



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

SMART Program Quarterly Report Review for the Quarter Ended December 31, 2018

Q2
2018-19



Presented to the Broward County Bond Oversight Committee
March 4, 2019



Florida
TaxWatch





Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

The 2018-19 school year marks the beginning of Year 5 of the SMART Program. This is significant considering the District's commitment that every planned facility renovation project would begin within five years and be completed within seven --- a commitment that, until the October 8, 2018 Bond Oversight Committee (BOC) meeting, the District had steadfastly maintained. At that meeting, District staff made it clear that beginning every project within five years and completing every project within seven years is no longer realistic. It is going to take longer than expected to complete the planned renovations, perhaps one to two years beyond the current forecast completion dates.

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.

Of greater 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 \$230 million to \$360 million, with a best estimate of about \$302 million over original budgets. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

I am pleased to present the following report, which includes the Florida TaxWatch review of the SMART Program quarterly report for the quarter ending December 31, 2018. TaxWatch staff will be available to present our findings and recommendations at the Committee's March 4, 2019 meeting.

Sincerely,

Dominic M. Calabro
President & CEO

The cover of this report includes photos of three Florida TaxWatch Principal Leadership Award winners, all from Broward County. Top to bottom: Alexandra Prieto (Grand Prize Winner 2016) of Somerset Academy Miramar, Erin Kelly (2018 winner) of Imagine Charter North Lauderdale, and James Neer (2016 winner) of Monarch High School

INTRODUCTION

On February 18, 2019, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended December 31, 2018* (“Quarterly Report”). This single 725-page report provides updated information on the implementation of the District’s SMART Program and the use of general obligation bond funds to purchase and install technology upgrades, purchase music and arts equipment, improve safety, upgrade athletic facilities, and renovate educational facilities.

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

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

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

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

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

TECHNOLOGY

The SMART Program allocates \$80.9 million for Technology (computer devices and hardware) for SBBC schools (\$68.9 million) and charter schools (\$12.0 million), all of which is programmed to be spent in Years 1-3. As of June 30, 2018, the planned SMART technology deployment has been fully completed for all 230 schools. Table 1 provides a summary of the SMART Program technology deployment.

TABLE 1.
FINAL TECHNOLOGY UPGRADE SUMMARY

	Ordered	Installed	%
Student Laptops	64,455	64,455	100%
Teacher Laptops	13,333	13,333	100%
Desktops	5,051	5,051	100%
Tablets	523	523	100%
Computer Carts	1,066	1,066	100%
Wireless Access Points	13,166	13,166	100%
Category 6 Cable Drops	12,738	12,738	100%

The District reports that all SBBC schools now comply with the District’s standard of 1 computer for every 3.5 students. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1. As shown in Table 2, 150 (65 percent) 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

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 \$9.16 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 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); and
- Upgrade systems that support the Student Information System and Data Warehouse (\$334,372).

The District reports that all of the above projects have been completed. The District reports that the remaining \$1.84 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 District identified 7 projects totaling \$1.86 million that would begin to be implemented during Q2 2018-19. The Q2 2018-19 Report, however, identifies 4 projects totaling \$1.84 million. None of these projects has begun. In addition:

- The budget for the Server Blade Growth project has increased from \$70,324 to \$195,324; and
- The load balancing system, midrange system upgrade, and System Center Configuration Manager server hard drives projects have been deleted from the list of projects scheduled for Q2 2018-19.

RECOMMENDATION 1

TaxWatch recommends that the Chief Information Officer provide an explanation for the \$125,000 increase in the server blade growth project.

RECOMMENDATION 2

TaxWatch recommends that the Chief Information Officer provide an explanation for the deletion of the load balancing system, midrange system upgrade, and SCCM server hard drives projects.

The SMART Program also includes a \$12.0 million allocation for “SMART Charter School Technology from General Obligation Bonds” which is to be allocated based on charter school enrollment. The District reports that all planned charter school SMART Program technology projects were completed as of the end of the quarter ended March 31, 2017. Table 3 provides a summary of the SMART Program charter school technology deployment.

