creek Middle School (contractor delays)
 - Maplewood Elementary School (owner delays)
 - Margate Elementary School (contractor delays/material/supplier delays)
 - Margate Elementary School (errors & omissions)
 - Margate Middle School (owner delays)
 - Marjory Stoneman Douglas High School (contractor delays)
 - McArthur High School (contractor delays)
 - McFatter Technical College – Broward Fire Academy (owner delays/errors & omissions)
 - McFatter Technical High School & Technical College (owner delays)
 - McNab Elementary School (owner delays)
 - Meadowbrook Elementary School (owner delays/errors & omissions/contractor delays)
 - Millennium 6-12 Collegiate Academy (material/supplier delays)
 - Mirror Lake Elementary School (owner delays/contractor delays)
 - Morrow Elementary School (owner delays)
 - New Renaissance Middle School (contractor delays)
 - New River Middle School (owner delays/contractor delays)

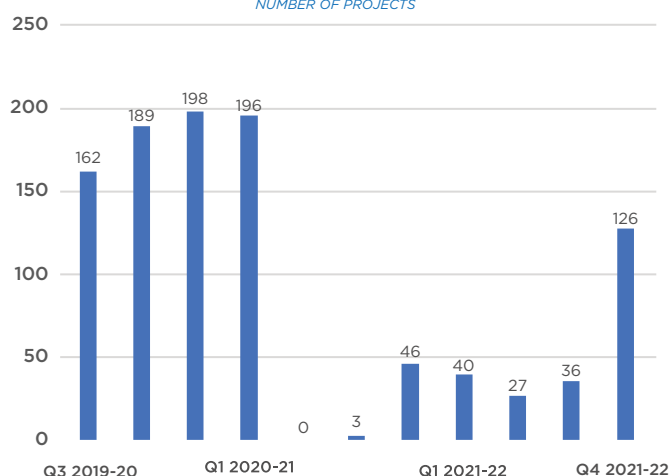
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- Nob Hill Elementary School (designer delays)
 - Norcrest Elementary School (contractor delays)
 - North Lauderdale Pre K-8 (designer delays)
 - Nova Blanche Forman Elementary School (owner delays)
 - Nova High School (unforeseen conditions)
 - Oakridge Elementary School (owner delays/contractor delays/unforeseen conditions)
 - Olsen Middle School (owner delays/contractor delays)
 - Palmview Elementary School (owner delays/contractor delays/unforeseen conditions)
 - Park Trails Elementary School (owner delays)
 - Pembroke Lakes Elementary School (errors & omissions)
 - Pembroke Lakes Elementary School (owner delays)
 - Pembroke Pines Elementary School (owner delays)
 - Pines Middle School (owner delays)
 - Piper High School (owner delays/contractor delays/unforeseen conditions)
 - Plantation High School (material/supplier delay)
 - Plantation Middle School (contractor delays)
 - Pompano Beach Elementary School (owner delays)
 - Pompano Beach Middle School (unforeseen conditions)
 - Quiet Waters Elementary School (contractor delays)
 - Ramblewood Elementary School (contractor delays)
 - Ramblewood Middle School (contractor delays)
 - Riverglades Elementary School (contractor delays)
 - Riverland Elementary School (owner delays)
 - Royal Palm STEM Museum Magnet (owner delays)
 - Sandpiper Elementary School (owner delays)
 - Sawgrass Springs Middle School (owner delays)
 - Sea Castle Elementary School (owner delays)
 - Seagull Alternative High School (unforeseen circumstances)
 - Seminole Middle School (owner delays)
 - Sheridan Park Elementary School (contractor delays)
 - Sheridan Technical College (contractor delays)
 - Silver Lakes Middle School (contractor delays)
 - Silver Ridge Elementary School (errors & omissions)
 - South Broward High School owner delays/designer delays/contractor delays)
 - South Plantation High School (owner delays)
 - Stirling Elementary School (contractor delays)
 - Stranahan High School (owner delays/errors & omissions/contractor delays)
 - Sunland Park Academy (owner delays/contractor delays)
 - Sunrise Middle School (owner delays)
 - Tamarac Elementary School (owner delays)
 - Tedder Elementary School (contractor delays)

- The Quest Center (owner delays/errors & omissions/material/supplier delays)
- Tropical Elementary School (A/E delays)
- Village Elementary School (contractor delays)
- Walker Elementary School (owner delays/unforeseen conditions)
- West Hollywood Elementary School (owner delays)
- Westchester Elementary School (owner delays/errors & omissions/contractor delays)
- Westpine Middle School (contractor delays)
- William E. Dandy Middle School (owner delays)
- Winston Park Elementary School (contractor delays/material/supplier delays).

Figure 3 shows that, since the 2020 Schedule Reset (Q2 2020-21), the number of Primary Renovations projects flagged for schedule issues had been greatly reduced until Q4 2021-22, when the number of Primary Renovations projects flagged for schedule issues increased more than threefold. This is in contrast to the 37 Primary Renovations projects identified in the District's Q4 2021-22 Report (reference page 44) as being delayed.

The 126 Primary Renovations projects that have been flagged for schedule issues represents more than one-third (43 percent) of the total number of Primary Renovations projects in the SMART Program.

FIG. 3 - THE NUMBER OF PRIMARY RENOVATIONS PROJECTS FLAGGED FOR SCHEDULE ISSUES HAS INCREASED SIGNIFICANTLY DURING Q4 2021-22



RECOMMENDATION 1

Florida TaxWatch recommends District staff explain to the Bond Oversight Committee at its September 19, 2022, meeting: (1) the apparent underreporting of Primary Renovations projects that were flagged for schedule issues in the District's Q4 2021-22 Report; and (2) if correct, the potential impact on the 2020 Schedule.

