



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

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

Presented to the Broward County Bond Oversight Committee
September 9, 2019

**Q4
2018-19**



106 North Bronough Street, Tallahassee, FL 32301 floridataxwatch.org o: 850.222.5052 f: 850.222.7476

Senator Pat Neal

Chairman of the Board of Trustees

Dominic M. Calabro

President & Chief Executive Officer

Dear Fellow Taxpayer,

The end of the 2018-19 school year marks the end of Year 5 of the SMART Program. This is significant in that all of the planned facilities construction projects at Broward public schools were to have been started by the end of Year 5. This has not happened. We now know that it is going to take longer than expected to complete the planned renovations, perhaps one to two years beyond the original forecast completion dates.

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

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

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

Sincerely,

Dominic M. Calabro

Dominic M. Calabro

President & CEO

INTRODUCTION

On August 26, 2019, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended June 30, 2019* ("Quarterly Report"). This single 736-page report provides updated information on the implementation of the District's SMART Program and the use of general obligation bond funds to purchase and install technology upgrades, purchase music and arts equipment, improve safety, upgrade athletic facilities, and renovate educational facilities.

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

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

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

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

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

TECHNOLOGY

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

TABLE 1.
FINAL SMART PROGRAM TECHNOLOGY UPGRADE SUMMARY

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

All SBBC schools now comply with the District's standard of 1 computer for every 3.5 students. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1. As shown in Table 2, 150 (65 percent) SBBC schools have student-to-computer ratios of 2:1 or better. Student-to-computer ratios range from 0.9:1 (Hollywood Central Elementary School, Larkdale Elementary School, Oakridge Elementary School, Palmview Elementary School, and the Quest Center) to 3.5:1 (Coral Park Elementary School).

TABLE 2.
FINAL STUDENT-TO-COMPUTER RATIOS - SBBC SCHOOLS

Range	Number	Percentage
0.0 - 1.0	11	4.8%
1.1 - 2.0	150	65.2%
2.1 - 3.0	45	19.6%
3.1 - 3.5	4	1.7%
Met Standard*	20	8.7%
Total	230	100%

*Twenty schools met the 3.5:1 ratio standard prior to any action under this program, and were not required to purchase additional equipment.

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

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

To meet this demand, the District has spent or encumbered \$9.83 million to:

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

The Interim Chief Information Officer reports that all of the above projects have been completed, and that the remaining \$1.17 million will be used for projects that:

- Increase network bandwidth and reliability;
- Improve network traffic management and reporting;
- Enhance IT security and identity management systems;
- Increase systems storage capacity;

-
- Expand and refresh the District's virtualized server environment; and
 - Extend and enhance core telecommunications routing and applications systems.

To meet this demand, the Interim Chief Information Officer identified 2 projects totaling \$1.17 million:

- Additional hardware to support centralized management tools for Local Area Network (LAN) endpoints (\$241,131); and
- Replacement of Uninterrupted Power Supply (UPS) devices and computer batteries as needed (\$928,832).

The Interim Chief Information Officer reports that both of these projects have begun. The additional hardware to support LAN endpoints is expected to be completed by the end of Q1 2019 (September 30, 2019). The UPS project is expected to be completed by the end of Q1 2020 (September 30, 2020).

MUSIC, ART, AND THEATRE EQUIPMENT

MUSIC EQUIPMENT

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

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The Chief Academic Officer reports that an additional 123 pieces of music equipment were delivered during Q4 2018-19. Overall, more than 59,000 pieces of musical equipment have been ordered. Of that total, 57,428 (96 percent) have been delivered. The status of music equipment orders is shown in Table 3.

TABLE 3.
MUSIC EQUIPMENT DEPLOYMENT STATUS - SCHOOLS WITH MUSIC PROGRAMS

	Q3 2018-19		Q2 2018-19	
	Number	Percent	Number	Percent
In Process	0	0%	1	0.5%
Ordering	0	0%	0	0%
Closing Out	5	2.3%	5	2.3%
Closed	188	88.3%	186	85.3%
No Program	20	9.4%	26	11.9%
Total	213	100%	218	100%

Approximately \$17.57 million has been spent or encumbered on music equipment as of June 30, 2019. Music and art equipment has been purchased from 13 vendors (see Table 4). Of the approximately \$17.57 million spent on replacement music and art equipment, approximately \$10.9 million (62.1 percent) has been spent with one vendor, All County Music.

TABLE 4.
Q4 2018-19 MUSIC & ART VENDOR PAYMENTS (CUMULATIVE)

Vendor	Amount	Percentage
All County Music	\$10,906,898	62.1%
Cascio Interstate Music	\$3,228	0.0%
Enabling Devices	\$8,284	0.0%
JW Pepper	\$3,383	0.0%
Malmark	\$6,372	0.0%
Music Arts Enterprises	\$3,653,615	20.8%
Music Man	\$1,282,349	7.3%
Romeo Music	\$440,549	2.5%
School Specialty	\$64,250	0.4%
Summer Arts Sessions	\$9,600	0.1%
Summer Hays Music	\$11,964	0.1%
Vista Pan Steel Instruments	\$5,036	0.0%
Wenger	\$1,177,906	6.7%
Total	\$17,573,434	100.0%

ART EQUIPMENT

The SMART Program allocates \$313,600 for replacement kilns. Kilns are ordered on an "as needed" basis subject to the process for kiln evaluation/repair/orders. The Chief Academic Officer reports that 11 new kilns were ordered during Q4 2018-19, bringing the total number ordered or delivered to 134 (see Table 5).

