

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

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

Presented to the Broward County Bond Oversight Committee
December 16, 2019

Q1
2019-20



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Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

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

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

I am pleased to present the following report, which includes the Florida TaxWatch review of the SMART Program quarterly report for the quarter ending September 30, 2019. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's December 16, 2019 meeting.

Sincerely,

Dominic M. Calabro
President & CEO

INTRODUCTION

On December 2, 2019, Florida TaxWatch received the Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 20189(“Quarterly Report”). This single 804-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

	Q1 2019-20		Q4 2018-19	
	Number	Percent	Number	Percent
In Process	0	0.0%	0	0.5%
Ordering	0	0.0%	0	0%
Closing Out	1	0.5%	5	2.3%
Closed	192	99.5%	188	85.3%
No Program	0	0.0%	20	11.9%
Total	193	100%	213	100%

Approximately \$17.59 million has been spent or encumbered on music equipment as of September 30, 2019. Music and art equipment has been purchased from 13 vendors (see Table 4). Of the approximately \$17.59 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	\$10,912,098	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	\$3,661,277	20.8%
Music Man	\$1,281,789	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	\$1,180,003	6.7%
Total	\$17,587,833	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 District reports that 135 kilns have been delivered to either the warehouse or to the selected school. One additional kiln (Piper High School) remains in “ordered” status (see Table 5).

TABLE 5.
KILN STATUS (Q1 2019-20)

Location	Number
Ordered	1
Delivered to Warehouse	32
Delivered to School	103
Total	136

THEATER EQUIPMENT

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

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

The District reports that all 39 schools with theater programs have completed the ordering process and are awaiting delivery and installation or have received the ordered stage, lighting, and sound equipment.

ATHLETICS

TRACK PROJECTS

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

WEIGHT ROOMS

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

The Chief Portfolio Services Officer reports that the weight room is being relocated to a building that is set for Primary Renovations and cannot proceed until construction for the building is complete. Once the selected vendor gains access, the new weight room can be completed within 90 days (see p.69). The Chief Portfolio Services Officer reports that Gilbane was terminated as the Construction Manager for Northeast High School's SMART project. As a result, construction of the weight room has been extended to a planned completion date of Q4 2020 (December 31, 2020), a delay of 15 months.

FACILITIES

CONSTRUCTION SCHEDULE

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:

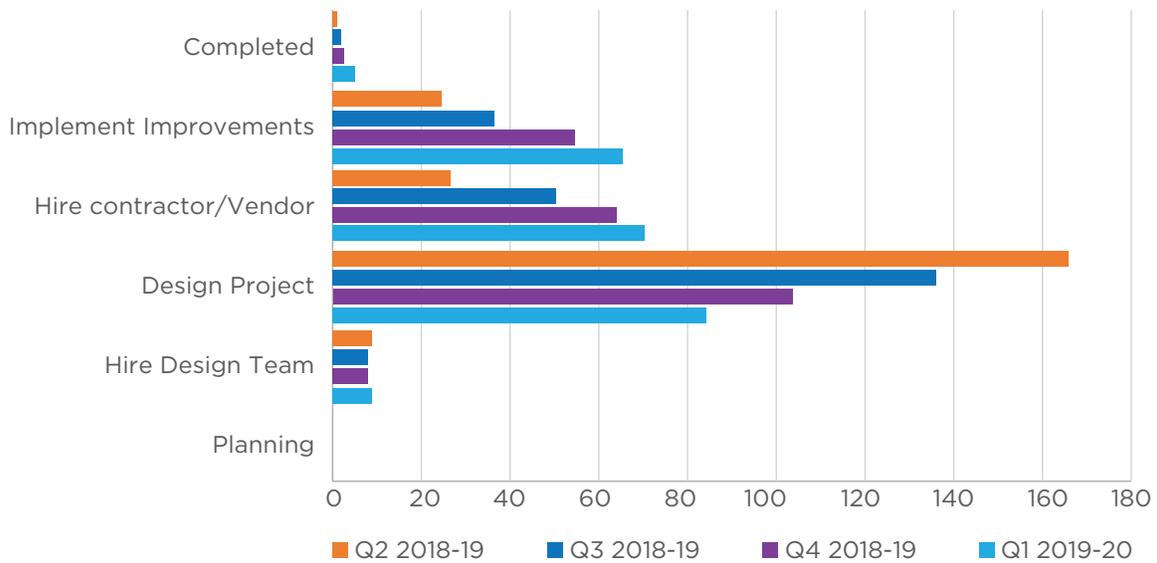
- Recognizes that the District's original commitment to start every project within 5 years and complete every project within 7 years is no longer realistic;
- Increases the length of the Design Phase for each project by an average of 282 days;
- Increases the length of the Construction Phase for each 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 District reports that 236 Primary Renovation projects are either underway or complete at Broward County schools. The status of the Primary Renovation projects over the past three quarters is shown in Figure 1.