MORE PRIMARY RENOVATIONS PROJECTS ARE AT GREATER RISK OF ADDITIONAL REDESIGN OR OTHER CHANGES

The *School Spotlight* forms have been revised to include an additional indicator of risk. Fashioned after a traffic signal, each *School Spotlight* includes the following assessments of risk (reference page 63):

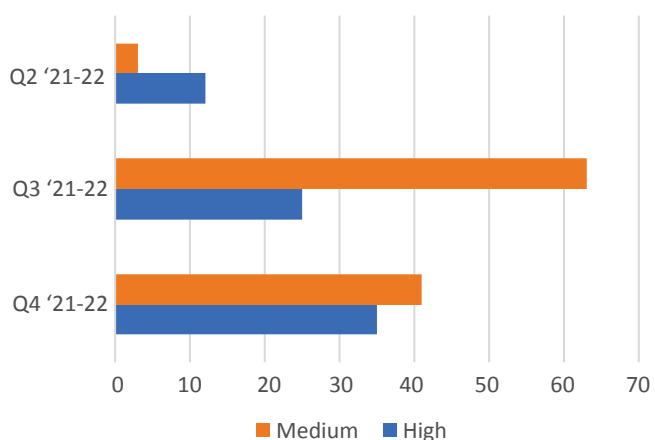
- Red—reflects a high level of risk and can cause budget and/or schedule impact to the project. A resolution has not yet been determined or put in place;
- Yellow—reflects a medium level of risk and may cause an impact to the project budget and or schedule, with a resolution planned and in process; and
- Green—reflects a low level of risk with little/ no impact to the project budget and/or schedule but is being tracked.

Florida TaxWatch reviewed the *School Spotlight* for each school in the Q4 2021-22 District report. The District Q4 2021-22 Report identified 35 Primary Renovations projects that have been assigned a high level (red) of risk and 41 Primary Renovations that had been assigned a medium level (yellow) of risk. As shown in Figure 4, the number of Primary Renovations projects assigned a high level of risk has increased (almost tripled) since the District started to report this risk.

The 35 Primary Renovations projects assigned a high level of risk are:

- Atlantic Technical College Arthur Ashe, Jr. Campus
- Banyan Elementary School
- Blanche Ely High School
- Castle Hill Elementary School
- Chapel Trail Elementary School
- Country Isles Elementary School
- Cypress Bay High School
- Embassy Creek Elementary School
- Fairway Elementary School
- Falcon Cove Middle School
- Forest Glen Middle School
- Fort Lauderdale High School
- Gator Run Elementary School
- Griffin Elementary School
- Larkdale Elementary School
- Lauderdale Lakes Middle School
- Margate Elementary School
- McNab Elementary School
- New River Middle School
- Plantation High School
- Pompano Beach Elementary School
- Pompano Beach Middle School
- Quiet Waters Elementary School

FIG. 4 - MORE PRIMARY RENOVATIONS PROJECTS ARE AT GREATER RISK OF ADDITIONAL REDESIGN OR OTHER CHANGES



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- Riverglades Elementary School
 - Riverland Elementary School
 - Royal Palm STEM Museum Magnet
 - Sandpiper Elementary School
 - Sea Castle Elementary School
 - Seagull Alternative High School
 - Sunrise Middle School
 - The Quest Center
 - Walker Elementary School
 - West Hollywood Elementary School
 - Westchester Elementary School
 - Winston Park Elementary School.

RECOMMENDATION 2

Florida TaxWatch recommends District staff brief the BOC at its September 19, 2022, meeting on the 35 high-risk (red) Primary Renovations projects, including efforts to mitigate the high risk.

Concerns remain that, after resetting the facilities construction schedule in 2020, projects are again being flagged for schedule delays. The March 8, 2021, BOC meeting included a lengthy discussion as to why District construction projects experience such frequent and lengthy delays. Several reasons were offered, including: (1) the average amount of time required to approve change orders; and (2) the average number of times design documents go back-and-forth to the Building Department before they are approved.

CHANGE ORDERS

It has been explained to the Committee that the average time required to navigate the change order process is 192 days. Change orders undergo review by the Change Order Review Process (CORP) to make sure they are fair and reasonable and to identify the reasons for the changes. Several rounds through CORP may be necessary to gain the necessary approvals. Once CORP approves a change order, it then goes to the SBBC for approval.

It has been explained to the Committee that the SBBC has a policy that permits the Superintendent to approve change orders up to \$25,000; however, the SBBC has ostensibly given “verbal direction” to the Superintendent not to approve any change orders. It should be noted that, according to District staff, approximately 85 percent of all change orders are below the \$25,000 threshold.

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 District reports 56 change orders (reference pages 38-43) were approved by the SBBC during Q4 2021-22 (see Table 7), totaling more than \$1.7 million. Of these 56 change orders, 51 involved the approval of additional funds by the SBBC.

TABLE 7. CHANGE ORDERS Q4 2021-22

	Ordered	Delivered
Owner Request	8	14.3%
Consultant Omission	23	41.1%
Unforeseen Conditions	15	26.8%
Consultant Error	10	17.9%
Tax Savings	0	0.0%
Total	56	100%

For those 51 change orders requiring additional funding, the amounts ranged from \$870 to \$802,400. Of these, 40 (78 percent) were less than \$25,000, the threshold below which the SBBC could delegate authority to approve change orders, thereby speeding up the process. In previous reports, Florida TaxWatch has recommended the SBBC exercise its delegation of authority to permit the Superintendent or other senior staff member to approve change orders below the \$25,000 threshold. Both District staff and the Committee have urged the SBBC at workshops to delegate authority for change order approval as a means to speed up the review process; however, the SBBC has shown little or no appetite to delegate authority to approve change orders.