TABLE 5.
KILN STATUS (Q4 2018-19)

Location	Number
Ordered	23
Delivered to Warehouse	20
Delivered to School	91
Total	134

THEATER EQUIPMENT

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

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

The Chief Academic Officer reports that all orders have been submitted and equipment is in the process of being delivered to the 39 schools. Approximately \$925,680 of the \$1,036,000 (89.4 percent) has been spent or encumbered.

ATHLETICS

TRACK PROJECTS

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

WEIGHT ROOMS

The SMART Program allocates \$3.63 million for new weight rooms at each of the 30 high schools. The Chief Portfolio Services Officer reports that weight room projects have been completed at 29 of the 30 high schools. Of the 1 remaining high school (Northeast High School), the weight room project is currently in the Design Phase.

In the Q3 2018-19 report, the Chief Portfolio Services Officer reported that a request for re-design has pushed the planned completion date for the Northeast High School weight room project back to Q3 2019 (September 30, 2019). In this report, however, the Chief Portfolio Services Officer reports that "the weight room is being relocated to a building that is set for construction and cannot proceed until construction for the building is complete. Once the selected vendor gains access, the new weight room can be completed within 90 days (see p.66)."

The Chief Portfolio Services Officer reports (see p.71) that Gilbane was terminated as the Construction Manager for Northeast High School's SMART project. As a result, construction of the weight room has been extended to a planned completion date of Q4 2020 (December 31, 2020), a delay of 15 months.

RECOMMENDATION 1

Florida TaxWatch recommends that, at the September 9, 2019 Bond Oversight Committee meeting, the Chief Portfolio Services Officer brief the Committee on the reasons for terminating Gilbane as the Construction Manager, and on the status of procuring a new Construction Manager.

FACILITIES

CONSTRUCTION SCHEDULE

For the second time since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The newly-revised construction schedule is designed to ease the flow of projects moving through the Design Phase; avoid an overabundance of projects being initiated simultaneously; and lighten the demand on an oversaturated construction and labor market.

The newly-revised construction schedule reflects a reevaluation based upon market conditions, availability of contractors, school enrollment, cash flow, lead times, end user coordination requirements, and building access. The newly-revised construction schedule:

- Recognizes that the District's original commitment to start every project within 5 years and complete every project within 7 years is no longer realistic;
- Increases the length of the Design Phase for each project by an average of 282 days;
- Increases the length of the Construction Phase for each project by an average of 125 days;
- Recognizes that the market will not support bidding 30-40 construction projects each month, as reflected in the previous schedule;
- Reflects bidding 8-12 construction projects each month;
- Pushes the scheduled completion date for 26 projects back to calendar year 2022; and
- Pushes the scheduled completion date for 3 projects back to the first quarter of calendar year 2023.

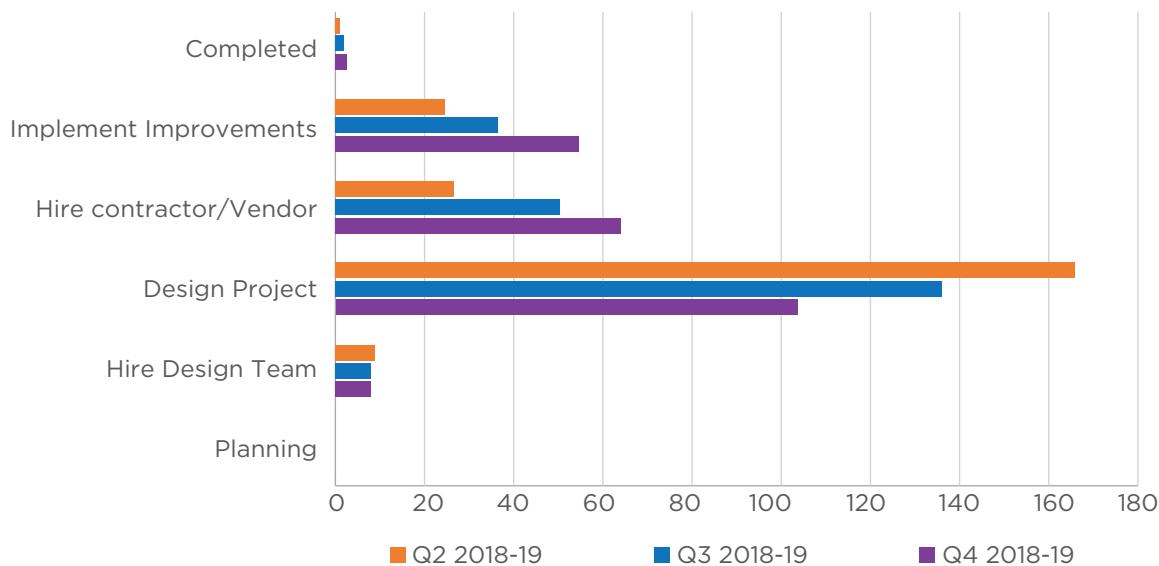
PRIMARY RENOVATIONS PROJECTS

The Executive Director, Capital Programs, reports that Primary Renovations projects are either underway or complete at 234 Broward County schools. The status of the Primary Renovations projects over the past three quarters is shown in Figure 1.