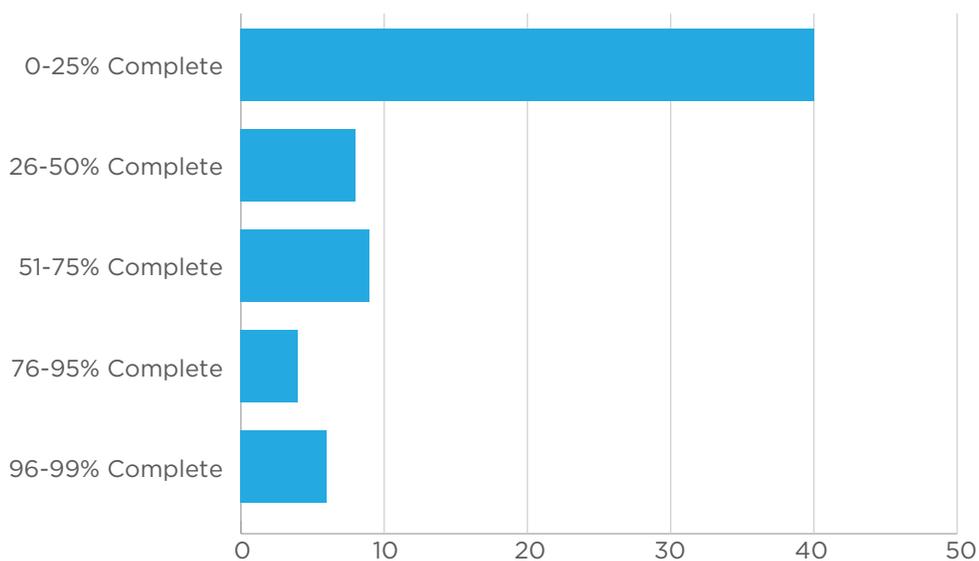
When compared to Q4 2018-19, Figure 1 shows a decrease in the number of active Primary Renovation Projects in the Design Phase (104 to 85) and an increase in the number of active Primary Renovation Projects in the Hire Contractor/Vendor Phase (64 to 71) and in the Implement Improvements Phase (55 to 66). Florida TaxWatch considers this to be a good sign. This trend has continued for the past four reporting quarters. In addition, the number of completed Primary Renovations projects has increased from 3 to 5.

FIG. 1 - PRIMARY RENOVATION PROJECT STATUS: Q1 2019-20
 NUMBER OF PROJECTS // N=236



The current status (percentage completed) of the 67 Primary Renovations projects at 66 schools (one school has 2 Primary Renovations projects) is shown in Figure 2. Although the construction phase of more Primary Renovations projects is underway, the majority (40) of Primary Renovations projects are less than 25 percent complete.

FIG. 2 - PRIMARY RENOVATIONS STATUS: Q1 2019-20
 NUMBER OF PROJECTS // N=67



FLAGGED SCHOOLS AND PROJECTS

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

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

SCHEDULE-RELATED ISSUES

The District Facilities Construction Report identifies 76 Primary Renovations and Other (weight room, fire alarms, etc.) projects that have been flagged for schedule-related issues. Of this total, 44 were flagged during Q4 2018-19, which means 32 new projects have been flagged in Q1 2019-20. Thirty-four (34) of these 76 project delays are Design-related.

