



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

*SMART Program Quarterly Report Review for the
Quarter Ending December 31, 2016*

Presented to the Broward County Bond Oversight Committee

February 27, 2017

Q2 2017





Michelle A. Robinson
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

In November 2014, Broward County voters approved an \$800 million bond referendum to renovate and repair Broward's aging school facilities, upgrade school safety and security systems and purchase new computers and educational technology. A citizen bond oversight committee ("Committee") was appointed to encourage greater accountability, transparency, public support and confidence in the use of the general obligation bond funds. The Committee is charged with ensuring that bond proceeds are used in compliance with the purposes set forth in the bond programs, as approved by the School Board of Broward County.

Broward County taxpayers must hold the School Board accountable for making smart business decisions and doing the high-level planning and project management necessary to minimize the risk to the County and to make sure every dollar of bond proceeds is spent consistent with the purposes set forth in the bond programs, as approved by the School Board of Broward County.

Superintendent Robert W. Runcie has expressed a commitment to an open and transparent process to guide the oversight of the general obligation bond program and has asked Florida TaxWatch to provide high quality, independent research and analyses to help the bond oversight Committee to effectively carry out its oversight duties and obligations. To that end, Florida TaxWatch has agreed to: (1) provide a research report on industry or national "best practices" to aid the Committee in its oversight of the bond-funded capital outlay program; and (2) review quarterly reports submitted to the Committee and present our findings to the public during the regular (quarterly) Committee meetings. This effort is funded by the Broward community, and does not use taxpayer dollars.

I am pleased to present the following report, which includes the TaxWatch review of the SMART Program quarterly report for the quarter ending December 31, 2016. TaxWatch staff will be available to present our findings and recommendations at the Committee's February 27, 2017 meeting.

Sincerely,

Dominic M. Calabro

President & CEO

EXECUTIVE SUMMARY, FINDINGS & RECOMMENDATIONS

SUMMARY

The District continues to make progress in acquiring computers and wireless access points, upgrading technology infrastructure, upgrading wireless networks, and updating CAT 6 data ports. District staff has been able to procure computers far in excess of the District's established standards, while saving more than \$7.5 million in the process. All of the technology projects planned for charter schools have been completed. The replacement of music and arts equipment continues, with all but one planned project underway.

Despite consistent recommendations by Florida TaxWatch, the District continues to report minority/women-owned business enterprise (M/WBE) activity only for facility construction projects. The District's outreach efforts have produced more than 700 active M/WBE firms, yet none of these active M/WBEs have ostensibly received any of the bond money for technology, music, or art equipment.

In response to previous Florida TaxWatch recommendations, the District's facility construction reports have become more transparent, and now include more project-specific information on construction activities at SBBC schools. The District continues to make progress, with more and more projects becoming financially active.

Of great concern, however, are the District's reports of cost overruns and delayed projects. Despite repeated recommendations from Florida TaxWatch, the District fails to identify those projects likely to be delayed and those projects that are likely to require additional funding. The absence of an agreed-upon reporting template does not excuse the District from its obligation to report this information, as well as detailed corrective actions necessary to get these projects back on schedule and back on budget.

The public has every right to know which school projects are delayed and the reasons for the delay, as well as which school projects are over-budget. The public's right to know is not well-served by these omissions.

FINDINGS

FINDING 1

The District continues to make progress implementing the infrastructure upgrades, with 47 percent of the upgrades either complete or in process. While this reflects a slight reduction from 61 percent at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of technology upgrades at 88 FY 2016-17 schools for which work has begun.

FINDING 2

The District continues to make progress purchasing additional computers, with 91 percent of the planned computer purchases either complete or in process. All of the scheduled computer projects have started. While this reflects a slight reduction from 92 percent at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of additional computer purchases at 88 FY 2016-17 schools for which work has begun.

FINDING 3

As of December 31, 2016, 199 of the 230 schools (87 percent) at which computer upgrades are planned for FY 2015-16 and for 2016-17 are in compliance with the district's computer standard of one computer for every 3.5 students. Of the 31 schools that have yet to comply, the computer-to-student ratios range from one computer for every 3.6 students (Ramblewood Elementary School) to one computer for every 7.3 students (Bayview Elementary School).

FINDING 4

Of the 83,359 computer devices that have been ordered, 67,808 (81 percent) have been received and installed.

FINDING 5

The District continues to make progress purchasing additional wireless access points, with 71 percent of the planned wireless access points either complete or in process. Only 25 percent of the scheduled wireless access point projects have not yet started. While this reflects a slight reduction from 85 percent completed or in process at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of additional wireless access points at 88 FY 2016-17 schools for which work has recently begun.

FINDING 6

As of December 31, 2016, 94 of the 230 schools (41 percent) at which additional wireless access point projects are planned for FY 2015-16 and for 2016-17 were not in compliance with the district's standard of one wireless access point per classroom. These are schools at which the wireless access point projects have either not started or are in process.

FINDING 7

Of the 9,904 wireless access points ordered, 9,376 (95 percent) have been received and installed (completed). This reflects an increase from 91 percent completed at the end of the quarter ended September 30, 2016.

FINDING 8

The District is making considerable progress implementing the charter school technology upgrades, with 100 percent of the ordered upgrades having been received.

FINDING 9

Although there is no "planned spend" against which to compare the "actual spend," the use of the catalogue and online ordering system provides a measurable level of comfort that the use of bond revenues to purchase technology upgrades for charter

schools is consistent with the purpose set forth in the bond programs as approved by the School Board of Broward County (SBBC).

FINDING 10

Only one music equipment replacement project planned for FY 2014-15 and FY 2015-16 (Thurgood Marshall Elementary School) has not yet started. The District has offered no explanation for this delay.