TABLE 3.
FINAL CHARTER SCHOOL TECHNOLOGY UPGRADE SUMMARY

	Ordered	Installed	%
Student Laptops	5,086	5,086	100.0%
Teacher Laptops	1,417	1,417	100.0%
Desktops	1,712	1,712	100.0%
Tablets	3,099	3,099	100.0%
Computer Carts/Trays	316	316	100.0%
Digital Classrooms	1,347	1,347	100.0%
Accessories & Peripherals	3,394	3,394	100.0%

MUSIC, ART, AND THEATRE EQUIPMENT

MUSIC EQUIPMENT

The District reports that music equipment deployment has begun in schools identified in Year 1 (FY 2014-15) and Year 2 (FY 2015-16) of the schedule contained in the SMART Program. The District has recommended amounts of \$300,000 for high schools, \$100,000 for middle schools, and \$50,000 for elementary schools to permit schools to address their most critical music equipment needs. The total amount of SMART Program funding allocated to purchase new music instruments and equipment is \$19.2 million.

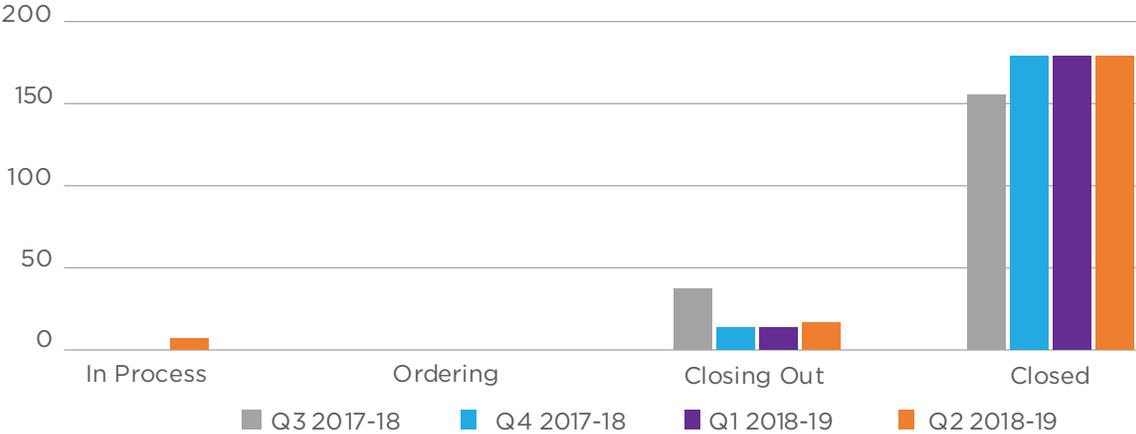
Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The status of each project is shown in Table 4.

TABLE 4.
MUSIC EQUIPMENT DEPLOYMENT STATUS - SCHOOLS WITH MUSIC PROGRAMS (Q2 2018-19)

	Q2 2018-19		Q1 2018-19	
	Number	Percent	Number	Percent
In Process	1	0.5%	0	0.0%
Ordering	0	0.0%	0	0.0%
Closing Out	12	6.3%	10	5.3%
Closed	179	93.2%	179	94.7%
Total	192	100%	189	100%

As shown in Figure 1, only 6 percent (13 projects) of the music projects have yet to be closed. The District reports that more than 59,000 pieces of musical equipment have been ordered. Of that total, 55,633 (94 percent) have been delivered.

FIG. 1 - MUSIC EQUIPMENT PROJECT STATUS: Q1 2018-19 THROUGH Q2 2018-19
NUMBER OF PROJECTS



Approximately \$17.33 million has been spent or encumbered on music equipment as of December 31, 2018. Music and art equipment has been purchased from 13 vendors (see Table 5). Of the approximately \$17.33 million spent on replacement music and art equipment, approximately \$10.7 million (61.8 percent) has been spent with one vendor, All County Music.