The Facilities Report identifies 8 schools that had Primary Renovations projects flagged due to issues in the designer selection process. In all of these, the delay can be attributed to decisions (including changes) to the delivery method. All 8 of these Primary Renovations projects have been flagged previously.

Of the 34 Primary Renovations projects that were flagged due to Design-related issues, 20 have been flagged previously. For 23 of these 34 Primary Renovations projects, the Executive Director, Capital Programs, reports that the District will be “enforcing the terms and conditions of the contract with the design firm for delays and multiple submissions.” Of these 23 Primary Renovations projects, 13 were flagged during Q4 2018-19 and 10 are newly-flagged.

In its review of the District’s Q4 2018-19 Facilities Report, Florida TaxWatch identified 22 Primary Renovations projects where delays resulting from multiple revisions and submissions by the design firm, lengthy delays in making necessary revisions and resubmitting construction documents, and non-responsiveness by the design firm have given the Executive Director, Capital Programs, cause to begin enforcing the terms of the contracts for delays and multiple submissions. Florida TaxWatch recommended that, beginning with the Q1 2019-20 Facilities 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).

Currently, the District has identified 23 Primary Renovations projects where Design-related delays have caused the District to report that it will be enforcing the terms and conditions of contracts where there are delays and multiple resubmissions; however, Florida TaxWatch was unable to identify any such enforcement actions taken by the District during Q1 2019-20.

RECOMMENDATION 1

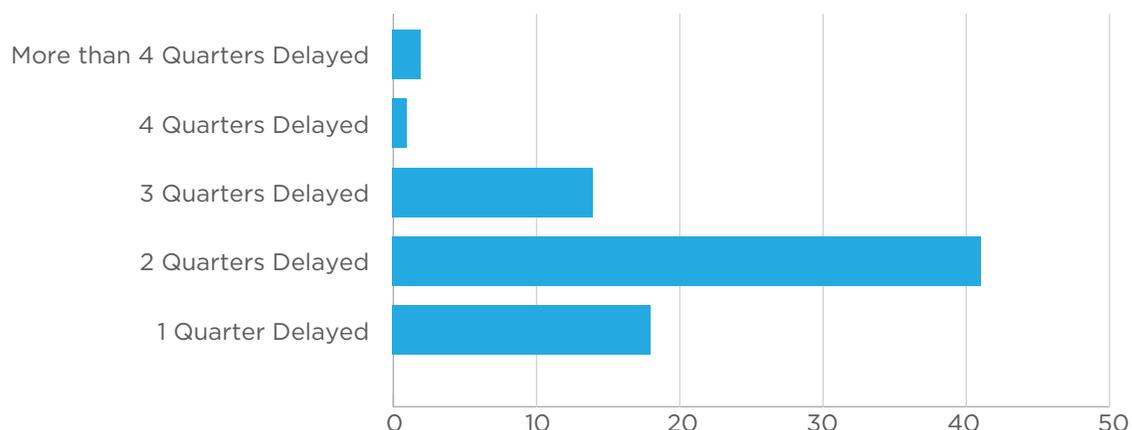
To promote greater transparency, Florida TaxWatch recommends that, beginning with the Q2 2019-20 Facilities Report, the Executive Director, Capital Programs, identify actions taken by the District to enforce the terms and conditions of contracts with design firms, vendors, and contractors. This should include the name of the vendor, the action(s) taken, and the reason for the action(s).

NOTE: It should be noted that Florida TaxWatch made a similar recommendation in its Q4 2018-19 report to the Bond Oversight Committee.

The District's Facilities Report identified 16 Primary Renovations projects whose delay was due to the roofing "reality check," 8 of which had been previously flagged. The delays in the remaining 16 Primary Renovations projects are the result of Construction (8) and other (8) delays.