When compared to Q3 2018-19, Figure 1 shows a decrease in the number of active Primary Renovations projects in the Design Phase (136 to 104) and an increase in the number of active Primary Renovations projects in the Hire Contractor/Vendor Phase (51 to 64) and in the Implement Improvements Phase 37 to 55). Florida TaxWatch considers this to be a good sign. This trend has continued for the past three quarters. In addition, the number of completed Primary Renovations projects has increased from 2 to 3.

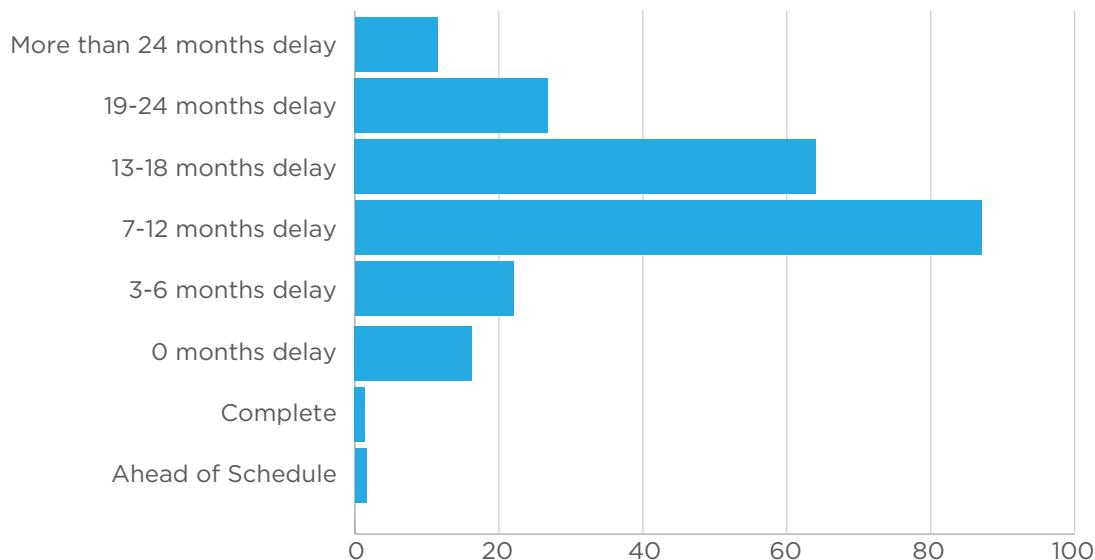
TaxWatch compared the "new planned" and "planned" schedules on each school's School Spotlight to better understand the additional delays reflected in the new project schedules. As shown in Figure 2, when compared to the 2017 schedule's planned completion dates, the completion of Primary Renovations projects has been pushed back by more than one year at almost one-half (45 percent) of the schools.

FIG. 1 - PRIMARY RENOVATION PROJECT STATUS: Q4 2018-19
NUMBER OF PROJECTS



Florida TaxWatch compared the “new planned” and “planned” schedules on each school’s School Spotlight to better understand the additional delays reflected in the new project schedules. As shown in Figure 2, when compared to the 2017 schedule’s planned completion dates, the planned completion of Primary Renovations projects has been pushed back by more than one year at almost one-half (45 percent) of the schools.

FIG. 2 - PRIMARY RENOVATION PROJECTS:
COMPARISON OF “PLANNED” AND “NEW PLANNED” SCHEDULES
NUMBER OF PROJECTS



FLAGGED SCHOOLS AND PROJECTS

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

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

The District Facilities Construction Report identifies 121 projects that have been flagged for either schedule (102) or budget (19) reasons, a net increase of 23 flagged projects compared to the Q3 2018-19 Facilities Construction Report.

- Of the 102 projects flagged for schedule reasons, 49 are newly-flagged projects and 53 are projects flagged in previous quarters that are unresolved. Of the 49 newly-flagged projects, 39 are Primary Renovations projects.
- Of the 19 projects flagged for budget reasons, all 19 are newly-flagged projects. Of the 19 newly-flagged projects, 16 are Primary Renovations projects.

Florida TaxWatch commends the Executive Director, Capital Programs, for his efforts to make the status of facility construction improvements more transparent. New to this Facilities Construction Report is a discussion (see pp. 75-76) of not just what went well, but of what did not go well. Delays resulting from the additional reviews by the District’s new roofing consultant are discussed, as are delays resulting from failed inspections and from the termination of several design firms.