TABLE 5.
Q1 2018-19 MUSIC & ART VENDOR PAYMENTS (CUMULATIVE)

Vendor	Amount	Percentage
All County Music	\$10,715,821	61.8%
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	\$3,648,154	21.0%
Music Man	\$1,276,009	7.4%
Romeo Music	\$440,549	2.6%
School Specialty	\$63,203	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	\$1,142,700	6.6%
Total	\$17,334,303	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 19 kilns have been delivered to the warehouse and 66 kilns have been delivered to 48 schools. An additional 20 kilns have been ordered.

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 \$1,008,000 will be allocated over the 5- year term of the SMART Program:

- Elementary schools with 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 \$943,076 (93.6 percent) of the funding allocated for theater equipment has been “used.” The District reports that orders have been received from all 37 schools and equipment is in the process of being delivered to the 37 schools.

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.

In the Q1 FY 2017-18 Report, the Chief Portfolio Services Officer reported that, while in the Design Phase, a redesign request has pushed the planned completion date for the Northeast High School weight room project back to the second quarter of calendar year 2019 (June 30, 2019). The Q2 2017-18 Report, however, pushes the planned completion date for the Northeast High School weight room project back to Q3 2018-19 (September 30, 2019). There is no explanation for this additional delay.

RECOMMENDATION 3

TaxWatch recommends that the Chief Portfolio Services Officer provide an explanation for the continued delays for the weight room project at Northeast High School.

SECTION 4 --- 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 (2019) and complete every project within 7 years (2021) 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.

The District's Q1 2018-19 Facilities Report includes project-specific information on 1,579 construction projects at 232 schools. The District's Q2 2018-19 Facilities Report breaks these projects out individually within 3 major categories:

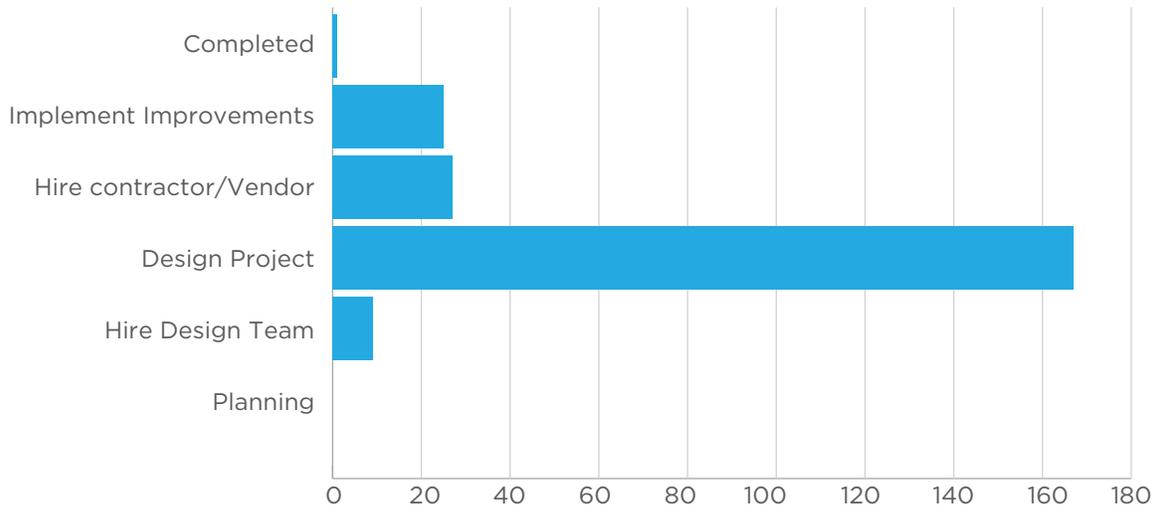
- Primary renovations;
- Single Point of Entry; and
- School Choice Enhancement Projects.

Given the new construction schedule and the new breakout and reporting of construction activities, it is difficult for TaxWatch to make any meaningful comparisons of Q2 2018-19 construction activity to construction activity in previous reports. For example, the Q1 2018-19 Facilities Report identifies the status of 1,539 active construction projects; however, the Q2 2018-19 Facilities Report bundles these projects into 229 active Primary Renovation projects, with 229 active Single Point of Entry projects and 229 active School Choice Enhancement Projects reported separately. Where opportunities for comparison exist, TaxWatch will make appropriate comparisons, Otherwise, the Q2 2018-19 Facilities Report essentially establishes a new baseline for tracking progress.