Florida TaxWatch reviewed each school's School Spotlight to compare the actual/forecast completion dates to the new planned completion dates to better understand how long these projects are delayed. As shown in Figure 3, 41 of the 76 projects that have been flagged for schedule issues have been pushed back 2 quarters compared to the new planned completion dates. The fire alarm project at Forest Hills Elementary School has been delayed 8 quarters and the weight room project at Northeast High School has been delayed 9 quarters.

FIG. 3 - PROJECTS DELAYED: Q1 2019-20
NUMBER OF PROJECTS // N=76



BUDGET-RELATED ISSUES

The District Facilities Construction Report identifies 12 Primary Renovations projects that have been flagged for budget-related issues, none of which was flagged during Q4 2018-19. The Budget flags represent \$23.96 million in additional funding that will be needed to complete these 12 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 62 schools where additional funding totaling more than \$172.8 million has been approved by the School Board (see Table 6 on next page).

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

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

- Authorized 8 schools to advertise for bids;
- Approved bid recommendations from contractors at 11 schools;
- Approved 2 design Professional Services Agreements (PSAs);
- Approved additional funding in the amount of \$358,512 for McFatter Technical College/ Broward Fire Academy;
- Approved PSA amendments (scope and/or service fees) to 12 PSAs;
- Approved Construction Manager At-Risk agreements for Northeast High School; and
- Approved change orders for projects at 2 schools (no fiscal impacts).

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. The Executive Director, Capital Programs, reports (to date) change orders are tracking at 0.10 percent of the total construction value. Of the \$512,099 added to construction costs through change orders:

- \$55,865 was attributed to consultant error;
- \$66,699 was attributed to consultant omission;
- \$15,187 was at the District’s request; and
- \$374,348 was attributed to unforeseen conditions.

RECOMMENDATION 2

Florida TaxWatch recommends the Executive Director, Capital Programs, explain to the Bond Oversight Committee the \$55,865 in consultant error, the \$66,699 in consultant omission, and the \$374,348 in unforeseen circumstances.

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

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

THE “BIG 3” SCHOOLS

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

- Blanche Ely High School Primary Renovation --- Q3 calendar year 2020;
- Northeast High School Primary Renovation (Phase 1) --- Q3 calendar year 2022. This represents a delay of 6 months from the substantial completion date identified in the Q4 2018-19 Facilities Construction Report;
- Northeast High School Primary Renovation (Phase 2) --- Q3 calendar year 2021; and
- Stranahan High School Primary Renovation --- Q1 calendar year 2021. This represents an improvement of 6 months from the substantial completion date identified in the Q4 2018-19 Facilities Construction Report.

SINGLE POINT-OF-ENTRY PROJECTS

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

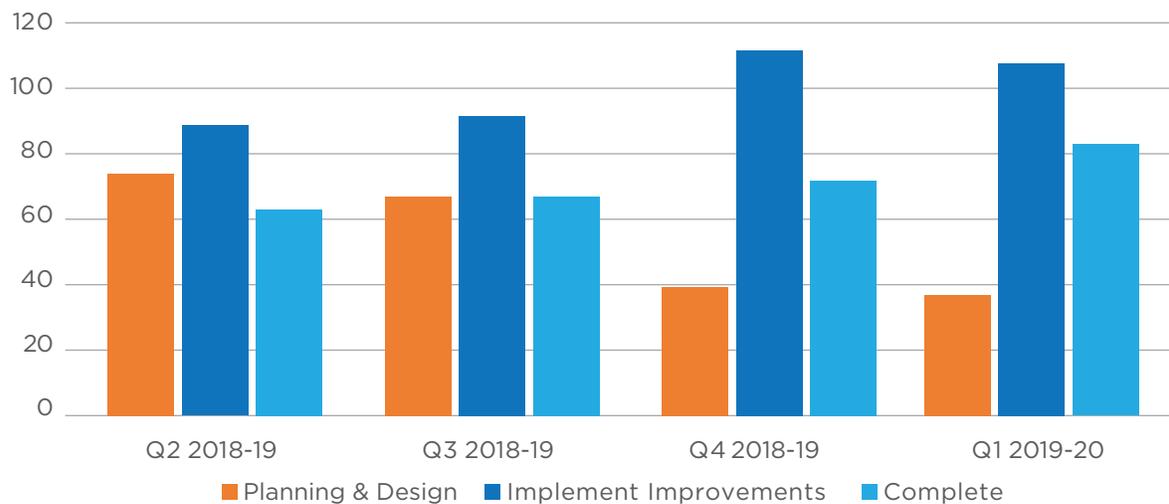
The Q3 2018-19 Report moved up the timing for completing the remaining Single Point-of-Entry projects, committing to complete all of the remaining Single Point-of-Entry projects before students return to school in the Fall. The District reports that all Single Point-of-Entry projects were complete and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