RECOMMENDATION 2

Florida TaxWatch recommends that, at the September 9, 2019 Bond Oversight Committee meeting, the Executive Director, Capital Programs, brief the Committee on design firm contracts terminated to date, including reasons for termination and the schools where these firms were working.

A considerably more-detailed explanation of flagged projects is included (see pp. 90-97). The reason(s) why an individual project has been flagged is identified, as is the proposed remedy. The comments section of each School Spotlight includes more-detailed information regarding the status of each project.

Florida TaxWatch identified 22 Primary Renovations projects where delays resulting from multiple revisions and submittals by the design firm, lengthy delays in making necessary revisions and resubmitting construction documents, and non-responsiveness by design firms have given the Executive Director, Capital Programs, cause to propose the following remedy:

"The owner will be enforcing terms of the contract for delays and multiple resubmissions."

In response to a growing backlog of construction projects in the Design Phase, Florida TaxWatch raised the issue of imposing financial penalties (liquidated damages) against design firms that failed to submit higher-quality initial plans or that failed to timely address building department comments in its review of the District's Q1 2018-19 Facilities Construction Report. At the December 17, 2018 meeting of the Bond Oversight Committee, the Executive Director, Capital Programs, advised the Committee that the first set of contracts with design firms failed to include any enforceable provisions that would permit the District to impose financial penalties against non-responsive design firms. As a result, unexcused delays by the design firms result in harm to the District, for which the District is uncompensated. Florida TaxWatch considers this to be unacceptable and inconsistent with construction contract best practices.

The Executive Director, Capital Programs, explained that the new professional service agreements (PSAs) with design firms include provisions whereby design firms can be charged \$100 per day for every day they are late in submitting required documents. Further, after two revisions and resubmittals, the new PSAs permit the District to charge the design firm for the cost of the additional revisions and resubmittals. The Heery representative affirmed that all of the subsequent contracts have some form of incentive (penalty) for design firms to successfully complete their work on time. Bond Oversight Committee Member Hillberg acknowledged that this was a "great step" forward and requested to see the new language.

Florida TaxWatch questions whether \$100 per day adequately compensates the District for unexcused delays by the design firms. Florida TaxWatch understands that "liquidated damages" cannot be punitive and must reflect the actual anticipated harm to the District as a result of the unexcused delays; however, at \$100 per day, a design firm that was non-responsive for one year would pay only \$36,500 in liquidated damages. The question then becomes "is \$36,500 a fair and reasonable estimate of harm to the District resulting from a one-year delay in completing a Primary Renovations project?" Florida TaxWatch thinks the harm to the District would be far greater; therefore, the liquidated damages should more fully reflect the additional harm.

RECOMMENDATION 3

Florida TaxWatch recommends that, at the September 9, 2019 Bond Oversight Committee meeting, the Executive Director, Capital Programs:

- **Brief the Committee on the number of current PSAs that include no enforceable financial penalties against non-responsive design firms, including the schools where these firms are working;**
- **Brief the Committee on enforcement actions taken to date, including contract termination, against non-responsive design firms and contractors, including the schools where these firms are working; and**
- **Provide and discuss the liquidated damages/financial penalties provisions contained in the new PSAs with design firms.**

RECOMMENDATION 4

Florida TaxWatch recommends that the current PSAs that include no enforceable financial penalties against non-responsive design firms be amended to include enforceable liquidated damages provisions.

RECOMMENDATION 5

To promote even greater transparency, Florida TaxWatch recommends that, beginning with the Q1 2019-20 Facilities Construction Report, the Executive Director, Capital Programs, identify actions taken by the District to enforce the terms and conditions of contracts with design firms, vendors, and contractors. This should include the name of the vendor, the action(s) taken, and the reason for the action(s).

The Budget flags represent \$61.6 million in additional funding that will be needed to complete these 19 projects. When the School Board approves the necessary budget increases for these projects, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s School Spotlight. A review of the School Spotlight for each school identifies Primary Renovations projects at 52 schools where additional funding totaling more than \$149.7 million has been approved by the School Board (see Table 6).

TABLE 6
ADDITIONAL PRIMARY PROJECT FUNDING APPROVED BY SBBC (CUMULATIVE)