Florida TaxWatch considers the SBBC's unwillingness to delegate authority to approve change orders that are less than \$25,000 to be an inefficient use of limited staff, time, and other resources. At the BOC's December 13, 2021, meeting, Ms. Langan (AECOM)¹ mentioned that a proposal had been prepared for consideration by the SBBC that would permit the SBBC to delegate authority to approve change orders that are less than \$15,000. Had this policy been in effect, 35 of the 51 change orders requiring additional funding (68.6 percent) would have been below the proposed \$15,000 threshold.

RECOMMENDATION 3

Florida TaxWatch recommends the SBBC delegate authority to approve change orders less than \$15,000 to the Superintendent or other senior official.

CHANGE ORDERS RESULTING FROM CONSULTANT ERRORS AND/OR OMISSIONS COST THE DISTRICT MORE THAN \$465,000 DURING Q4 2021-22

Most change orders are the result of unforeseen conditions; however, only 15 of the 56 change orders approved during Q4 2021-22 were due to unforeseen conditions. It is important to note that more than half (59 percent) of the change orders approved during Q4 2021-22 were due to either an omission or error by the consultant. The additional cost to the District is more than \$465,000.

¹ AECOM is the District's Program Manager – Owner's Representative (PMOR), an outside firm hired by the District to support Capital Facilities staff by providing specialized oversight and management expertise to develop and implement successfully the SMART Program.

Over the past four reporting periods, change orders approved by the SBBC that were due to errors or omissions by consultants totaled almost \$2.0 million. At the September 27, 2021, meeting, BOC members made clear their expectations that any misspent funds be recovered by the District.

RECOMMENDATION 4

Florida TaxWatch recommends District staff brief the Bond Oversight Committee at its September 19, 2022, meeting on (1) the reasons for so many change orders being due to consultant errors or omissions; and (2) the status of efforts to recover funds paid to consultants for their errors or omissions.

BUILDING DEPARTMENT DELAYS DURING THE DESIGN PHASE PERSIST

Much has been written about the delays experienced in the Design Phase, which Florida TaxWatch has previously referred to as the “pig in the python.” At the September 27, 2021, BOC meeting, Ms. Langan (AECOM) explained that the 2018 schedule (shown in orange in Figure 1) was based on the assumption that design documents would be reviewed twice by the Building Department before approval. The actual number of building department reviews of design documents was trending at nine or ten reviews, which would have pushed back the completion of the planned renovations into 2027. The 2020 Schedule, which envisions the completion of the planned renovations in late 2025 or early 2026, assumes five building department reviews. BOC members have expressed and reiterated their opposition to the 2020 Schedule reset and any subsequent resets because “that obscures how far behind some of these projects really are.”

Revisions to the *School Spotlight* for each school (reference pages 65 through 363) now permit the taxpayer to better visualize and understand the amount of time that any given Primary Renovations project spends in the Design Phase. During its review of the District’s Q3 2021-22 Report, Florida TaxWatch looked at the amount of time each Primary Renovations project that has progressed beyond the Design Phase spent in the Design Phase (as identified on each school’s *School Spotlight*). Florida TaxWatch calculated a range of one quarter to 22 quarters, or from three months to more than five years. Florida TaxWatch calculated a median value of 8.0 quarters, or up to 24 months. This means that 50 percent of the Primary Renovations projects spent more than 24 months in the Design Phase.

With only 24 SMART Program Primary Renovations projects yet to progress out of the Design Phase, it may be too late to take meaningful steps to reduce the number of “back and forths” between design firms and the Building Department and the resulting delays; however, the problems and inefficiencies identified by Florida TaxWatch and by the Statewide Grand Jury require immediate corrective actions.

RECOMMENDATION 5

Florida TaxWatch recommends the District brief the Bond Oversight Committee at its September 19, 2022, meeting on steps taken by the Building Department to reduce the number of “back-and-forths” between design firms and the Building Department.

PRIMARY RENOVATIONS PROJECTS CONTINUE TO EXPERIENCE BUDGET-RELATED ISSUES

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 from the school’s *School Spotlight*. Florida TaxWatch was unable to find any mention of the number of Primary Renovations projects flagged for Budget issues in the District’s Q4 2021-22 Report; however, Florida TaxWatch reviewed each *School Spotlight* and identified the following 21 Primary Renovations projects that have been flagged for budget-related reasons:

- Charles Drew Family Resource Center
- Coconut Creek High School
- Coconut Creek High School
- Coral Springs Middle School
- Forest Hills Elementary School
- Hawkes Bluff Elementary School
- Heron Heights Elementary School
- Indian Trace Elementary School
- James S. Hunt Elementary School
- Nova Middle School
- Oakridge Elementary School
- Park Springs Elementary School
- Pasadena Lakes Elementary School
- Peters Elementary School
- Riverside Elementary School
- Sanders Park Elementary Magnet School
- Sawgrass Elementary School
- South Plantation High School
- Sunshine Elementary School
- Tequesta Trace Middle School
- Welleby Elementary School

RECOMMENDATION 6

Florida TaxWatch recommends the District identify in its Q1 2022-23 Report (and subsequent reports) to the Bond Oversight Committee Primary Renovations projects that are flagged for Budget issues.

IT IS UNCLEAR WHETHER THE DISTRICT IS CONTINUING TO HOLD VENDORS ACCOUNTABLE

Florida TaxWatch has included recommendations in previous reports to the Bond Oversight Committee that the District identify actions taken to enforce the terms and conditions of contracts with design firms, vendors, and contractors. The Q3 2021-22 Facilities Report includes a “running list” of financial penalties that have been collected from firms for delays (reference page 46). The District reported that it had recovered \$765,450 in penalties from an unspecified number of architects/engineers who experienced delays in the Design Phase. Florida TaxWatch was unable to find in the District’s Q4 2021 Report an updated and current “running list” of financial penalties that have been collected from firms for Design-related delays.