SCHOOL CHOICE ENHANCEMENT PROGRAM

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

As of September 30, 2019, the number of SCEP projects in the Planning Phase has decreased from 41 to 37. The second phase, Implementation, includes selection and procurement. There are currently 110 schools in the second phase. The third phase, Completion, occurs when all items have been delivered and installed. There are 83 schools with completed SCEP projects. The District is making considerable progress implementing the SCEP Program projects. As shown in Figure 4, the number of SCEP projects that are in the Planning and Design Phase have decreased over the past four quarters and the number of Completed projects has increased.

FIG. 4 - 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. During Q1 2019-20, the SMART Program total budget for years 1-5 has increased from \$1.126 billion to \$1.149 billion, an increase of about \$64,000. This includes the \$800 million in general obligation bond (GOB) funding and \$349 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$161.6 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

Although the current facilities construction schedule anticipates that planned construction activities will not be completed until the first quarter of calendar year 2023, budget activity is reported only through the end of year 5 of the SMART Program (through June 30, 2019). Planned budget activity from the end of year 5 of the SMART Program through Q3 2023 is not included.

RECOMMENDATION 3

Florida TaxWatch recommends that the Q2 2019-20 and all subsequent quarterly Budget Activity reports include planned budget activity through the end of year 9 of the SMART Program (Q4 2022-23).

SMART Program expenditures increased from \$266,389,881 to \$303,880,223, an increase of about \$37.5 million during Q1 2019-20. The Chief Financial Officer reports a SMART Program balance of \$544,684,637 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 Q1 2019-20, the School Board approved the following funding increases:

- Mirror Lake Elementary School --- Approved recommendation to award Construction Agreement (\$2,113,400);
- Pioneer Middle School --- Approved recommendation to award Construction Agreement (\$3,467,193);
- Dave Thomas Education Center East --- Approved recommendation to award Construction Agreement (\$1,861,494);
- Bright Horizons Center --- Approved recommendation to award Construction Agreement (\$1,893,100);

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- Embassy Creek Elementary School --- Approved recommendation to award Construction Agreement (\$1,340,700);
 - Fort Lauderdale High School --- Approved recommendation to award Construction Agreement (\$1,363,887);
 - Everglades High School --- Approved recommendation to award Construction Agreement (\$2,707,254);
 - Pembroke Pines Elementary School --- Approved recommendation to award Construction Agreement (\$1,175,000);
 - Sunset Lakes Elementary School --- Approved recommendation to award Construction Agreement (\$1,780,500);
 - Riverglades Elementary School --- Approved recommendation to award Construction Agreement (\$448,177);
 - James S. Rickards Middle School --- Approved recommendation to award Construction Agreement (\$5,449,080); and
 - McFatter Technical College Broward Technical College --- Approved request for additional funding for roofing project (\$358,512).