School	Add. \$	School	Add. \$
Anabel C. Perry Pre K-8	\$1,950,037	McNab Elementary School	\$1,915,437
Atlantic Technical, Arthur Ashe Jr., Campus	\$1,836,449	Miramar Elementary School	\$2,286,935
Banyan Elementary School	\$962,979	North Side Elementary School	\$1,769,430
Bayview Elementary School	\$946,739	Nova High School	\$11,993,745
Blanche Ely High School	\$7,310,000	Oakridge Elementary School	\$1,473,860
Castle Hill Elementary School	\$1,567,030	Palm Cove Elementary School	\$1,318,659
Charles W. Flanagan High School	\$6,793,361	Pinewood Elementary School	\$2,398,000
Coconut Creek Elementary School	\$517,143	Pompano Beach Elementary School	\$1,390,551
Colbert Elementary School	\$834,903	Pompano Beach Middle School	\$4,787,180
Colbert Museum Magnet	\$834,903	Quiet Waters Elementary School	\$1,576,000
Cypress Bay High School	\$18,839,000	Ramblewood Elementary School	\$1,353,158
Cypress Elementary School	\$452,897	Riverland Elementary School	\$2,551,192
Dillard 6-12	\$4,266,232	Rock Island Elementary School	\$1,072,944
Eagle Ridge Elementary School	\$1,047,383	Sandpiper Elementary School	\$452,942
Everglades Elementary School	\$1,132,500	Seagull Alternative High School	\$1,131,082
Fairway Elementary School	\$3,507,900	Silver Lakes Elementary School	\$1,505,741
Falcon Cove Middle School	\$12,047,000	Silver Ridge Elementary School	\$1,074,700
Forest Glen Middle School	\$3,858,800	Silver Shores Elementary School	\$1,231,560
Forest Hills Elementary School	\$1,083,601	Silver Trail Middle School	\$1,781,150
Gator Run Elementary School	\$1,535,323	Stranahan High School	\$13,710,000
Griffin Elementary School	\$1,868,208	Sunland Park Academy	\$881,100
Hawkes Bluff Elementary School	\$3,906,437	Walker Elementary School	\$1,837,090
Hollywood Hills High School	\$7,154,351	West Hollywood Elementary School	\$1,231,160
Indian Ridge Middle School	\$945,102	Westchester Elementary School	(\$547,142)
Lake Forest Elementary School	\$1,202,142	Westwood Heights Elementary School	\$2,517,269
Manatee Bay Elementary School	\$625,661	TOTAL	\$149,719,824

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q4 2018-19:

- Authorized 17 schools to advertise for bids;
- Approved bid recommendations from contractors at 15 schools;
- Approved 1 design Professional Services Agreement (PSA) at Wilton Manners Elementary School;
- Approved additional funding in the amount of \$123,843 for School Choice Enhancement Projects at Banyan Elementary School, Cypress Elementary School, and Floranada Elementary School;
- Approved PSA amendments (scope and/or service fees) to 6 PSAs;

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- Approved Guaranteed Maximum Prices amendments for projects at Cypress Bay High School, Falcon Cove Middle School, and Marjory Stoneman Douglas High School;
 - Approved modifications to the original scope and/or service fees for projects at Margate Elementary School and McArthur High School; and
 - Approved change orders for projects at 5 schools (no fiscal impacts).

THE “BIG 3” SCHOOLS

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

The planned dates for “substantial completion” of Primary Renovations projects are as follow:

- Blanche Ely High School Primary Renovation --- Q3 calendar year 2020;
- Northeast High School Primary Renovation (Phase 1) --- Q1 calendar year 2022. This represents a delay of 6 months from the substantial completion date (Q3 calendar year 2021) identified in the Q3 2018-19 Facilities Construction Report, and is presumably due in large part to the termination of the Construction Manager (Gilbane);
- Northeast High School Primary Renovation (Phase 2) --- Q3 calendar year 2021; and
- Stranahan High School Primary Renovation --- Q3 calendar year 2021.

SINGLE POINT-OF-ENTRY PROJECTS

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

The Q3 2018-19 Report moved up the timing for completing the remaining Single Point-of-Entry projects, committing to complete all of the remaining Single Point-of-Entry projects before students return to school in the Fall. The District reports that, of June 30, 2019, all but Single Point of Entry 15 projects had been completed, with the remaining 15 projects in the Construction Phase.

Over the life of the SMART Program, the School Board has increased SMART Program funds budgeted for safety and security improvements from \$134.1 million to \$141.0 million, an increase of \$6.9 million.

Through Q4 2018-19, the District spent a total of \$25.22 million on safety and security projects (prior year and current year expenditures), an increase of \$5.15 million over Q3 2018-19. Table 7 provides a summary of expenditures for safety and security projects since SMART Program inception.

TABLE 7.
SMART PROGRAM SAFETY AND SECURITY PROJECT EXPENDITURES
(THROUGH JUNE 30, 2019)

	Prior Year Expenditures	Commitments	Current Year Expenditures	Total
Financially Active				
GOB Funds	\$6,955,109	\$17,987,159	\$8,063,426	\$33,005,694
Non-GOB Funds	\$1,787,325	\$11,591,293	\$4,053,222	\$17,431,840
Completed/Meets Standards				
GOB Funds	\$1,958,833	\$495,907	\$2,000,518	\$4,455,258
Non-GOB Funds	\$205,331	\$1,631	\$200,346	\$407,308
Total	\$10,906,598	\$30,075,990	\$14,317,512	\$55,300,100

As shown in Table 7, the District has spent or committed more than \$55.3 million for school safety improvements since SMART Program inception.