RECOMMENDATION 7

Florida TaxWatch recommends the District identify in its Q1 2022-23 Report (and subsequent reports) to the Bond Oversight Committee Primary Renovations an updated and current running list of financial penalties that have been collected from firms for Design-related delays.

THE “BIG 3” SCHOOLS CONTINUE TO EXPERIENCE DELAYS AND ELEVATED RISK

In its review of the District’s Q3 2021-22 Report, Florida TaxWatch found the District’s summary of the status of Primary Renovations projects at the “Big 3” schools to be misleading and incomplete, and recommended that future District reports provide a concise, complete, and balanced summary that is consistent with, and not in conflict with, information contained on the *School Spotlight* for each school.

The status of the Primary Renovations and other projects is identified, and key milestones and their target completion dates are identified:

- **Blanche Ely High School**—the District reports that substantial completion of the Primary Renovations project is scheduled for Q3 of calendar year 2022, with final completion scheduled for Q4 of calendar year 2022 (reference page 33). In its Q3 2021-22 Report, however, the District reports that substantial completion is scheduled for Q2 of Calendar year 2022, with final completion scheduled for Q3 of calendar year 2022 (reference page 34). There is no reference to this delay, although the *School Spotlight* shows the Primary Renovations have been flagged for delays. In addition, the District’s Q3 2021-22 Report shows an increase in the level of risk from “low” to “medium.” The Q4 2021-22 report assigns a “high” level of risk to the Primary Renovations. There is no mention of or reason for the increased level of risk at Blanche Ely.
- **Northeast High School**—the District reports that the substantial completion of Phase 1 of the Primary Renovations project has been pushed back to Q2 of calendar year 2023; however, final completion is still scheduled for Q2 of calendar year 2023 (reference page 35). Delays are reported in Building 2 (chiller start up), Building 5 (re-roofing), and Building 7 (re-roofing). The

substantial completion of Phase 2 (new classroom addition) is scheduled for Q1 of calendar year 2024. No final completion date is identified.

- **Stranahan High School**—The District Q4 2021-22 Report pushes the dates for substantial completion and final completion back to Q3 and Q4 of calendar year 2022, respectively—a delay of one quarter. The District offers no reason for these delays, although there is a schedule flag on the *School Spotlight*. The level of risk assigned to this project changed from “high” to “medium” and there is no explanation for this lowered risk.

Despite the heightened sensitivity of the status of Primary Renovations projects at the “Big 3” schools and the BOC’s requests for accurate information on the status of these renovations, the “Big 3 Schools Update” section of the District Q4 2021-22 Report (reference pages 32 through 36) continues to provide a misleading and incomplete summary of the status of Primary Renovations projects at the Big 3 schools. For example:

- There is no mention of or explanation why the level of risk assigned to the Primary Renovations at Blanche Ely High School has increased from to “medium” to “high.”
- There is no mention of or explanation why the substantial completion and final completion dates of the Primary Renovations at Blanche Ely High School have been pushed back one quarter.
- Unlike previous District reports, there is no summary of work completed at Blanche Ely High School.
- There is no mention of or explanation why the dates for substantial completion and final completion for Phase 1 at Stranahan High School were pushed back one quarter.
- There is no mention of or explanation why the Primary Renovations at Stranahan High School have been assigned a “medium” level of risk (see *School Spotlight*).

The importance of this section of the District quarterly SMART Program reports cannot be overstated. The BOC asked the District to include a separate section summarizing the status of renovations at the Big 3 schools because those were the schools BOC members were being asked about most often. Assuming that this is the one section in the District quarterly report that many Broward residents will read, it is critical that this section of the Report be concise, complete, and balanced.

RECOMMENDATION 8

Florida TaxWatch recommends that future District quarterly SMART Program reports include a section summarizing the status of the Big 3 schools that is concise, complete and balanced. Information included in this summary should be consistent with, and not conflict with, information on the *School Spotlight* for each Big 3 school.

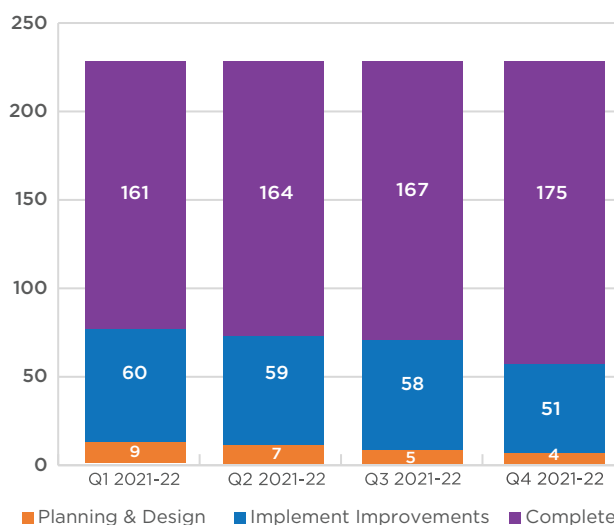
SCHOOL CHOICE ENHANCEMENT PROGRAM PROJECTS ARE UNDERWAY OR COMPLETE AT 230 SCHOOLS

School Choice Enhancement Project (SCEP) projects are budgeted at \$100,000, and 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 June 30, 2022, the number of SCEP projects in the Planning Phase decreased from five to four. The second phase (Implementation) includes selection and procurement. There are currently 51 schools in the second phase, down from 58 in Q3 2020-21. The third phase (Completion) occurs when all items have been delivered and installed. There are 175 schools with completed SCEP projects, up from 167 in Q3

2021-22. As shown in Figure 5, the number of SCEP projects that are in the Planning and Design Phase has decreased over the past four quarters and the number of Completed projects has increased.