FINDING 11

Of the approximately \$6.7 million spent on replacement music equipment, approximately \$6.3 million (94 percent) has been spent with one vendor, All County Music.

FINDING 12

It is unclear whether any of the kiln replacement vendors is a M/WBE or historically underutilized businesses. The Supplier Diversity Outreach section of the District's quarterly report (Section 6) also fails to provide this information.

FINDING 13

The District continues to make progress in the design and implementation of facilities construction projects. The number and percentage of projects pending start have decreased and the number and percentage of projects in the procurement, design, planning, and implementation phases have increased. Sixty-two percent of the scheduled construction activities are underway and 84 percent of the schools have at least one project that is currently underway. This is a significant improvement over the 49.5 percent of the planned construction projects that were underway (49 percent), and the percent of schools with at least one active project (70 percent) as of September 30, 2016.

FINDING 14

Included in the number of "complete" projects are 16 Single Point of Entry projects that, according to the District, were completed prior to the SMART Program. The funds allocated for these projects will be held until a determination is made and approved to re-prioritize them to meet other critical SMART Program needs. If these projects were completed prior to the SMART Program, it is unclear why they have been/still are included in the SMART Program Quarterly Report.

FINDING 15

The District reports that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work could increase costs by an average of 25 percent. Four mitigation strategies are identified; however, these are somewhat general and appear to be good business practices for any ongoing construction management/cost control program.

FINDING 16

The District reports that there are 22 facilities construction projects where the procurement of construction professionals will be delayed by as much as one calendar quarter (three months); however, these projects are not identified.

FINDING 17

Although the District has made progress in the reporting of facility construction status, the Facility Construction Report for the quarter ending December 31, 2016 still fails to provide sufficient information to show the status of each project. For example, there are 32 projects identified as "complete," yet there is nothing to suggest whether these projects were completed on-time, on-budget, or consistent with the original scope of work.

FINDING 18

The District continues to make progress in the design and implementation of School Choice Enhancement projects. The number and percentage of projects that have been completed, and that are pending approval or ready to procure, have increased.

FINDING 19

Although two-thirds of the school choice enhancement projects are in process, three are identified as being “completed.” There is nothing to suggest whether these projects were completed on-time, on-budget, or consistent with the original scope of work.

FINDING 20

The current budgets for both the SMART Program and the 726 financially active projects reflect an increase of \$212,125 over the original budgets, with increases in the Safety and Renovation SMART categories. The budget for building envelope improvements at Attucks Middle School has increased from \$316,000 to \$498,125, and the budget for fire alarms at Crystal Lake Middle School has increased from \$442,525 to \$472,525; however, no explanation or justification for these increases is provided.

FINDING 21

The District’s technology staff has been able to procure technology improvements that meet or exceed established standards at considerable savings. Florida TaxWatch estimates that, for the technology projects identified in the Technology SBBC Schools Report and Technology Charter Schools Report as “completed,” more than \$7.53 million has been saved.

These savings are broken down as follows:

- o Technology infrastructure upgrade savings --- \$4,029,191;
- o Computer device savings --- \$31,302;
- o Wireless network upgrade savings --- \$3,471,803; and
- o Charter school savings --- \$1,191.

FINDING 22

The Facilities Construction Report identifies 15 construction projects with a status of “complete.” These projects have been delivered on or under budget, saving the District \$1.3 million.

FINDING 23

The District reports as part of its Contract Compliance Metrics an M/WBE commitment of \$2.51 million during the quarter ending December 31, 2016, representing 60 percent of the \$4.16 million committed. Information regarding the number and percentage of M/WBEs utilized, dollar amount of prime payments, and dollar amount of M/WBE payments is identified as “TBD.”

FINDING 24

There is no summary of M/WBE contracts awarded to date.

FINDING 25

It is unclear whether the pie chart on page 518 of the District’s report for the quarter ending December 31, 2016 represents the total for combined projects or just for professional design services, since the pie chart on page 517 also identifies awards for professional design services.

FINDING 26

Of the more than \$5.2 million in purchase orders that have been issued, approximately 5 percent have been issued to M/WBEs. In terms of minority

spending, 52 percent of the purchase orders issued to M/WBEs were to African-American-owned firms and 48 percent were issued to Hispanic-owned firms. Less than 1 percent (0.01 percent) was issued to women-owned firms.

FINDING 27

The Supplier Diversity Outreach Program Report fails to provide any information on contracts awarded to or purchases made from M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. As such, the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns cannot be determined.

FINDING 28

It is unclear what, if any, role the District wants the Bond Oversight Committee to play in the District's efforts to manage the public's expectations regarding SMART Program implementation.

RECOMMENDATIONS

RECOMMENDATION 1

Florida TaxWatch recommends the District brief the Committee on the delay in the Thurgood Marshall Elementary School music equipment replacement project. Further, the Committee should make clear its expectation that future Music & Art Equipment Reports include explanations for any project that is delayed.

RECOMMENDATION 2

Florida TaxWatch recommends that future SMART Program Quarterly Reports provide information on the utilization of M/WBEs and historically underutilized businesses for music and art equipment replacement.

RECOMMENDATION 3

Florida TaxWatch recommends that the District brief the Committee on completed single point-of-entry projects completed prior to the SMART Program. A decision should be made whether to continue to include these projects in subsequent SMART Program Quarterly Reports.

RECOMMENDATION 4

Florida TaxWatch recommends that the District brief the Committee and the public on the current status of projects that are expected to be over-budget, the factors that contribute to the expected cost overruns, and the District's plan to mitigate the overruns. Further, any project whose total project costs are estimated to exceed the project budget by more than 10 percent of unused line items plus contingencies be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to mitigate the cost overruns.