SCHOOL CHOICE ENHANCEMENT PROGRAM

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

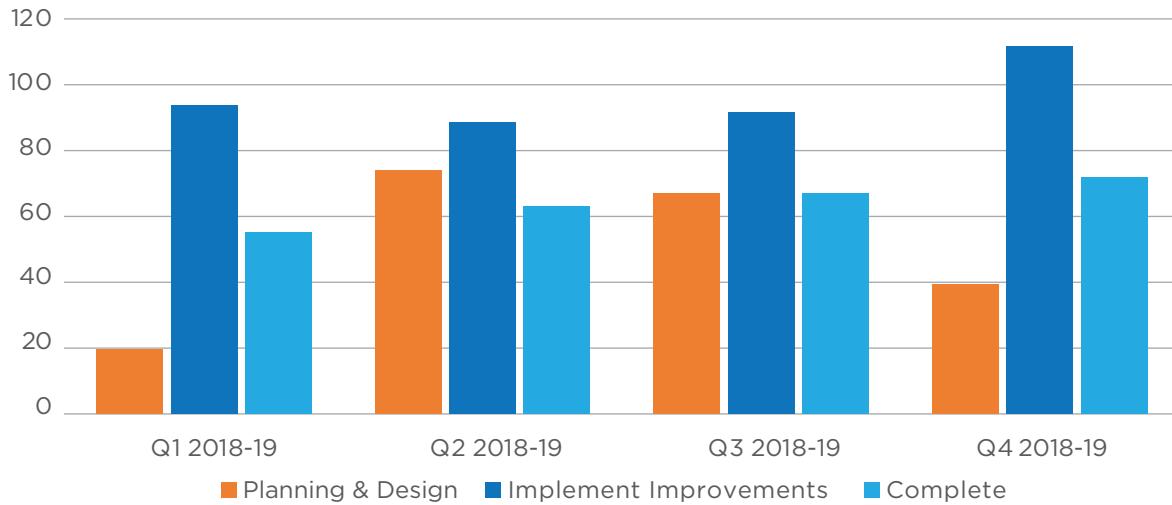
As of June 30, 2019, the number of SCEP projects in the Planning Phase has decreased from 68 to 41. The second phase, Implementation, includes selection and procurement. There are currently 115 schools in the second phase. The third phase, Completion, occurs when all items have been delivered and installed. There are 74 schools with completed SCEP projects. The status of these projects is shown in Table 8.

TABLE 8.
SCHOOL CHOICE ENHANCEMENT PROJECT (SCEP) STATUS

Project Phase	Q4 2018-19		Q3 2018-19	
	Number	Percentage	Number	Percentage
Planning/Design	41	17.8%	68	29.6%
Implement Improvements	115	50.0%	93	40.4%
Improvements Complete	74	32.2%	69	30.0%
Total	230	100%	229	100%

The District is making considerable progress implementing the SCEP Program projects. As shown in Figure 3, the number of SCEP projects that have begun the Implementation Phase and the number of Completed projects have increased over the past four quarters.

FIG. 3 - SCHOOL CHOICE ENHANCEMENT PROJECT STATUS
NUMBER OF PROJECTS



BUDGET ACTIVITY

EXPENDITURES

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. The SMART Program total budget for years 1-5 has increased from \$1.065 billion to \$1.126 billion. This includes the \$800 million in general obligation bond (GOB) funding and \$326 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$138.6 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 \$230,673,109 to \$266,389,881, an increase of about \$35.7 million during Q4 2018-19. The Chief Financial Officer reports a SMART Program balance of \$581,945,883 at the end of Q4 2018-19. The Chief Financial Officer reports that a second series of the General Obligation Bonds was issued in February 2019 to ensure projects have available funds in line with the projected construction delivery timeframes.

During Q4 2018-19, the School Board approved the following funding increases:

- Silver Ridge Elementary School --- Approved recommendation to award Construction Agreement (\$1,074,700);
- Westwood Heights Elementary School --- Approved recommendation to award Construction Agreement (\$2,517,269);
- North Side Elementary School --- Approved recommendation to award Construction Agreement (\$1,769,430);
- Walker Elementary School --- Approved recommendation to award Construction Agreement (\$1,837,090);
- Dillard 6-12 School --- Approved recommendation to award Construction Agreement (\$4,266,232);
- Gator Run Elementary School --- Approved recommendation to award Construction Agreement (\$1,535,323);
- Banyan Elementary School --- Approved request for additional SCEP funding (\$10,245);
- Floranada Elementary School --- Approved request for additional SCEP funding (\$7,680);
- Cypress Elementary School --- Approved request for additional SCEP funding (\$5,918);
- Everglades Elementary School --- Approved recommendation to award Construction Agreement (\$1,132,500);
- Fairway Elementary School --- Approved recommendation to award Construction Agreement (\$3,507,900);
- Riverland Elementary School --- Approved recommendation to award Construction Agreement (\$2,551,192);

-
- Hawkes Bluff Elementary School --- Approved recommendation to award Construction Agreement (\$3,906,437);
 - Pinewood Elementary School --- Approved recommendation to award Construction Agreement (\$2,398,000);
 - Forest Glen Middle School --- Approved recommendation to award Construction Agreement (\$3,858,800);
 - Sunland Park Academy --- Approved recommendation to award Construction Agreement (\$881,100);
 - Falcon Cove Middle School --- Approved Guaranteed Maximum Price amendment to Construction Agreement (\$12,047,000);
 - Cypress Bay High School --- Approved Guaranteed Maximum Price amendment to Construction Agreement (\$18,839,000); and
 - Westchester Elementary School --- Approved recommendation to award Construction Agreement (\$- 547,142).