PRIMARY RENOVATIONS PROJECTS

The District reports that Primary Renovation projects are either underway or complete at 229 Broward County schools. The status of the Primary Renovation projects is shown in Figure 2.

FIG. 2 - PRIMARY RENOVATIONS PROJECT STATUS: Q2 2018-19
NUMBER OF PROJECTS

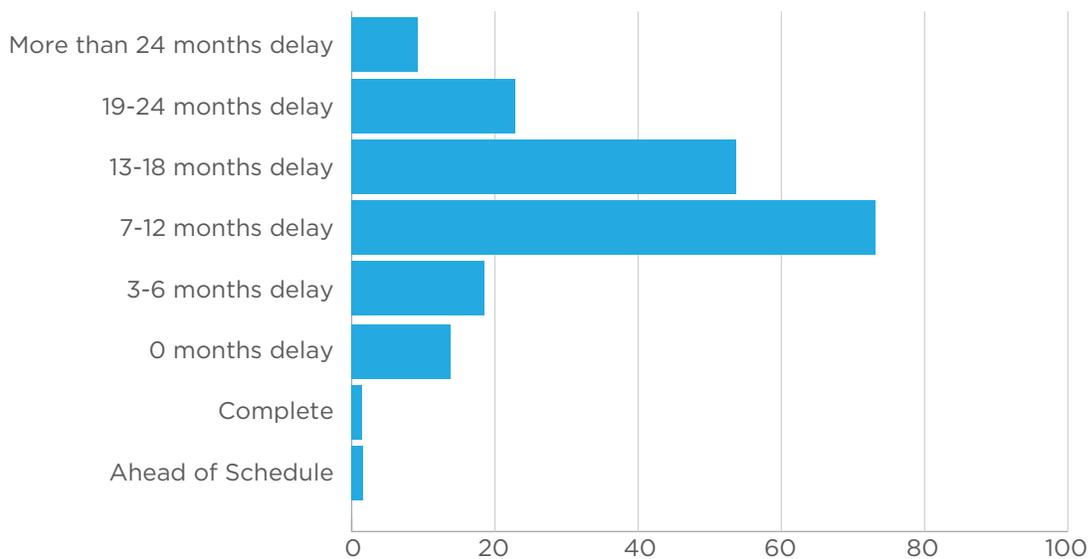


As in previous quarters, the majority (73 percent) of the Primary Renovations projects are in the Design phase. The District reports that during Q2 2018-19, there were Primary Renovations projects at 25 schools (\$132 million) currently in the Construction phase and Primary Renovations projects at 27 schools (\$67.4 million) that had transitioned into the Hire Contractor/Vendor phase.

Of special note is the completion of Primary Renovations at Manatee Bay Elementary School. Completed on (the original) schedule in November 2018, Manatee Bay Elementary School is the first school with a completed Primary Renovations project.

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 3, 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 nearly one-half (45 percent) of the schools.

FIG. 3 - PRIMARY RENOVATIONS PROJECTS:
COMPARISON OF “PLANNED” AND “NEW PLANNED” SCHEDULES
NUMBER OF PROJECTS



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 District has changed the way it reports the status of Single Point-of-Entry projects. For safety reasons, the District no longer includes details about active Single Point-of-Entry projects on the School Spotlight for each school. Since the last quarter, the number of schools with Single Point-of-Entry projects that have either been completed or meet the District’s standards has increased to 179, leaving 50 schools with active Single Point-of-Entry projects (see Table 6).

The District has affirmed its commitment to complete the remaining 50 Single Point-of-Entry projects as quickly as possible. More than one-half (26) of these projects are scheduled for completion in the first quarter of calendar year 2019, and all the projects are scheduled for completion by the end of September 2019.