RECOMMENDATION 5

Florida TaxWatch recommends that the District brief the Committee and the public on the current status of delayed facilities construction projects, the factors that contribute to the expected delays, and the District's plan to mitigate the delays. Further, any project that is expected to be delayed should be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to minimize the expected delay.

RECOMMENDATIONS 6 & 7

Florida TaxWatch reiterates its previous recommendations that Facilities Construction Reports include the following for each financially active and/or school choice enhancement project(s),

consistent with Florida TaxWatch's recommended best practice number 37.3:

- o A listing of each bond-funded project and the status of each project with respect to the project's original scope, budget and implementation schedule;
- o A description of any plans or proposals to defer maintenance;
- o A description of any additional measures employed to maximize bond revenues by implementing cost-saving measures;
- o Any documented failure to follow suggested cost reduction strategies that has resulted in higher project costs;
- o A detailed description of any changes (e.g., change orders) to bond-funded projects, including additional costs, delays, project scope, or cancellations;
- o A summary of contracts awarded to M/WBEs and historically underutilized businesses; and
- o Certification that every expenditure of bond revenue is consistent and in conformance with the school facilities projects to be funded with the general obligation bonds.

RECOMMENDATION 8

Florida TaxWatch recommends the District provide an explanation for the budget increases for building envelope improvements at Attucks Middle School and for fire alarms at Crystal Lake Middle School.

RECOMMENDATION 9

Florida TaxWatch recommends that moneys saved as a result of the District's efficient procurement of technology improvements be reallocated to meet other critical needs.

RECOMMENDATION 10

Florida TaxWatch recommends that moneys saved as a result of the District's efficient facilities construction be reallocated to meet other critical needs.

RECOMMENDATION 11

As part of its ongoing outreach efforts, the District should step up its efforts to recruit and retain qualified M/WBEs for all SMART Program categories.

RECOMMENDATION 12

The District should include in subsequent reports information on the number and percentage of M/WBEs utilized, dollar amount of prime payments, and dollar amount of M/WBE payments for all SMART Program categories.

RECOMMENDATION 13

The District should include in subsequent reports a summary of contracts awarded to date, showing a running total of contracts awarded to M/WBEs by SMART Program categories.

RECOMMENDATION 14

The District should confirm whether the pie chart on page 518 of the Quarterly Report represents the total for combined projects or just for professional design services.

RECOMMENDATION 15

Florida TaxWatch reiterates its previous recommendations that future SMART Program Quarterly Reports provide information on the utilization of M/WBEs and historically underutilized businesses for all SMART Program categories.

RECOMMENDATION 16

Florida TaxWatch recommends the Committee request clarification from the District regarding the Committee's expected role in the District's efforts to manage the public's expectations regarding SMART Program implementation.

INTRODUCTION

On February 13, 2017, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended December 31, 2016*. This single 536-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, and renovate educational facilities.

The School Board of Broward County (SBBC) 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:

- o Verifying the effective use of bond proceeds and compliance with the purposes set forth in the bond programs as approved by the Board;
- o Ensuring that bond revenues are expended for the purpose set forth in the bond programs as approved by the Board;
- o Ensuring that any deferred proposals or changes of plans are executed after appropriate approval of the Board;
- o Validating that no bond funds are used for any teacher or administrative salaries or other school operating expense; and
- o 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, and to hold the district accountable for spending decisions, Florida TaxWatch has reviewed this report against the SMART Program budget, which was most recently amended in September 2016. Florida TaxWatch is pleased to present the following findings and recommendations.

TECHNOLOGY - SBBC SCHOOLS

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. Technology allocations in SMART Program during Year 1 (FY 2015-16) and Year 2 (FY 2016-17) focus on the acquisition of additional computers to achieve desired student-to-computer ratios, and on technology infrastructure upgrades (servers, racks, etc.).

SBBC SCHOOLS - TECHNOLOGY UPGRADES

Infrastructure upgrades have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17. The projects scheduled for FY 2015-16 have been completed and work has begun at 88 of the schools scheduled for FY 2016-17.

The District has identified the following areas of emphasis for the infrastructure upgrades:

- o Perimeter defense and traffic management;
- o Load balancing of traffic across the network;
- o Upgrading & expansion of core network services;
- o Increased capacity and speed of core network switches; and
- o Improved backup and restoration capabilities for critical business systems.

For the purpose of this report, TaxWatch looked at the combined status of the 230 schools at which technology infrastructure upgrades are planned for FY 2015-16 and for 2016-17. The change in status of these projects since the end of the last quarter is shown in Figure 1.

FIG. 1 - INFRASTRUCTURE UPGRADE STATUS



FINDING 1

The District continues to make progress implementing the infrastructure upgrades, with 47 percent of the upgrades either complete or in process. While this reflects a slight reduction from 61 percent at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of technology upgrades at 88 FY 2016-17 schools for which work has begun.

SBBC SCHOOLS – COMPUTER DEVICES

The District has planned to purchase additional computer devices to meet the District’s standard of 1 computer for every 3.5 students. Computer upgrades have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17. The projects scheduled for FY 2015-16 have been completed and work has begun at all of the schools scheduled for FY 2016-17.

For the purpose of this report, TaxWatch looked at the combined status of the 230 schools at which computer upgrades are planned for FY 2015-16 and for 2016-17. The change in status of these projects since the end of the last quarter is shown in Figure 2.