FIG. 5 - THE DISTRICT CONTINUES TO MAKE PROGRESS IMPLEMENTING SCEP PROJECTS
NUMBER OF PROJECTS



The current SMART Program budget for facility renovations is \$1.220 billion. A summary of SMART Program expenditures for facility renovation through June 30, 2022, is provided in Table 8.

TABLE 8. SMART PROGRAM RENOVATIONS PROJECTS BUDGET ACTIVITY
(THROUGH JUNE 30, 2022)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$500,419,875	\$517,322,027	\$181,088,020	\$145,335,203	\$81,885,767	\$109,013,037
Non-GOB Funds	\$66,280,969	\$443,968,846	\$99,798,272	\$168,009,437	\$70,627,266	\$105,533,871
Completed/Meets Standards						
GOB Funds	\$129,158,700	\$131,165,862	\$103,880,369	\$6,372,478	\$12,691,702	\$8,221,313
Non-GOB Funds	\$36,035,867	\$121,030,428	\$95,947,359	\$4,989,601	\$12,849,303	\$7,244,165

TECHNOLOGY

THE TECHNOLOGY SPEND PORTION OF THE SMART PROGRAM IS COMPLETE.

As of June 30, 2018, the planned SMART technology deployment has been fully completed for all 230 SBBC schools. The planned charter school SMART Program technology projects were completed as of March 31, 2017.

The District reports that 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. A summary of SMART Program Technology purchases for traditional SBBC and charter schools is provided in Table 9.

TABLE 9. SCHOOL TECHNOLOGY PURCHASES (FINAL)

Items	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

The following TSSC infrastructure upgrades (to support upgrades for school networks and computer expansion) have been completed:

- Implement a new "Next Generation Firewall" at the District's Internet perimeter;
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution;
- Upgrade the application-specific load balancing system;
- Improve the reliability of critical network services and systems;
- Improve the speed and capacity of the core network;
- Replace the out-of-service tape back-up system with a virtual back-up tape solution;
- Replace the existing automatic call distribution system with one that will be integrated into the District's current voice application system;
- Relocate and build storage for offsite disaster recovery;
- Replace disk storage that supports the Enterprise Resource Planning (ERP) system;
- Implement enhanced content filters;
- Build firewall internet capacity;
- Update data network infrastructure;

- Address the immediate need for additional storage space;
- Upgrade systems that support the Student Information System and Data Warehouse;
- Provide additional capacity to support Internet growth and security requirements;
- Replace/upgrade back-up to an enterprise solution;
- Provide additional hardware to support centralized management tools Local Area Network endpoints (laptops/desktops); and
- Replace UPS devices and computer batteries at all schools and District sites as needed.

A January 2021 independent audit of the SBBC's compliance with its purchasing policies and requirements related to the purchase of technology devices concluded that, although the purchase of technology devices comports with the Technical Advisory Committee's recommendations and specifications and meets budgetary requirements, the reliability of the equipment purchased was called into question.

*"The SBBC purchase of Lenovo equipment (laptops and tablets) ultimately prove not to hold their initial quality several months after actual usage by students and teachers... The evidence of over 10,000 support tickets adds more credence to the notion of SBBC procuring more robust equipment going forward."*²

The current SMART Program budget allocates \$68.5 million to purchase computer devices and hardware for SBBC schools and charter schools, and to fund upgrades at the Technology and Support Service Center (TSSC) necessary to support the additional computer devices and hardware. A summary of SMART Program budget activity through June 30, 2022, is provided in Table 10.

TABLE 10. SMART PROGRAM TECHNOLOGY PROJECTS BUDGET ACTIVITY
(THROUGH JUNE 30, 2022)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$11,000,000	\$11,000,000	\$10,933,757	\$51,995	\$13,211	\$1,037
Non-GOB Funds	\$0	\$0	\$0	\$0	\$0	\$0
Completed/Meets Standards						
GOB Funds	\$38,489	\$36,825,538	\$36,759,295	\$17,099	\$48,341	\$803
Non-GOB Funds	\$42,343,000	\$37,900,084	\$37,898,472	\$0	\$0	\$1,612

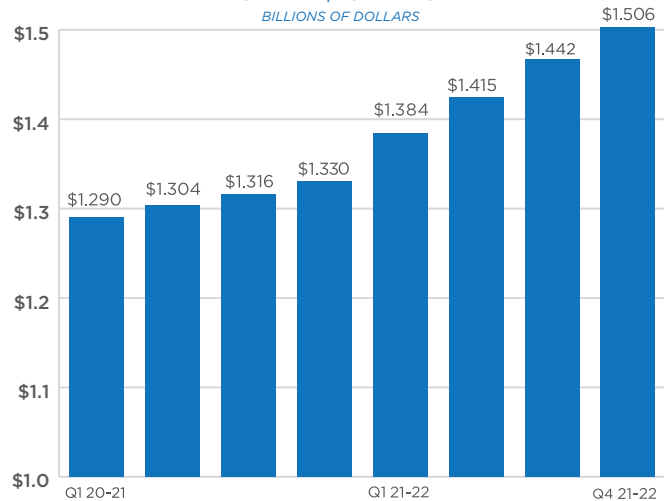
² HCT Certified Public Accountants and Consultants, LLC, "The School Board of Broward County, Florida, Bid #16-059E – IT Technology Devices Agreed-Upon Procedures Report," January 22, 2021.