Since inception of the SMART Program, the School Board has approved net increases/decreases of \$138,980,971.

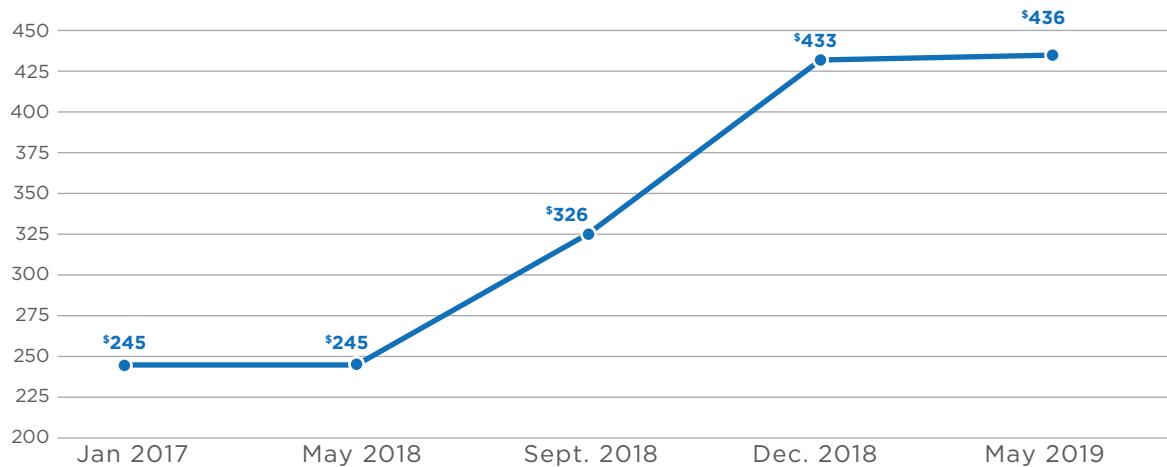
ASSESSMENT OF FINANCIAL RISK

At the October 8, 2018 Bond Oversight Committee meeting, Superintendent Runcie made it clear that the planned Renovations projects will cost more than what is currently budgeted. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs. As previously recommended by Florida TaxWatch, the District's Facilities Report now includes the latest assessment of financial risk.

The latest SMART Program financial risk assessment (issued June 5, 2019) by Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements is expected to increase to \$436 million over the original budget. This projection reflects the "70 percent risk result," the point at which 70 percent of the forecast model runs are equal to or less than that point. The risk projections from September 2018 to June 2019 are shown in Figure 4.

This projected \$436 million cost overrun is based on actual pricing data for about 30 percent of SMART Program projects. These actual pricing data on costs-to-date show that projects that have been bid or negotiated (including cost increases at the Big 3 high schools) are near 47-49 percent above the initial budgets.

**FIG. 4 - PROJECTED FINANCIAL RISK
(\$ MILLIONS)**



Since the September 2018 risk assessment by Atkins, the District has briefed both the School Board and the Bond Oversight Committee on projected increases for roofing projects. The average cost per square foot for roofing projects that was included in the District's 2014 assessment, upon which initial SMART project budgets were based, was \$6.80 per square foot. Compared to the original estimates, the current cost for roofing projects is about \$19 per square foot, or about 300 percent of the original estimated cost. The District projects a potential impact on SMART Program reserves of up to \$280 million.

The District has set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program. Due to approved School Board approvals through the end of Q4 2018-19, the SMART Program reserve balance is currently \$74.7 million (includes future years). To maintain sufficient reserves, the District is setting aside property tax money from future years to help pay for the cost overruns. This means that moneys that would otherwise be used to fund future projects or meet future needs will be used to mitigate the SMART Program financial risk. Given the dramatic increase in financial risk, it is unclear whether this reserve will be sufficient to mitigate the projected \$436 million assessed risk.

RECOMMENDATION 6

Florida TaxWatch recommends that, at the September 9, 2019 Bond Oversight Committee meeting, the Chief Financial Officer brief the Committee on the District's contingency plan for additional reserve funds needed to address the potential impacts of the updated \$436 million risk assessment.

HARD COSTS VERSUS SOFT COSTS

As previously recommended by Florida TaxWatch, the District's Facilities Report includes a breakdown of hard and soft costs. "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. "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.

The District reports (reference June 7 memorandum from Atkins to Bond Oversight Committee members) that typically, hard costs make up 65-75 percent of total budget, and soft costs typically make up 30-35 percent of total budget.

Information on hard and soft costs is provided for the following two fully-complete schools:

- Manatee Bay Elementary School
 - Hard costs --- 88 percent; and
 - Soft costs --- 12 percent.
- Indian Ridge Middle School)
 - Hard costs --- 87 percent; and
 - Soft costs --- 13 percent.