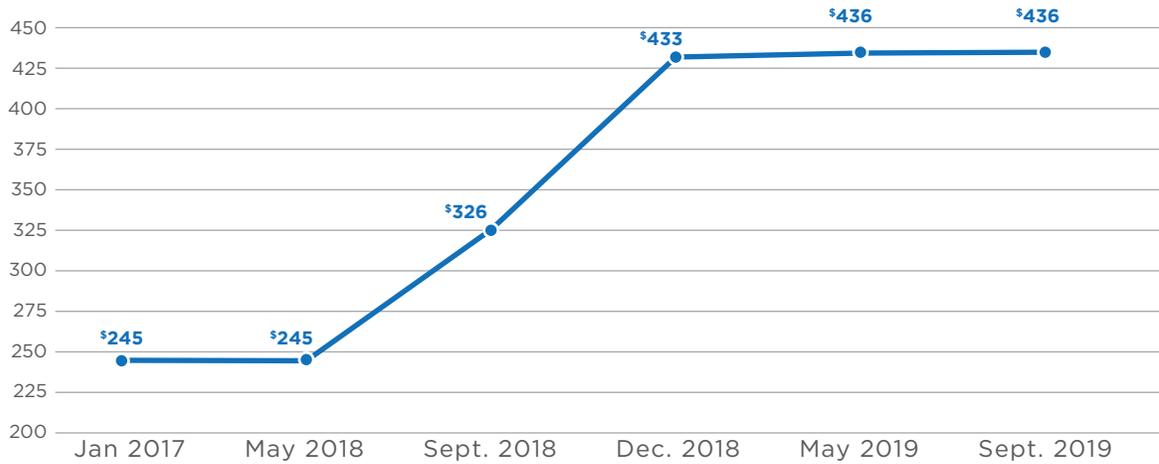
These increases total almost \$24 million. When coupled with the transfer of \$1.3 million in savings from 20 schools not opting for a music program into the SMART Program Reserve Fund, this represents a net increase of \$22,658,297 during Q1 2019-20. Since inception of the SMART Program, the School Board has approved net increases/decreases of \$161,639,268.

ASSESSMENT OF FINANCIAL RISK

At the October 8, 2018 BOC meeting, Superintendent Runcie made it clear that the planned renovation projects will cost more than what is currently budgeted. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs. 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 September 30, 2019) by Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements is expected to remain stable at \$436 million. 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. Atkins reports that "construction volume and employment indicators show a plateau in 2019, which may lead to construction price stabilization, although it is too early to tell (p.158)." The risk projections from January 2017 to September 2019 are shown in Figure 5.

FIG. 5 - PROJECTED FINANCIAL RISK
(\$ MILLIONS)



This projected \$436 million cost overrun is based on actual pricing data for about 31 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 62 percent above the initial budgets. This represents an increase of about 13-15 percent over the pricing data reported in the Q4 2018-19 report.

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 Q1 2019-20, the SMART Program reserve balance is currently \$52.0 million (includes future years). This is \$22.7 million less than the balance reported for Q4 2018-19. Given the current stabilization of financial risk, it is unclear whether this reserve will be sufficient to mitigate the projected \$436 million assessed risk.

The Chief Financial Officer reports that \$1.3 million in savings resulting from 20 school opting not to have a music program has been transferred from the Music & Art budget category into the SMART Reserve. In addition, the Chief Financial Officer reports that there is currently \$40 million in “capital unallocated reserves” plus \$73.5 million set aside for charter school millage sharing that could be used to help mitigate construction cost overruns. If the state continues to fully fund charter school capital

outlays, then this \$73.5 million could be moved to capital reserves. The District also has an additional \$223 million in the outer years of the District's educational facilities plan that could be used to mitigate construction cost overruns.

HARD COSTS VERSUS SOFT COSTS

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

As previously recommended by Florida TaxWatch, the District's Q4 2018-19 Facilities Report included a breakdown of hard and soft costs for two schools (Manatee Bay Elementary School and Indian Ridge Middle School) at which construction activities had been completed. Although the Executive Director, Capital Programs, reports that Primary Renovations have been completed at five schools, Florida TaxWatch found no breakdown of hard costs and soft costs in the Q1 2019-20 Facilities Report.