BUDGET ACTIVITY

THE SMART PROGRAM TOTAL BUDGET HAS INCREASED TO \$1.506 BILLION

The District Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. The 2020 Schedule includes SMART Program activity through the end of calendar year 2025 and possibly into 2026, which necessitates a longer financial outlook. As previously recommended by Florida TaxWatch, the District has included in the Q4 2021-22 Report SMART Program budget allocations for years nine (FY 2022-23) through 11 (FY 2024-25).

FIG. 6 - SMART PROGRAM BUDGET HAS TOPPED \$1.5 BILLION
BILLIONS OF DOLLARS



The SMART Program total budget has increased from \$1.442 billion in Q3 2021-22 to \$1.506 billion in Q4 2021-22, a net increase of about \$63.4 million (see Figure 6). This represents an increase of about \$518.6 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 \$821,011,282 in Q3 2021-22, to \$868,137,786 in Q4 2021-22, an increase of about \$47.1 million. The District reports a SMART Program balance (current budget minus commitments and expenditures) of \$267.95 million at the end of Q4 2021-22. Over the past two years the District has spent \$432.8 million, which equates to approximately \$54.1 million per quarter or \$18.0 million per month. With an unspent balance (current budget minus expenditures) of \$637.6 million, if the District continues to spend at the current rate of \$18.0 million per month, the District will exhaust the remaining unspent SMART Program funds in about 35 months, or in the late stages of Q2 of calendar year 2025. This is of concern because the 2020 Schedule does not envision the completion of most of the Primary Renovations projects until the end of calendar year 2025. The possibility exists that, at the current spend/burn rate, the District may exhaust the remaining unspent SMART Program funds well before the planned facilities construction projects have been completed. If the spend rate increases, the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed.

RECOMMENDATION 9

Florida TaxWatch reiterates its previous recommendation that, if it appears that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed, District staff should be prepared to present to the Bond Oversight Committee at its September 19, 2022 meeting the plan to make up the shortfall.

During Q4 2021-22, the SBBC approved 25 SMART Program budget amendments totaling \$63.42 million. Since inception of the SMART Program, the SBBC has approved 295 SMART Program budget amendments with a net increase of \$518.43 million.

SMART PROGRAM FINANCIAL RISK HAS INCREASED SIGNIFICANTLY

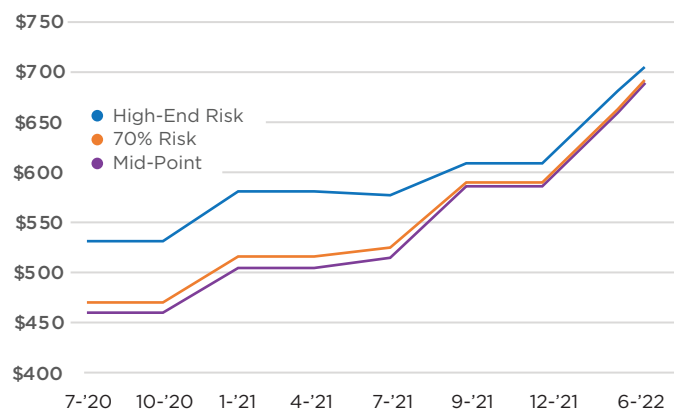
It has been previously understood that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work would increase the costs of SMART Program construction projects. The most recent (June 2022) assessment of financial risk prepared by Atkins³ reflects the continued escalation of financial risk.

As shown in Figure 7, the potential risk outcomes represent a significant change from the previous (March 2022) assessment. Atkins estimates the SMART Program financial risk will range from a low (mid-point risk) of \$689 million to a high (high end risk) of \$706 million, with a most likely estimate (70 percent risk) near \$692 million.

With 83 percent of the SMART projects under contract, Atkins believes its running construction budget (RCB) base provides a more accurate risk assessment. Atkins notes that any opportunity for potential reduction in future costs is now minimized, since the Design Phase is nearly completed and project costs have been estimated, and the market shows no signs of greatly increased competition (that could decrease future pricing). Other cost factors that have influenced the risk results include:

- Actual roofing costs that are well above the initial established budgets;
- Cumulative impact of higher-than-budgeted inflation;
- Scope creep; and
- Material supply chain disruptions.

FIG. 7 - SMART PROGRAM FINANCIAL RISK CONTINUED TO INCREASE IN Q4 2021-22
MILLIONS OF DOLLARS



3 Atkins North America is an outside firm hired by the District to help control SMART Program costs.

SMART PROGRAM RESERVE FUNDING IS INSUFFICIENT TO COVER THE MOST LIKELY OR HIGH RISK FINANCIAL SCENARIO

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.

The District originally set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program. In March 2020, the District authorized the issuance of \$250 million in Certificates of Participation (COPs) to provide supplemental funding for SMART Program risk, \$211 million of which was placed into the SMART Program reserve. In July 2020, the SBBC approved a new SMART Program Project Manager/Owner's Representative (PMOR) contract which had a budget impact of \$47.2 million. This amount was added to the District's reserve, increasing the total SMART Program reserve to \$483.2 million.

In September 2021, the SBBC placed in reserve an additional \$29 million to replace Building 1 at Markham Elementary School and \$46 million to cover expected SMART Program increases in FY 2023-24 and FY 2024-25, bringing the total amount of funds in reserve to \$558 million. After the fourth and final tranche of general obligation bonds was sold, the SBBC added the cumulative bond premiums (\$133 million) to the SMART Program reserves, increasing the total amount of reserve funds to \$691 million.

This amount is sufficient to meet only the low (mid-point risk) scenario of \$689 million. Additional reserve funding will be required to cover the additional financial risk associated with the most likely estimate (70 percent risk) of \$692 million and the high end (100 percent) risk scenario of \$706 million.