TABLE 6.
SINGLE POINT-OF-ENTRY PROJECT STATUS (Q2 2018-19)

Phase	Number	Percentage
Not Started	0	0.0%
Planning	0	0.0%
Hire Design Team	0	0.0%
Design Project	10	4.4%
Hire Contractor/Vendor	15	6.6%
Implement Improvements	25	10.9%
Completed	38	16.6%
Meets Standards	141	61.5%
Total	229	100.0%

Over the life of the SMART Program, the School Board has currently budgeted \$134.1 million for safety and security improvements. During Q2 2018-19, the District spent a total of \$16.85 million on safety and security projects, an increase of \$3.44 million over Q1 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 DECEMBER 31, 2018)

	Prior Year Expenditures	Commitments	Current Year Expenditures	Total
Financially Active				
GOB Funds	\$8,890,504	\$10,836,636	\$4,490,536	\$24,217,676
Non-GOB Funds	\$1,992,656	\$6,284,510	\$1,448,500	\$9,725,666
Completed/Meets Standards				
GOB Funds	\$23,438	\$4,278	\$1,664	\$29,380
Non-GOB Funds	\$-	\$-	\$-	\$-
Total	\$10,906,598	\$17,125,424	\$5,940,700	\$33,972,722

As shown in Table 7, the District has spent or committed more than \$33.97 million for school safety improvements. The Q1 2018-19 Budget Activity Report identified \$1,124,183 in General Obligation Bond (GOB) funds that had been spent or committed for safety improvements; however, the Q2 2018-19 Budget Activity Report identifies only \$29,380 in GOB funds that had been spent or committed for safety improvements. This is a difference of almost \$1.1 million.

RECOMMENDATION 4

TaxWatch recommends the Chief Financial Officer explain this apparent \$1.1 million discrepancy in the expenditure and commitment of safety project funds.

SCHOOL CHOICE ENHANCEMENT PROGRAM

The District reports that the remaining 58 schools have initiated their School Choice Enhancement Program (SCEP) projects and are now ready to begin the process of voting on their enhancements.

SCEP projects are budgeted at \$100,000; the scope of the capital project (e.g., electronic marquees, shade structures, playgrounds, etc.) is determined by a vote of the teachers, staff, and parents of students at the school.

As of December 31, 2018, the number of SCEP projects in the Planning phase has increased from 19 to 75. The second phase, Implementation, includes selection and procurement. There are currently 90 schools in the second phase. The third phase, Completion, occurs when all items have been delivered and installed. There are 64 schools with completed SCEP projects. The status of these projects is shown in Table 8.

TABLE 8.
SCHOOL CHOICE ENHANCEMENTS PROJECT STATUS

Project Phase	Q2 2018-19		Q1 2018-19	
	Number	Percentage	Number	Percentage
Planning/Design	75	32.8%	19	11.2%
Implement Improvements	90	39.3%	95	55.9%
Improvements Complete	64	27.9%	56	32.9%
Total	229	100%	170	100%

The District is making considerable progress implementing the SCEP Program projects. Since the end of the last quarter, the remaining SCEP projects have begun the Planning and Design phase and the number of Completed projects has increased.

FLAGGED SCHOOLS AND PROJECTS

In previous reports 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*.

Because the “new planned” schedules reflected on each school’s *School Spotlight* essentially establish a new baseline for tracking project implementation, TaxWatch cannot make any meaningful comparisons of the number of projects flagged for schedule issues in the Q2 2018-19 Report to the number of projects flagged for schedule issues in previous reports. It is important to note that, despite resetting the planned completion dates for Primary Renovations and other major projects, the following projects have been “flagged” for schedule issues:

- Cypress Bay High School (Primary Renovations Phase 1) --- negotiating the Guaranteed Maximum Price requires additional time due to exclusions and conditions placed by the Construction Manager. The Guaranteed Maximum Price is expected to be presented to the School Board for approval in February 2019. The *School Spotlight* reflects a Hire Contractor Phase delay from Q3 calendar year 2018 to Q1 calendar year 2019.
- Cypress Bay High School (Primary Renovations Phase 2) --- background checks required as part of the design review process have taken longer than expected. The Guaranteed Maximum Price is expected to be presented to the School Board for approval in February 2019. The *School Spotlight* reflects a Design Phase delay from Q4 calendar year 2018 to Q1 calendar year 2019.
- Falcon Cove Middle School (Primary Renovations) --- the need for additional funding to address additional complexity and expanded scope of work for the classroom addition building has caused delays. The Guaranteed Maximum Price is expected to be presented to the School Board for approval in Q3 calendar year 2019; however, the *School Spotlight* reflects a Design Phase delay from Q4 calendar year 2018 to Q2 calendar year 2019.
- Forest Hills Elementary School (Fire Alarm) --- delays have resulted from additional requirements imposed by the Building Department during the permitting process. The *School Spotlight* reflects a Design Phase delay from Q4 calendar year 2017 to Q1 calendar year 2019.

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- McNab Elementary School (Primary Renovations) --- delays in executing the Notice to Proceed has pushed the start of construction back to February 2019. The *School Spotlight* reflects a Hire Contractor Phase delay from Q4 calendar year 2018 to Q1 calendar year 2019.
 - Northeast High School (Primary Renovations Phase 2) --- delays in the designer procurement have occurred. Authorization to Proceed for design services is expected in January 2019. The *School Spotlight* reflects a Hire Designer Phase delay from Q4 calendar year 2018 to Q1 calendar year 2019.
 - Northeast High School (Weight Room) --- the weight room improvements are tied to the Primary Renovations. The *School Spotlight* reflects a Design Phase delay from Q2 calendar year 2018 to Q2 calendar year 2019.

RECOMMENDATION 5

TaxWatch recommends the Task Assigned Executive Director, Capital Programs, explain the apparent discrepancy in the forecast completion dates for projects at Falcon Cove Middle School (Primary Renovations),

Of the 165 active SCEP projects, 68 (41 percent) have been flagged for Schedule issues.

The following 12 schools/projects have been flagged for Budget issues:

- Colbert Elementary (Primary Renovations) --- \$178,046 previously identified as “additional funding” was incorrectly associated with the SMART Program and has been removed.
- McNab Elementary School (Primary Renovations) --- \$1,915,437 in additional funding was approved by the School Board.
- Miramar Elementary School (Primary Renovations) --- \$2,286,935 in additional funding was approved by the School Board.
- Morrow Elementary School (Primary Renovations) --- \$469,040 will be placed in SMART Program reserves.
- Northeast High School (Primary Renovations Phase 2) --- \$1,025,000 in additional funding was approved by the School Board. The remaining \$16,815,962 will come from Year 2020 SMART Program reserves.
- Ramblewood Elementary School (Primary Renovations) --- \$1,353,158 in additional funding was approved by the School Board.
- Rock Island Elementary School (Primary Renovations) --- \$1,072,944 in additional funding was approved by the School Board.
- Sandpiper Elementary School (Primary Renovations) --- \$452,942 in additional funding was

approved by the School Board.

- Silver Lakes Elementary School (Primary Renovations) --- \$1,505,741 in additional funding was approved by the School Board.
- Silver Shores Elementary School (Primary Renovations) --- \$1,231,560 in additional funding was approved by the School Board.
- Tamarac Elementary School (Primary Renovations) --- \$727,343 will be placed in SMART Program reserves.
- West Hollywood Elementary School (Primary Renovations) --- \$1,231,160 in additional funding was approved by the School Board.

All told, these Budget flags represent more than \$27.5 million in additional funding that will be needed to complete these 12 Primary Renovations projects. As mentioned above, when the School Board approves the necessary budget increases for these projects, the Budget flags will be 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 24 schools where additional funding totaling more than \$54.5 million has been approved by the School Board.