For both of the schools for which a breakdown is provided, the percentage of hard costs is 17 to 23 percent higher than the percentage that typically makes up the total budget and the percentage of soft costs is significantly lower than what one would typically expect. As more and more projects are completed, the BOC can gain a better and more accurate understanding of actual hard and soft project costs.

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 TaxWatch.

The Chief Strategy & Operations Officer reports that, as of the end of Q4 2018-19, there were 724 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools, 7 fewer than were reported in Q3 2018-19. Of these 724 E/S/M/WBEs:

- 74 (10.2 percent) are SBE certified companies;
- 317 (43.8 percent) are MBE certified companies;
- 213 (29.4 percent) are M/WBE certified companies; and
- 120 (16.6 percent) are WBE certified companies.

Procurement activity increased during Q4 2018-19, from \$70.2 million to \$87.4 million. The Chief Strategy & Operations Officer reports as part of its Contract Compliance Metrics an E/S/M/WBE commitment of \$27.8 million during Q4 2018-19. This represents about 32 percent of the total \$87.4 million in contracts awarded during the quarter.

Through June 30, 2019, the District has issued purchase orders to E/S/M/WBEs totaling \$110.9 million. This represents a cumulative E/S/M/WBE prime commitment of 21.6 percent. Of this \$110.9 million E/S/M/WBE commitment:

- \$6.18 million has been awarded to E/S/M/WBE firms for Safety projects;
- \$0 has been awarded to E/S/M/WBE firms for Music and Arts projects;
- \$10,700 has been awarded to E/S/M/WBE firms for Athletics projects;
- \$104.7 million has been awarded to E/S/M/WBE firms for Renovations projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

As previously recommended by Florida TaxWatch, the Q4 2018-19 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 14.1 percent has been awarded to African American-owned companies;
- 67.8 percent has been awarded to Hispanic American-owned companies;
- 7.2 percent has been awarded to Asian American-owned companies; and
- 10.5 percent has been awarded to White Female-owned companies.

As previously recommended by Florida TaxWatch, the District has stepped up its efforts to award SMART Program purchase orders to women-owned companies. More than one-third (35.2 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q4 2018-19 Report highlights the District's continued efforts to promote the SMART Program.

When the School Board approves a new phase of a SMART project, the Office of Facilities and Construction sends a memo to the principal of the school explaining the Board's decision and the timetable for going forward. This is designed to help school administrators speak more knowledgeably about ongoing improvements that affect their facilities. During Q4 2018-19, 26 of these principal letters were distributed.

Other outreach efforts include:

- 6 outreach events were conducted at schools, community, and business forums;
- 31 project charter meetings to communicate and build relationships with community members; and
- Continued use of Twitter and social media to "spotlight" SMART Program accomplishments.

LOOKING AHEAD

The District continues to make progress in implementing the \$1.126 billion SMART Program. SMART Program expenditures and commitments now exceed \$544.3 million. All planned computer devices have been ordered and received, all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students, and all technology projects planned for charter schools have been completed.

The replacement of music, arts, and theater equipment continues, with all planned projects accelerated and underway, and more than 57,000 pieces of musical equipment have been delivered to Broward public schools. More than 130 kilns have been ordered, with 111 delivered, and theater equipment has been ordered and is being delivered to the 39 schools with theater programs.

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

For the second time since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The new construction schedule pushes the planned completion date for 26 projects back to calendar year 2022 and pushes the scheduled completion date for 3 projects back to the first quarter of calendar year 2023. The planned completion dates for Primary Renovations projects at more than 100 schools have been pushed back by more than one year. Despite the additional time built into the new construction schedule, Florida TaxWatch finds the fact that Primary Renovations projects at more than 50 schools have currently been flagged for Schedule issues extremely discomforting.

Of greater concern is the issue of financial risk. Primary Renovations projects at 19 schools were flagged for Budget issues during Q4 2018-19. More than \$61.6 million in additional funding is required to complete these projects. Since inception, the School Board has approved \$139.0 million in additional funds for SMART construction projects.

Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements could now increase by about \$436 million. This represents a significant increase over the September 2018 financial risk assessment, which projected SMART Program cost increases of \$302 million.

This projected \$436 million cost overrun is based on actual pricing data for about 30 percent of SMART Program projects. These actual pricing data on costs-to-date show that projects that have been bid or negotiated exceed the initial budgets by 47-49 percent. The projected cost overruns (300 percent) for roofing projects could add an additional \$280 million in financial risk. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

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

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

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Robert G. Nave	VP of Research
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Steve Evans	Senior Advisor

RESEARCH PROJECT TEAM

Robert E. Weissert	Exec. VP & General Counsel
Robert G. Nave	VP of Research
Chris Barry	Director of Comms. & External Affairs

All Florida TaxWatch research done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

FOR MORE INFORMATION: WWW.FLORIDATAXWATCH.ORG

The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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106 N. BRONOUGH ST., TALLAHASSEE, FL 32301 O: 850.222.5052 F: 850.222.7476

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