RECOMMENDATION 10

Florida TaxWatch recommends District staff brief the Bond Oversight Committee at its September 19, 2022, meeting of its plan to secure additional funds in reserve to cover the additional financial risk associated with the most likely estimate (70 percent risk) of \$692 million and the high end (100 percent) risk scenario of \$706 million.

The District reports a current balance of reserve funds in the amount of \$236 million (reference page 14); however, subtracting the total amount for SBBC-approved items from the total SMART Program reserves yields a balance of \$173 million. This amount (\$173 million) is consistent with the amount of additional reserve funds identified in the SMART Program budget (reference page 367) for years 8 (current year) through 11 (FY 2024-25).

RECOMMENDATION 11

Florida TaxWatch recommends District staff clarify for the Bond Oversight Committee at its September 19, 2022, meeting the current balance of funds in reserve.

HARD AND SOFT COSTS REMAIN UNCHANGED

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 Q4 2021-22 Facilities Report includes a breakdown of hard and soft costs for 35 schools at which construction activities had reached substantial/final completion. Although hard costs typically make up 65-70 percent of a project’s total budget, the hard costs for the 35 schools identified (reference page 50) range from 62 percent (West Broward High School) to 88 percent (Cypress Run Education Center). Although soft costs typically make up 30-35 percent of a project’s total budget, the soft costs for the 33 schools identified range from 12 percent (Cypress Run Education Center) to 38 percent (West Broward High School).

In previous reports, Florida TaxWatch has questioned why the hard and soft costs for the schools at which construction activities had reached substantial/final completion are outside the identified cost percentage ranges. The District reports that while the project budgets were developed with approximately 30 percent of the costs being soft costs, funds that remain unspent at the project’s completion are then swept back to the SMART Program Reserve, which lowers the soft cost percentage.

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 DISTRICT HAS FALLEN BEHIND ON ITS GOAL TO AWARD 30 PERCENT OR MORE OF SMART PROGRAM CONTRACTS TO E/S/M/WBE CERTIFIED COMPANIES

The District reports an E/S/M/WBE commitment of \$32.4 million during Q4 2021-22. This represents 37 percent of the total \$88.0 million in contracts awarded during the quarter. Through June 30, 2022, the District reports purchase orders to E/S/M/WBEs totaling \$381.9 million. This represents a cumulative E/S/M/WBE commitment of 27.1 percent of the reported \$1.409 billion total cumulative spend.

Of this \$381.9 million E/S/M/WBE commitment:

- \$12.42 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;
- \$12,699 has been awarded to E/S/M/WBE firms for Athletics projects;
- \$369.48 million has been awarded to firms for Renovation projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

The District reports that, as of the end of Q4 2021-22, there were 489 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. This represents a reduction of 14 companies from Q3 2021-22. The 489 E/S/M/WBE certified companies are fairly evenly divided by gender, with 237 (48 percent) female-owned companies and 252 (52 percent) male-owned companies.

Of these 489 active E/S/M/WBE certified companies:

- 160 (32.7 percent) are African-American owned companies;
- 172 (35.1 percent) are Hispanic-American owned companies;
- 22 (4.5 percent) are Asian-American owned companies;
- 57 (11.7 percent) are non-minority SBEs; and
- 78 (16.0 percent) are women-owned WBEs.

THE DISTRICT NEEDS TO INCREASE AWARDS TO AFRICAN-AMERICAN OWNED BUSINESSES

Table 11 compares the cumulative SMART Program spend with E/S/M/WBE (prime) certified companies to the 2015 Disparity Study and the aspirational Target Goals outlined in the District's Policy 3330.⁴

Table 11 shows close alignment between the District's cumulative spend and the Disparity Study; however, the District is far short of meeting the aspirational Target Goals for African-American owned businesses and Asian-Pacific American owned businesses outlined in the District's Policy 3330.

TABLE 11. SUPPLIER DIVERSITY CUMULATIVE SPEND ANALYSIS (FY2014-15—PRESENT)

Ethnicity & Gender	Disparity Study	Target Goals	Cumulative Spend
African-American	7.54%	19.00%	6.16%
Hispanic-American	59.89%	54.00%	67.03%
Native-American	0.00%	0.00%	0.00%
Asian-Pacific American	2.40%	5.00%	0.29%
Women Business Enterprise	30.17%	17.00%	38.85%
Small Business Enterprise	0.00%	5.00%	2.31%

Table 12 shows the total cumulative spend by ethnicity and gender. African-American-owned companies make up almost one-third of the E/S/M/WBE certified companies, yet have been awarded only 7.0 percent of the contracts.

⁴ Policy 3330 was adopted to remedy the ongoing effects of identified marketplace discrimination that continues to adversely affect the participation of Emerging/Small/Minority and/or Women Business Enterprises (E/S/M/WBE) in all solicitations and awards of contracts for the purchase of services, goods, or supplies.

Hispanic-American-owned companies make up just more than one-third of the E/S/M/WBE certified companies and have been awarded 79.0 percent of the contracts. (Caucasian) women-owned companies make up 16.0 percent of the E/S/M/WBE certified companies and have been awarded 8.0 percent of the contracts.

TABLE 12. E/S/M/WBE COMMITMENT BY ETHNICITY AND GENDER

Ethnicity & Gender	% of E/S/W/MBEs	% of Work Awarded
African-American	32.7%	7.0%
Hispanic-American	35.1%	79.0%
Native-American	0.0%	0.0%
Asian-Pacific American	4.5%	3.0%
Non-minority SBE	11.7%	2.0%
Women Business Enterprise	16.0%	8.0%

In its Q4 2020-21 Report, Florida TaxWatch recommended District staff brief the Committee on its plan to address the over-representation of Hispanic-American owned businesses and under-representation of African-American owned businesses. At the September 27, 2021, Committee meeting, Mr. Ballou acknowledged that, although the District was ahead of its goal to award 30 percent or more of SMART Program contracts to E/S/M/WBE certified companies at that time, the District needs to increase awards to African-American owned businesses.