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q2 2018-19:

- Approved modifications to the original scope and/or fees for Professional Service Agreements (PSAs) at 8 schools;
- Approved change orders for projects at 4 schools;
- Approved additional funding in the amount of \$3,031,627 at Rock Island Elementary School, Sandpiper Elementary School, and Silver Lakes Elementary School;
- Approved Design PSAs at 9 schools;
- Approved 1 Request for Qualifications (RFQ) for renovations at Northeast High School;
- Approved 1 Construction Manager At-Risk (CMAR) contract for renovations at Stranahan High School;
- Authorized 5 schools to advertise for bids; and
- Approved 7 construction bid recommendations.

The following is a summary of School Board actions during Q2 2018-19. These approvals represent a net increase of \$10,878,494 in funding for SMART projects.

- Increased the amount of the construction agreement for Miramar Elementary School by \$2,286,935;

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- Increased the amount of the construction agreement for McNab Elementary School by \$1,915,437;
 - Approved a request for \$452,942 in additional funding for SMART Program renovations at Sandpiper Elementary School;
 - Reduced the amount of the construction agreement for Morrow Elementary School by \$469,040;
 - Increased the amount of the construction agreement for Silver Shores Elementary School by \$1,231,560;
 - Reduced the amount of the construction agreement for Tamarac Elementary School by \$727,343;
 - Increased the amount of the construction agreement for Ramblewood Elementary School by \$1,353,158;
 - Increased the amount of the construction agreement for West Hollywood Elementary School by \$1,231,160;
 - Increased the amount of the PSA for Northeast High School by \$1,025,000;
 - Approved a request for \$1,505,741 in additional funding for SMART Program renovations at Silver Lakes Elementary School; and
 - Approved a request for \$1,072,944 in additional funding for SMART Program renovations at Rock Island Elementary School.

THE “BIG 3” SCHOOLS

The District continues to portray the status of projects at the Big 3 schools in a very favorable light.

Although the progress at Blanche Ely High School is indeed favorable, there is no mention that:

- Even with the new baseline schedule, the Primary Renovations Phase 2 project at Northeast High School has been flagged for Schedule issues as a result of delays in procuring a designer. The *School Spotlight* reflects a Hire Designer Phase delay from Q4 calendar year 2018 to Q1 calendar year 2019;
- The School Board recently approved \$1,025,000 in additional funding for the Northeast High School Primary Renovations Phase 2 project, with an expectation of allocating an additional \$16,815,962 from Year 2020 SMART Program reserves; and
- The budget for the Primary Renovation project at Stranahan High School has increased by \$13.7 million.

RECOMMENDATION 6

TaxWatch recommends that, beginning with the Q3 2018-19 Facilities Report, the Task Assigned Executive Director, Capital Programs, provide a more balanced and accurate “snapshot” of the status of facilities renovation projects at the Big 3 schools.

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 is \$1.032 billion. This includes the \$800 million in general obligation bond (GOB) funding and \$232.6 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$45.2 million over the original budget.

The Chief Financial Officer reports that SMART Program expenditures increased from \$195,271,774 to \$214,280,809, an increase of about \$19 million during Q2 2018-19. The Chief Financial Officer reports a SMART Program balance of \$687,317,212 at the end of Q2 2018-19.

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. By how much is unknown, but a September 18, 2018 letter from Atkins North America, Inc., to the District estimates that the total cost of SMART Program facility improvements could increase by \$230 million to \$360 million, with a best estimate of about \$302 million.

This projected \$302 million cost overrun is based on actual pricing data for only 10 percent of SMART Program projects. These actual pricing data on costs-to-date show that projects that have been bid or negotiated (excluding cost increases at the Big 3 high schools) are near 35 percent above the initial budgets. When the budget increases for renovations at Blanche Ely, Northeast, and Stranahan high schools are included, the projected costs exceed the initial budgets by more than 52 percent.

Since this September 2018 risk assessment by Atkins, the District has briefed both the School Board and the BOC 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 triple 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. The District began Q1 2018-19 with a reserve balance of \$58.9 million. Approved increases for facility renovation projects reduced this amount to \$45.6 million. The School Board added \$59.8 million to the

reserve for FY 2019-20 and \$69.8 million to the reserve for FY 2020-21, bringing the reserve balance up to \$175.2 million at the end of Q1 2018-19. During Q2 2018-19, approved increases for facility renovation projects (\$27.7 million) have reduced the reserve balance to \$147.5 million. It is unclear whether this reserve will be sufficient to fully fund and mitigate the assessed financial risk.