FIG. 2 - COMPUTER DEVICES STATUS



FINDING 2

The District continues to make progress purchasing additional computers, with 91 percent of the planned computer purchases either complete or in process. All of the scheduled computer projects have started. While this reflects a slight reduction from 92 percent at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of additional computer purchases at 88 FY 2016-17 schools for which work has begun.

FINDING 3

As of December 31, 2016, 199 of the 230 schools (87 percent) at which computer upgrades are planned for FY 2015-16 and for 2016-17 are in compliance with the district’s computer standard of one computer for every 3.5 students.¹ Of the 31 schools that have yet to comply, the computer-to-student ratios range from one computer for every 3.6 students (Ramblewood Elementary School) to one computer for every 7.3 students (Bayview Elementary School).

FINDING 4

Of the 83,359 computer devices that have been ordered, 67,808 (81 percent) have been received and installed.

¹ Of the 48 projects that are “in process,” 17 are already in compliance with the district’s standard.

SBBC SCHOOLS – WIRELESS ACCESS POINTS

The District has planned to purchase additional wireless access points to meet the District’s standard of 1 wireless access point per classroom. Wireless access points have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17. The projects scheduled for FY 2015-16 have been completed and work has begun at all of the schools scheduled for FY 2016-17.

For the purpose of this report, TaxWatch will look at the combined status of the 230 schools at which wireless access points are planned for FY 2015-16 and for 2016-17. The change in status of these projects since the end of the last quarter is shown in Figure 3.

FIG. 3 - WIRELESS ACCESS POINT STATUS



FINDING 5

The District continues to make progress purchasing additional wireless access points, with 71 percent of the planned wireless access points either complete or in process. Only 25 percent of the scheduled wireless access point projects have not yet started. While this reflects a slight reduction from 85 percent completed or in process at the end of the quarter ended September 30, 2016, this difference is due to the inclusion of additional wireless access points at 88 FY 2016-17 schools for which work has recently begun.

FINDING 6

As of December 31, 2016, 94 of the 230 schools (41 percent) at which additional wireless access point projects are planned for FY 2015-16 and for 2016-17 were not in compliance with the district’s standard of one wireless access point per classroom. These are schools at which the wireless access point projects have either not started or are in process.

FINDING 7

Of the 9,904 wireless access points ordered, 9,376 (95 percent) have been received and installed (completed). This reflects an increase from 91 percent completed at the end of the quarter ended September 30, 2016.

In summary, the District has reported the successful delivery of the following technology upgrades across 230 SBBC schools as of December 31, 2016.

TABLE 1 – TECHNOLOGY UPGRADE SUMMARY
(as of December 31, 2016)

	Ordered	Installed	% Complete
Student Laptops	64,452	52,355	81.2%
Teacher Laptops	13,333	10,646	79.8%
Desktops	5,051	4,309	85.3%
Tablets	523	498	95.2%
Computer Carts	1,066	825	77.4%
Wireless Access Points	9,904	9,376	94.7%
Category 6 Cable Drops	8,590	8,590	100.0%

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 reported that greatly increased demand for network capacity and reliability has required either the replacement or implementation of systems that provide:

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

To meet this demand, the District has spent or encumbered \$6.05 million to:

- o Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- o Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- o Improve the reliability of critical network services and systems (\$805,556);
- o Improve the speed and capacity of the core network (\$836,056);
- o Replace the out-of-service tape back-up system with a virtual back-up tape solution (\$393,593);
- o Replace the existing automatic call distribution system with one that will be integrated into the District’s current voice application system (\$197,124);
- o Relocate and build storage for offsite disaster recovery (\$171,661);
- o Replace disk storage that supports the Enterprise Resource Planning (EARP) system (\$212,881); and
- o Implement enhanced content filters (\$1,354,141).

TECHNOLOGY – CHARTER SCHOOLS

The SMART Program includes a \$12.0 million allocation for “SMART Charter School Technology from General Obligation Bonds” which, according to discussions with District staff, is to be allocated based on charter school enrollment.

FINDING 8

The District is making considerable progress implementing the charter school technology upgrades, with 100 percent of the ordered upgrades having been received.

The SMART Program Technology Charter Schools Quarterly Report reflects the following summary activity:

TABLE 2 – TECHNOLOGY UPGRADE SUMMARY (as of December 31, 2016)			
	Ordered	Received	% Complete
Student Laptops	5,086	5,086	100%
Teacher Laptops	1,417	1,417	100%
Desktops	1,712	1,712	100%
Tablets	3099	3099	100%
Computer Carts & Trays	316	316	100%
Accessories & Peripherals	3,394	3,394	100%
Digital Classrooms	1,347	1,347	100%

In its review of the District’s report for the quarter ending December 31, 2016, TaxWatch found nothing that identified specifically how general obligation bond funds appropriated for “Charter School Technology” are to be spent. Without this additional specificity, TaxWatch could not say that the bond revenues are being expended for the purpose set forth in the bond programs as approved by the School Board.

District staff has previously explained that the following criteria were used to guide technology purchases by the charter schools:

- o Technology devices that a charter school might need that were on established bids that the information technology (IT) department has done;
- o Technology that teachers could use within the classroom (e.g., laptops, desktops, etc.) based on the appropriate approved bids that the IT department has done;
- o Anything in the classroom that could be recoverable; and
- o Technology must be used for instructional purposes, and not bought for administrative purposes.

District staff has further explained that the IT team developed an online ordering system for the charter schools. A catalogue identifying all of the devices allowed to be purchased was sent to the charter schools, and each charter school was given an access code to enter the system. As each item is ordered, it is placed into a

“shopping cart” and a running total cost was calculated after each item was entered. This suggests that, at a high level, the bond revenues are being expended for the purpose set forth in the bond programs as approved by the School Board.