Mr. Ballou acknowledged that vendors reported the District was “not a compelling place to do business” and, as a result, many African-American owned business owners do not attend pre-bid conferences. This is significant in that “if you don’t go to a pre-bid conference, you can’t bid.” During Q4 2021-22, the District conducted 11 pre-bid meetings. The District reports that, of the 33 unique M/WBE certified firms that attended these pre-bid meetings, African-American and Women-owned firms had 13 and five attendees, respectively.

RECOMMENDATION 12

Florida TaxWatch recommends the District continue its efforts to recruit African-American and Women-owned firms to attend pre-bid conferences.

COMMUNICATIONS

The District's Q4 2021-22 Report highlights continued efforts to promote the SMART Program. In response to previous concerns by Florida TaxWatch and Bond Oversight Committee members that the District was not doing enough to communicate to the taxpayers the construction delays and the reasons for the delays, the District has ramped up its efforts to notify the public of the new schedule and projected completion dates for SMART Program construction projects in their communities.

School-based initiatives include the development of a "Back to School (B2S)" campaign to help reintroduce students and parents to the SMART Program as they start the new school year. Through the planned launch of a "SMART Ambassadors" program, a staff member from each school will be designated as that school's SMART Ambassador and will serve as their school's primary point of contact for SMART communication efforts.

Community-based initiatives include partnering with community newspapers to reach a greater audience and help spread the work being done by the SMART Program in each community, and linking the SMART Program website to municipal websites, making SMART Program information more accessible to the public.

Efforts to enhance the SMART Program website (e.g., adding new features, more blogs, etc.) continue, as do efforts to engage and educate communities about the construction activities at their schools.

LOOKING AHEAD

With the release of the Final Report of the Twentieth Statewide Grand Jury and the subsequent removal and replacement of four elected SBBC members, it would be an understatement to say that the District faces a considerable amount of uncertainty as it continues its implementation of the SMART Program. Florida TaxWatch strongly urges the SBBC to support Superintendent Cartwright as she and her leadership team take appropriate actions to ensure that the remaining Primary Renovations projects, especially those that include activities designed to improve school safety and security, are implemented on-time, on-budget, and in scope.

The Grand Jury's findings notwithstanding, the District continues to make progress in implementing the SMART Program. The Technology, Music and Arts, and Athletics spend portions of the SMART Program have been completed. More than 90,000 computing devices have been purchased, bringing the ratio of students-to-computers to 2:1, better than the adopted standard of 3.5 students per computer. Numerous "back office" upgrades to the Technology Support Services Center have been implemented to support these new devices. The District has upped its investment in the Arts, with the purchase of more than 60,000 pieces of musical equipment, more than 130 kilns, and theater program upgrades at 39 schools. Athletic tracks have been resurfaced at 15 schools and 30 high schools have received new weight rooms.

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. The District has dropped below its goal to award 30 percent or more of SMART Program contracts to E/S/M/WBE certified companies. Hispanic-American owned businesses and Women-owned businesses are over-represented and African-American owned businesses are under-represented. Although effort has been made to increase attendance at and participation in pre-bid meetings by African-American owned firms, more effort will be required to address these inequities.

Despite this progress, the District will face several challenges going forward. The first challenge is controlling costs. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART Program implementation moves forward. When we talk about “financial risk,” we are talking about the potential for increases to the SMART Program budget and projected costs.

The SMART Program budget has increased from \$987.4 million to \$1.506 billion, an increase of about \$519 million over the original budget. Every dollar above the \$987.4 million originally allocated to the SMART Program represents a dollar of additional risk, and comes from capital millage, impact fees, state funds (e.g., Public Education Capital Outlay), and other sources, which have specific restrictions and spending limitations, or which were intended to be spent on other projects.

After a period of relative stability, the potential financial risk has increased significantly, with outcomes ranging from a low (mid-point risk) of \$689 million to a high (high end risk) of \$706 million, with a most likely estimate (70 percent risk) near \$692 million. The District has set aside \$691 million in reserve to mitigate the SMART Program’s financial risk, which will only cover the low risk scenario. The District will very likely be required to increase the amount of money placed into reserve.

There is also the question of whether the unexpended balance of the SMART Program funds is sufficient to permit the completion of the planned construction projects. If the District continues to spend at the current rate, the District will exhaust the remaining unspent SMART Program funds before the completion of all of the Primary Renovations projects.

The second challenge is maintaining the schedule and scopes of work. The 2020 Schedule reset projects the completion of the planned facilities construction projects late in calendar year 2025 or early in calendar year 2026, approximately three years after the planned completion milestones in the 2018 schedule. During Q4 2021-22, the number of Primary Renovations projects flagged for schedule issues increased significantly, as did the number of projects with a greater risk of additional redesign or other changes.

The reasons for these continued delays are well-documented. Florida TaxWatch thinks it is unrealistic to think the planned facilities construction projects will remain on schedule absent immediate actions by the SBBC to reduce the amount of time between contract award and authorization to proceed; reduce the multiple trips to the building department required before approval is received; and reduce the amount of time required to approve change orders.

The third challenge is resetting the expectations of Broward County taxpayers, who are learning that, with the adoption of the 2020 Schedule, the completion dates for many of the Primary Renovations projects at schools where they work or where their children attend school will be pushed back several years. The District has acknowledged the need to communicate the 2020 Schedule to the public and to help them understand what has happened and to reset their expectations going 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.

ABOUT FLORIDA TAXWATCH

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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