RECOMMENDATION 4

Florida TaxWatch recommends the Executive Director, Capital Programs, include in the Q2 2019-20 and all subsequent reports to the Bond Oversight Committee a breakdown of hard and soft costs for completed construction projects.

RECOMMENDATION 5

Florida TaxWatch recommends the Executive Director, Capital Programs, provide the Bond Oversight Committee a breakdown of hard and soft costs for the following completed construction projects:

- **Beachside Montessori Village School Choice Enhancement Project;**
- **Dave Thomas Education Center West School Choice Enhancement Project;**
- **Dolphin Bay Elementary School School Choice Enhancement Project;**
- **Indian Ridge Middle School Primary Renovations;**
- **Manatee Bay Elementary School Primary Renovations; and**
- **Orange Brook Elementary School School Choice Enhancement Project.**

SUPPLIER DIVERSITY & OUTREACH

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

The Chief Strategy & Operations Officer reports that, as of the end of Q1 2019-20, there were 718 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. This reflects the cumulative data through August 2019 and fails to include data for the remaining month in the reporting quarter.

RECOMMENDATION 6

Florida TaxWatch recommends future Supplier Diversity Outreach Program reports to the Bond Oversight Committee include data for the full 3-month reporting quarter.

Of these 724 E/S/M/WBEs:

- 73 (10.2 percent) are SBE certified companies;
- 317 (44.1 percent) are MBE certified companies;
- 217 (30.2 percent) are M/WBE certified companies; and
- 111 (15.5 percent) are WBE certified companies.

The Chief Strategy & Operations Officer reports an E/S/M/WBE commitment of \$12.48 million during Q1 2019-20. This represents about 27 percent of the total \$45.98 million in contracts awarded during the quarter.

Through September 30, 2019, the District has issued purchase orders to E/S/M/WBEs totaling \$145.9 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:

- \$6.4 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;
- \$139.5 million has been awarded to E/S/M/WBE firms for Renovation projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

As previously recommended by TaxWatch, the Q1 2019-20 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology

upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 11.4 percent has been awarded to African American-owned companies;
- 68.7 percent has been awarded to Hispanic American-owned companies;
- 4.2 percent has been awarded to small business enterprises;
- 5.3 percent has been awarded to Asian American-owned companies; and
- 10.4 percent has been awarded to White Female-owned companies.

As previously recommended by TaxWatch, the District has stepped up its efforts to award SMART Program purchase orders to women-owned companies. Almost one-third (31.6 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q1 2019-20 Report highlights the District's continued efforts to promote the SMART Program.

During Q1 2019-20, outreach efforts include:

- 3 outreach events were conducted at schools, community, and business forums;
- 1 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 \$1.148 billion SMART Program. SMART Program expenditures and commitments now exceed \$604.3 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 58,000 pieces of musical equipment have been delivered to Broward public schools. More than 130 kilns have been delivered, and theater equipment has been ordered and is being delivered to the 39 schools with theater programs.

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

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, TaxWatch finds the fact that Primary Renovations projects at 76 schools have currently been flagged for Schedule issues extremely concerning. The trajectory of the completion of these projects should be accelerating in a positive direction with a realistic timetable that will be successfully completed. Anything less is unacceptable.

Of greater concern is the issue of financial risk. Primary Renovations projects at 12 schools were flagged for Budget issues during Q1 2019-20. More than \$23.9 million in additional funding is required to complete these projects. Since inception, the School Board has approved \$172.8 million in additional funds for SMART construction projects.

Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but Atkins North America, Inc., estimates that the total cost of SMART Program

facility improvements could now increase by about \$436 million. Atkins reports that “construction volume and employment indicators show a plateau in 2019, which may lead to construction price stabilization, although it is too early to tell.”

This projected \$436 million cost overrun is based on actual pricing data for about 31 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 62 percent above the initial budgets. This represents an increase of about 13-15 percent over the pricing data reported in the Q4 2018-19 report. 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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