FINDING 9

Although there is no “planned spend” against which to compare the “actual spend,” the use of the catalogue and online ordering system provides a measurable level of comfort that the use of bond revenues to purchase technology upgrades for charter schools is consistent with the purpose set forth in the bond programs as approved by the SBBC.

MUSIC AND ARTS EQUIPMENT

The District reports that music equipment deployment has begun in schools identified in Year 1 (FY 2014-15) and Year 2 (FY 2015-16) of the schedule contained in the SMART Program. The District has recommended 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 District reports that the School Board approved the escalation of the SMART Program funds for music instruments and equipment at the January 18, 2017 Board Meeting. This escalation will allow schools that were originally scheduled to receive their funds in years 4 and 5 to access to music equipment funds this year. A revised ordering schedule has been prepared that will allow all school orders to be placed by March 2017.

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The status of each project, by year, is shown in Table 3.

FINDING 10

As shown in Table 3, only one music equipment replacement project planned for FY 2014-15 and FY 2015-16 (Thurgood Marshall Elementary School) has not yet started. The District offers no explanation for this delay.

RECOMMENDATION 1

Florida TaxWatch recommends the District brief the Committee on the delay in the Thurgood Marshall Elementary School music equipment replacement project. Further, the Committee should make clear its expectation that future Music & Art Equipment Reports include explanations for any project that is delayed.

TABLE 3 - MUSIC EQUIPMENT DEPLOYMENT STATUS
(as of December 31, 2016)

Status	Program Year			Total
	FY 2014-15	FY 2015-16	FY 2016-17	
Not Started	1	0	28	29
Initial Gap Analysis	0	0	0	0
Gap Analysis & Priority				
Initiated	2	20	2	24
In Process	24	15	0	39
On Hold	0	1	0	1
Ordering	5	4	10	19
Closing Out	5	8	0	13
Closed	8	2	0	10
No Program	3	0	0	3
School Closed	0	2	0	2
NA	1	0	0	1
Totals	48	52	40	140

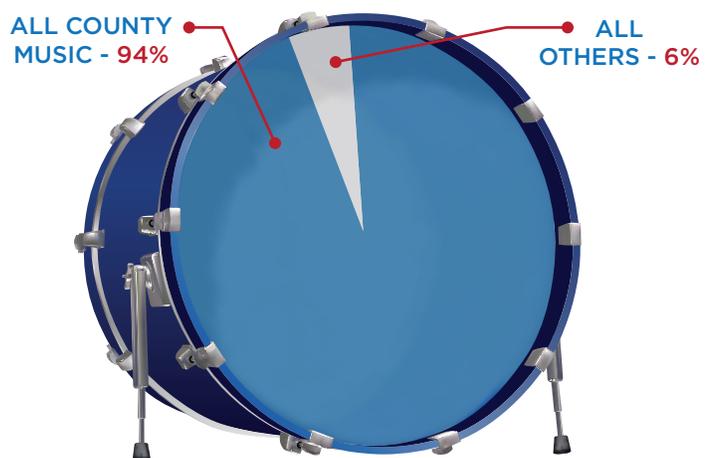
The Music & Art Equipment Report identifies 23 schools where music equipment replacement projects have either closed (10) or are in the processing of being closed out (13). Another 19 schools are in the process of ordering music equipment. An inventory of musical equipment purchased for each of these 42 music equipment replacement projects is included.

Of the \$6.8 million allocated for these projects, approximately \$6.7 million has been spent or committed. Music equipment has been purchased from 10 vendors.

FINDING 11

Of the approximately \$6.7 million spent on replacement music equipment, approximately \$6.3 million (94 percent) has been spent with one vendor, All County Music (see Figure 4).

FIG. 4 - MUSIC EQUIPMENT PROCUREMENT BY VENDOR



This issue was discussed at the November 14, 2016 Committee meeting. District staff reported that the prices offered by All County Music were lower than the prices offered by the other vendors.

The SMART Program allocates \$78,400 each year through FY 2018-19 (\$392,000 total) for replacement kilns. The Music & Art Equipment Report identifies plans to secure 17 new kilns, 10 of which have been received and the project closed, and the remaining seven have been ordered. All of the kilns were ordered from the same vendor, School Specialty, Inc.

FINDING 12

It is unclear whether any of the kiln replacement vendors is a M/WBE or historically underutilized businesses. The Supplier Diversity Outreach section of the District's quarterly report (Section 6) also fails to provide this information.

RECOMMENDATION 2

Florida TaxWatch recommends that future SMART Program Quarterly Reports provide information on the utilization of M/WBEs and historically underutilized businesses for music and art equipment replacement.

FACILITIES CONSTRUCTION

Florida TaxWatch recognizes and acknowledges the District’s continued efforts to increase transparency. In previous reports, TaxWatch has recommended that the District’s SMART Program Facilities Construction Report include for each financially active project more detailed cost estimates, scopes of work, methods of delivery, schedules and phasing, and other information necessary to define the project (reference TaxWatch’s Recommended Best Practice 37.3). The District’s Facilities Construction Report for the quarter ending December 31, 2016 is a 248-page report that includes project-specific information on 1,316 construction projects at 232 schools. The status of these construction projects is shown in Table 4 (which allows readers to view progress from the quarter ending September 30, 2016 to the quarter ending December 31, 2016).