In its Q1 2018-19, TaxWatch recommended that, beginning with the Q2 2018-19 Report, the Chief Financial Officer include an updated assessment of financial risk and its potential impact on project budgets. No such update is included in the Q2-2018-19 Report. **The importance of the financial risk assessment and its potential impact on project budgets cannot be overstated.**

RECOMMENDATION 7

TaxWatch recommends that, beginning with the Q3 2018-19 Report, the Chief Financial Officer include an updated assessment of financial risk and its potential impact on project budgets. To be clear, this update should include:

- **The most recent financial risk assessment prepared by Atkins, or at a minimum a summary of the most recent financial risk assessment; and**
- **A discussion of the potential impacts of the updated financial risk assessment on project budgets and the resulting need for additional reserves.**

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. “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.

RECOMMENDATION 8

TaxWatch recommends that, beginning with the Q3 2018-19 Report, the Chief Financial Officer include an updated report of actual hard and soft costs for SMART Program facility construction projects.

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 District reports that, as of November 30, 2018, there were 719 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools, 30 fewer than were reported in Q1 2018-19. Of these 741 E/S/M/WBEs:

- 63 (8.8 percent) are SBE certified companies;
- 305 (42.4 percent) are MBE certified companies;
- 223 (31.0 percent) are M/WBE certified companies; and
- 128 (17.8 percent) are WBE certified companies.

RECOMMENDATION 9

TaxWatch recommends that, beginning with the Q3 2018-19 Supplier Diversity Outreach Report, the Chief Strategy & Operations Officer include E/S/M/WBE information for the full three months of the reporting period.

The District reports as part of its Contract Compliance Metrics an E/S/M/WBE commitment of \$10.0 million during Q1 2018-19. This represents about 42 percent of the total \$24.0 million in contracts awarded during the quarter.

Through December 31, 2018, the District has issued purchase orders to E/S/M/WBEs totaling \$85.1 million. This represents a cumulative E/S/M/WBE prime commitment of 2.5 percent. Of this \$85.1 million E/S/M/WBE commitment:

- \$4.74 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;
- \$80.4 million has been awarded to E/S/M/WBE firms for Renovation projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

As previously recommended by TaxWatch, the Q2 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):

- 16.5 percent has been awarded to African American-owned companies;
- 62.1 percent has been awarded to Hispanic American-owned companies;
- 9.0 percent has been awarded to Asian American-owned companies; and
- 12.4 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. Almost one-fourth (23 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q2 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 Q2 2018-19, 24 of these principal letters were distributed.

Other outreach efforts include:

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

LOOKING AHEAD

The District continues to make progress in implementing the \$1.032 billion SMART Program. SMART Program expenditures and commitments now exceed \$345.3 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 55,000 pieces of musical equipment have been delivered to Broward public schools. More than 100 kilns have been ordered, with 85 delivered, and theater equipment has been ordered and is being delivered to the 37 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 5 schools have already been flagged for schedule issues extremely discomfoting.

Of greater concern is the issue of financial risk. Primary Renovations projects at 12 schools were flagged for Budget issues during Q2 2018-19. More than \$27 million in additional funding is required to complete these projects. Since inception, the School Board has approved almost \$45.2 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 increase by \$230 million to \$360 million, with a best estimate of about \$302 million.

This projected \$302 million cost overrun is based on actual pricing data for only 10 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 more than 50 percent. The projected cost overruns (nearly threefold) for roofing projects could add an additional \$280 million in financial risk. 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 the public's right-to-know how the taxpayer-approved General Obligation Bond funds are being spent is well-served. Florida TaxWatch looks forward to presenting the results of its review to the Committee and the public, and to providing continued support and guidance as the Bond Oversight Committee continues its effective oversight of SMART Program implementation.

ABOUT FLORIDA TAXWATCH

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

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