TABLE 4 - FACILITIES CONSTRUCTION DEPLOYMENT STATUS				
Status	As of September 30, 2016		As of December 31, 2016	
	Number	Percentage	Number	Percentage
Complete	40	2.9%	32	2.4%
Construction	15	1.0%	8	0.6%
Pending Start	712	51.5%	523	39.7%
Design	161	11.6%	229	17.4%
Implementation	57	4.1%	67	5.1%
Designer Procurement	259	18.7%	292	22.2%
Planning	136	9.8%	163	12.4%
Bid & Award	3	0.2%	1	0.1%
Closeout	3	0.2%	1	0.1%
Total	1,386	100.0%	1,316	100.0%

FINDING 13

The District continues to make progress in the design and implementation of facilities construction projects. As shown in Table 4, the number and percentage of projects pending start have decreased and the number and percentage of projects in the procurement, design, planning, and implementation phases have increased. Sixty-two percent of the scheduled construction activities are underway and 84 percent of the schools have at least one project that is currently underway. This is a significant improvement over the construction projects that were underway (49 percent), and the percent of schools with at least one active project (70 percent) as of September 30, 2016.

Florida TaxWatch finds it odd that the number of projects identified as “complete” or in “construction” in Table 4 decreased from the quarter ending September 30, 2016 to the quarter ending December 31, 2016. Common sense dictates that these numbers should increase or stay the same over time, but not decrease. This decrease was confirmed by comparing the two reports.

To illustrate, consider facilities construction planned at Atlantic Technical College. The report for the quarter ending September 30, 2016 identifies seven school projects, two of which are listed as “complete.” These completed projects are not identified in the report for the quarter ending December 31, 2016. Florida TaxWatch has confirmed that these two completed projects are included in the District’s Amended District Educational Facilities Plan (ADEFP), which includes projects that are not funded through the general obligation bonds and are not part of the SMART Program. It appears that ADEFP projects have been excluded from the SMART Program reporting. Excluding ADEFP projects was discussed at the November 14, 2016 meeting of the Bond Oversight Committee and is consistent with action taken by the Committee.

FINDING 14

Included in the number of “complete” projects in Table 4 are 16 Single Point of Entry projects that, according to the District, were completed prior to the SMART Program. The funds allocated for these projects will be held until a determination is made and approved to re-prioritize them to meet other critical SMART Program needs. If these projects were completed prior to the SMART Program, it is unclear why they have been/still are included in the SMART Program Quarterly Report.

RECOMMENDATION 3

Florida TaxWatch recommends that the District brief the Committee on completed single point-of-entry projects completed prior to the SMART Program. A decision should be made whether to continue to include these projects in subsequent SMART Program Quarterly Reports.

FINDING 15

The District reports that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work could increase costs by an average of 25 percent. Four mitigation strategies are identified; however, these are somewhat general and appear to be good business practices for any ongoing construction management/cost control program.

RECOMMENDATION 4

Florida TaxWatch recommends that the District brief the Committee and the public on the current status of projects that are expected to be over-budget, the factors that contribute to the expected cost overruns, and the District’s plan to mitigate the overruns. Further, any project whose total project costs are estimated to exceed the project budget by more than 10 percent of unused line items plus contingencies be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to mitigate the cost overruns.

FINDING 16

The District reports that there are 22 facilities construction projects where the procurement of construction professionals will be delayed by as much as one calendar quarter (three months); however, these projects are not identified.

RECOMMENDATION 5

Florida TaxWatch recommends that the District brief the Committee and the public on the current status of delayed facilities construction projects, the factors that contribute to the expected delays, and the District’s plan to mitigate the delays. Further, any project that is expected to be delayed should be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to minimize the expected delay.

The reporting of facility construction status has been an ongoing and, as of yet, unresolved issue. Since the publication of its “Recommended Best Practices” document in 2015, Florida TaxWatch has consistently recommended that the District provide sufficient information on each financially active construction project to comply with Florida TaxWatch’s recommended best practice number 37.3.

On September 1, 2016, Florida TaxWatch forwarded to the District for consideration a project status template that would address the needs of the Committee and comply with TaxWatch’s Recommended Best Practice 37.3. The District chose not to use that template. At its November 14, 2016 meeting, the Committee appointed a subcommittee, chaired by Committee Member Chief DiPetrillo, to develop a reporting template to comply with Florida TaxWatch’s recommended best practice number 37.3. The subcommittee met in January and agreed conceptually on a reporting template; however, no final agreement has been reached.

FINDING 17

Although the District has made progress in the reporting of facility construction status, the Facility Construction Report for the quarter ending December 31, 2016 still fails to provide sufficient information to show the status of each project. For example, there are 32 projects identified as “complete,” yet there is nothing to suggest whether these projects were completed on-time, on-budget, or consistent with the original scope of work.

RECOMMENDATION 6

- o Florida TaxWatch reiterates its previous recommendations that Facilities Construction Reports include the following for each financially active project, consistent with Florida TaxWatch’s recommended best practice number 37.3:
- o A listing of each bond-funded project and the status of each project with respect to the project’s original scope, budget and implementation schedule;

- o A description of any plans or proposals to defer maintenance;
- o A description of any additional measures employed to maximize bond revenues by implementing cost-saving measures;
- o Any documented failure to follow suggested cost reduction strategies that has resulted in higher project costs;
- o A detailed description of any changes (e.g., change orders) to bond-funded projects, including additional costs, delays, project scope, or cancellations;
- o A summary of contracts awarded to M/WBEs and historically underutilized businesses; and
- o Certification that every expenditure of bond revenue is consistent and in conformance with the school facilities projects to be funded with the general obligation bonds.

The District reports that 82 “year 1” school choice enhancement projects and 28 “year 2” school choice enhancement projects are in progress. School choice 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. The status of these projects is shown in Table 5.

TABLE 5 – SCHOOL CHOICE ENHANCEMENTS PROJECT STATUS				
Status	As of September 30, 2016		As of December 31, 2016	
	Number	Percentage	Number	Percentage
Completed	2	1.8%	3	2.7%
Ready to Procure	60	54.5%	65	59.1%
Voting in Progress	5	4.5%	2	1.8%
Rejected Ballots	1	1.0%	1	1.0%
Approved Scope & Budget	12	10.9%	18	16.3%
Pending Approval	0	0.0%	0	0.0%
Ballots Being Developed	30	27.3%	21	19.1%
Pending Response	0	0.0%	0	0.0%
Total	110	100%	110	100%

Table 5 permits the reader to view progress from the quarter ending September 30, 2016 to the quarter ending December 31, 2016.

FINDING 18

The District continues to make progress in the design and implementation of School Choice Enhancement projects. As shown in Table 5, the number and percentage of projects that have been completed, and that are pending approval or ready to procure, have increased.

FINDING 19

Although two-thirds of the school choice enhancement projects are in process, three are identified as being “completed.” There is nothing to suggest whether these projects were completed on-time, on-budget, or consistent with the original scope of work.

RECOMMENDATION 7

Florida TaxWatch reiterates its previous recommendations that Facilities Construction Reports include the following for each financially active school choice enhancement project, consistent with Florida TaxWatch’s recommended best practice number 37.3:

- **A listing of each bond-funded project and the status of each project with respect to the project’s original scope, budget and implementation schedule;**
- **A description of any plans or proposals to defer maintenance;**
- **A description of any additional measures employed to maximize bond revenues by implementing cost-saving measures;**
- **Any documented failure to follow suggested cost reduction strategies that has resulted in higher project costs;**
- **A detailed description of any changes (e.g., change orders) to bond-funded projects, including additional costs, delays, project scope, or cancellations;**
- **A summary of contracts awarded to M/WBEs and historically underutilized businesses; and**
- **Certification that every expenditure of bond revenue is consistent and in conformance with the school facilities projects to be funded with the general obligation bonds.**

BUDGET ACTIVITY

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects. The SMART Program total budget is \$987 million. This includes the \$800 million in general obligation bond (GOB) funding and \$187 million in non-GOB capital project funding (capital millage and impact fees). The current SMART Program budget combines years 1 (FY 2014-15), 2 (FY 2015-16), and 3 (FY 2016-17) now totaling \$655.5 million.

Budget activity increased dramatically during the quarter ending December 31, 2016. The District reports that the number of financially active projects increased from 600 at the end of September 2016 to 726 at the end of the quarter ending December 31, 2016, an increase of 21 percent. SMART Program expenditures increased from \$70,485,787 to \$83,408,231 during the same period.

FINDING 20

The current budgets for both the SMART Program and the 726 financially active projects reflect an increase of \$212,125 over the original budgets, with increases in the Safety and Renovation SMART categories. The budget for building envelope improvements at Attucks Middle School has increased from \$316,000 to \$498,125, and the budget for fire alarms at Crystal Lake Middle School has increased from \$442,525 to \$472,525; however, no explanation or justification for these increases is provided.

RECOMMENDATION 8

Florida TaxWatch recommends the District provide an explanation for the budget increases for building envelope improvements at Attucks Middle School and for fire alarms at Crystal Lake Middle School.

Florida TaxWatch compared the budget information contained in the Budget Activity Report to the project information contained in the SMART Program for SBBC schools and in the Technology SBBC Schools Report. Florida TaxWatch reviewed each project identified in the Technology SBBC Schools Report and Technology Charter Schools Report as “completed” against the Budget Activity Report to identify cost savings.

FINDING 21

The District’s technology staff has been able to procure technology improvements that meet or exceed established standards at considerable savings. Florida TaxWatch estimates that, for the technology projects identified in the Technology SBBC Schools Report and Technology Charter Schools Report as “completed,” more than \$7.53 million has been saved.

These savings are broken down as follows:

- o Technology infrastructure upgrade savings --- \$4,029,191;
- o Computer device savings --- \$31,302;
- o Wireless network upgrade savings --- \$3,471,803; and
- o Charter school savings --- \$1,191.

RECOMMENDATION 9

Florida TaxWatch recommends that moneys saved as a result of the District’s efficient procurement of technology improvements be reallocated to meet other critical needs.

Florida TaxWatch compared the budget information contained in the Budget Activity Report to the project information contained in the Facilities Construction Report.

FINDING 22

The Facilities Construction Report identifies 15 construction projects with a status of “complete.” These projects have been delivered on or under budget (see Table 6), saving the District \$1.3 million.

TABLE 6 - COMPLETED FACILITIES CONSTRUCTION PROJECTS		
School	Project	Savings
Anderson HS	Media Center demolition	N/A*
Apollo MS	Track resurfacing	\$22,007
Atlantic Technical	School choice enhancement	\$173
Coral Springs HS	School choice enhancement	\$124
Flanagan HS	Track resurfacing	\$-
Forest Hills ES	Replace air handler units	\$1,128,856
Hallandale A&C Center	Re-roof buildings #13 & #14	\$38,693
Indian Ridge MS	School choice enhancement	\$-
King /Montessori	HVAC/chiller improvements	\$64,204
Parkway MS	Re-roof buildings #22 & #24	N/A*
Pioneer MS	Track resurfacing	\$24,889
Pompano Beach MS	School choice enhancement	\$25
Seminole MS	Track resurfacing	\$24,900
Stranahan HS	Track resurfacing	\$-
Western HS	Track resurfacing	\$-
Total		\$1,303,871
<i>N/A* --- Part of a combined project that is still active.</i>		

RECOMMENDATION 10

Florida TaxWatch recommends that moneys saved as a result of the District’s efficient facilities construction be reallocated to meet other critical needs.

SUPPLIER DIVERSITY OUTREACH

The Supplier Diversity Outreach Program Report includes a summary of design and construction-related contracts awarded to M/WBEs as of December 31, 2016. The District reports that, as of December 7, 2016, there were 702 active certified M/WBEs that provide commodities (supplies), construction, professional services, and business services to District schools. Of this total, 393 (56 percent) are women-owned businesses and 309 (44 percent) are minority-owned businesses.

The District reports having held 17 outreach events, with an additional 13 events scheduled during calendar year 2017. Attendees numbered 549, with 43 prospective pre-certified contractors, 249 prospective M/WBEs, 12 pre-qualified contractors, 61 certified M/WBE vendors, and 209 District staff participating.

RECOMMENDATION 11

As part of its ongoing outreach efforts, the District should step up its efforts to recruit and retain qualified M/WBEs for all SMART Program categories.

FINDING 23

The District reports as part of its Contract Compliance² Metrics an M/WBE commitment of \$2.51 million during the quarter ending December 31, 2016, representing 60 percent of the \$4.16 million committed. Information regarding the number and percentage of M/WBEs utilized, dollar amount of prime payments, and dollar amount of M/WBE payments is identified as “TBD.”

RECOMMENDATION 12

The District should include in subsequent reports information on the number and percentage of M/WBEs utilized, dollar amount of prime payments, and dollar amount of M/WBE payments for all SMART Program categories.

The District reports awarding \$4.16 million in professional design services contracts during the quarter ending December 31, 2016, \$2.51 million of which (60 percent) was awarded to M/WBEs. An additional \$361,750 was awarded for construction manager at-risk services, \$90,438 of which (25 percent) was awarded to M/WBEs. The Supplier Diversity Outreach Program Report identifies contactors who will provide professional design and construction manager at-risk services for 19 identified schools, at which M/WBEs will be the prime contractor at eight of the 19 schools.

FINDING 24

There is no summary of M/WBE contracts awarded to date.

² Contract compliance totals are only for design and construction activities.

RECOMMENDATION 13

The District should include in subsequent reports a summary of contracts awarded to date, showing a running total of contracts awarded to M/WBEs by SMART Program categories.

FINDING 25

It is unclear whether the pie chart on page 518 of the District's report for the quarter ending December 31, 2016 represents the total for combined projects or just for professional design services, since the pie chart on page 517 also identifies awards for professional design services.

RECOMMENDATION 14

The District should confirm whether the pie chart on page 518 of the Quarterly Report represents the total for combined projects or just for professional design services.

The District includes a summary of construction-related purchase order activity through the end of the quarter ending December 31, 2016.

FINDING 26

Of the more than \$5.2 million in purchase orders that have been issued, approximately 5 percent have been issued to M/WBEs. In terms of minority spending, 52 percent of the purchase orders issued to M/WBEs were to African-American-owned firms and 48 percent were issued to Hispanic-owned firms. Less than 1 percent (0.01 percent) was issued to women-owned firms.

FINDING 27

The Supplier Diversity Outreach Program Report fails to provide any information on contracts awarded to or purchases made from M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. As such, the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns cannot be determined.

RECOMMENDATION 15

Florida TaxWatch reiterates its previous recommendations that future SMART Program Quarterly Reports provide information on the utilization of M/WBEs and historically underutilized businesses for all SMART Program categories.

COMMUNICATIONS

The Communications Report outlines the District's efforts to develop and implement a comprehensive communications strategy to inform constituents of progress made in implementing the SMART Program. The Communications Report includes a "tool kit" of techniques designed to ensure consistency of message. The report for the quarter ending December 31, 2016 highlights the District's efforts to provide principals news about SMART Program milestones that occur at their schools. This is designed to help school administrators speak more knowledgeably about ongoing improvements that affect their facilities. Other outreach efforts include developing materials regarding the progress of the SMART Program for presentation to community organizations.

FINDING 28

It is unclear what, if any, role the District wants the Bond Oversight Committee to play in the District's efforts to manage the public's expectations regarding SMART Program implementation.

RECOMMENDATION 16

Florida TaxWatch recommends the Committee request clarification from the District regarding the Committee's expected role in the District's efforts to manage the public's expectations regarding SMART Program implementation.

SUMMARY AND CONCLUSIONS

The District continues to make progress in acquiring computers and wireless access points, upgrading technology infrastructure, upgrading wireless networks, and updating CAT 6 data ports. District staff has been able to procure computers far in excess of the District's established standards, while saving more than \$7.5 million in the process. All of the technology projects planned for charter schools have been completed. The replacement of music and arts equipment continues, with all but one planned project underway.

Despite consistent recommendations by Florida TaxWatch, the District continues to report M/WBE activity only for facility construction projects. The District's outreach efforts have produced more than 700 active M/WBE firms, yet none of these active M/WBEs have ostensibly received any of the bond money for technology, music, or art equipment. In response to previous Florida TaxWatch recommendations, the District's facility construction reports have become more transparent, and now include more project-specific information on construction activities at SBBC schools. The District continues to make progress, with more and more projects becoming financially active.

Of great concern, however, are the District's reports of cost overruns and delayed projects. Despite repeated recommendations from Florida TaxWatch, the District fails to identify those projects likely to be delayed and those projects that are likely to require additional funding. The absence of an agreed-upon reporting template does not excuse the District from its obligation to report this information, as well as detailed corrective actions necessary to get these projects back on schedule and back on budget.

The public has every right to know which school projects are delayed and the reasons for the delay, as well as which school projects are over budget. The public's right-to-know is not well-served by these omissions.

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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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