

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

*SMART Program Quarterly Report Review
for the Quarter Ended December 31, 2020*

Presented to the Broward County Bond Oversight Committee
March 8, 2021

Q2
2020-21



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Senator George S. LeMieux
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear fellow taxpayer,

The end of second quarter of the 2020-21 school year marks the halfway point of Year 7 of the SMART Program. This is significant in that the planned facilities construction projects at Broward public schools were to have been completed by the end of Year 7. This is not going to happen, and we now know that it is going to take several years beyond the planned completion dates to complete the renovations.

This report reflects several significant SMART Program activities. The firm AECOM has replaced CBRE | Heery as the Project Manager / Owner's Representative (PMOR). AECOM has determined that the facility construction schedule adopted in 2018, which reflects completion of most projects late in calendar year 2022, is no longer realistic. AECOM has proposed a new schedule which reflects completion of most planned construction projects by the end of calendar year 2025. That schedule has been incorporated into the District's report to the Bond Oversight Committee and will serve as the basis for measuring future construction progress.

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. The most recent financial risk assessment estimates that the total cost of SMART Program facility improvements could increase by as little as \$497 million to as much as \$575 million, well above the \$987.4 million original budget. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART Program implementation moves forward.

I would like to thank outgoing Bond Oversight Committee member Laura Aker Reece for her five-plus years of service to the taxpayers and welcome new Committee members Jose Cortes, Tommy Demopoulos, John Herbst, and Brian Johnson.

I am pleased to present the following report, which includes the Florida TaxWatch review of the District's Bond Oversight Committee Quarterly Report for the Quarter Ended December 31, 2020. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's March 8, 2021 meeting.

Sincerely,

Dominic M. Calabro
President & CEO

INTRODUCTION

On February 21, 2021 Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended December 31, 2020* ("Quarterly Report"). This single 750-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 school 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 SBBC has provided guidance to the Bond Oversight Committee in Section 4 of Resolution 15-106 (as amended). In reviewing quarterly reports prepared by District staff, the Committee is charged with:

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

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

TECHNOLOGY

The current SMART Program budget allocates \$74.73 million to purchase computer devices and hardware for SBBC schools and charter schools, and to fund upgrades at the Technology and Support Service Center (TSSC) necessary to support the additional computer devices and hardware.

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

The District reports that all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1.

With the replacement of Uninterrupted Power Supply (UPS) devices and computer batteries, the planned TSSC infrastructure upgrades (to support upgrades for school networks and computer expansion) have been completed. Summaries of SMART Program Technology purchases and upgrades are provided in Tables 1 and 2. A summary of SMART Program Technology expenditures is provided in Table 3.

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

TABLE 2.
TSSC UPGRADES

Implement a new "Next Generation Firewall" at the District's Internet perimeter
Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution
Upgrade the application-specific load balancing system
Improve the reliability of critical network services and systems
Improve the speed and capacity of the core network
Replace the out-of-service tape back-up system with a virtual back-up tape solution
Replace the existing automatic call distribution system with one that will be integrated into the District's current voice application system
Relocate and build storage for offsite disaster recovery
Replace disk storage that supports the Enterprise Resource Planning (ERP) system
Implement enhanced content filters
Build firewall internet capacity
Update data network infrastructure
Address the immediate need for additional storage space
Upgrade systems that support the Student Information System and Data Warehouse
Provide additional capacity to support Internet growth and security requirements
Replace/upgrade back-up to an enterprise solution
Provide additional hardware to support centralized management tools for Local Area Network endpoints (laptops/desktops)
Replace UPS devices and computer batteries at all schools and District sites as needed.

TABLE 3.
SMART PROGRAM TECHNOLOGY PROJECT EXPENDITURES
(THROUGH DECEMBER 31, 2020)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$11,000,000	\$11,000,000	\$10,111,662	\$740,379	\$147,959	\$0
Non-GOB Funds	\$0	\$0	\$0	\$0	\$0	\$0
Completed/Meets Standards						
GOB Funds	\$27,489,000	\$25,825,538	\$25,825,538	\$0	\$0	\$0
Non-GOB Funds	\$42,343,000	\$37,900,084	\$37,898,472	\$0	\$0	\$1,612

Despite statements (reference page 21) that the "... total Core Infrastructure Project has been completed..." the last paragraph in the Technology SBBC Schools section (reference page 24) identifies additional SMART Program investments that are scheduled to:

- Meet growing network bandwidth requirements and increase network 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 application systems.

The scheduling of these additional SMART Program investments appears to contradict earlier statements that suggest the Technology spend portion of the SMART Program has been completed.

RECOMMENDATION 1

Florida TaxWatch recommends the District include in its Q3 2020-21 SMART Program report a list of the specific "additional SMART Program investments" mentioned above, their estimated costs, and a schedule for their completion. If the total cost of these investments exceeds the Technology spend balance in Table 3, the District should identify the additional funding source(s) for these investments.

MUSIC, ART, AND THEATER EQUIPMENT

The current SMART Program budget for music, art, and theater equipment is \$44.39 million. A summary of SMART Program expenditures through December 31, 2020, is provided in Table 5.

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 deployment of music equipment has been completed at all 195 schools with music programs. Overall, of the more than 60,000 pieces of musical equipment have been ordered, all but one piece of equipment has been delivered. A summary of the music equipment purchased through the SMART Program is provided in Table 4.

TABLE 4
MUSIC EQUIPMENT ORDERING STATUS
AS OF DECEMBER 31, 2020

Grades	Ordered	Delivered
Elementary	47,342	47,342
Middle	3,847	3,847
High	8,303	8,302
Center	584	584
TOTAL	60,076	60,075

ART EQUIPMENT

The SMART Program allocates \$392,000 for 136 replacement kilns (reference page 697). Kilns are ordered on an “as needed” basis subject to the process for kiln evaluation/repair/orders. The District reports that all 136 kilns have been purchased at a cost of \$351,027 and delivered to school sites.

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 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 planned theater upgrades have been completed at 38 of the 39 schools with full or part-time theater programs. The one remaining upgrade is awaiting a building power modification that “is in the works and is to be completed shortly.”

TABLE 5.
SMART PROGRAM MUSIC & ARTS PROJECT EXPENDITURES
(THROUGH DECEMBER 31, 2020)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$16,952,000	\$16,952,000	\$4,470,182	\$3,375,410	\$1,439,110	\$7,667,298
Non-GOB Funds	\$3,730,000	\$8,300,801	\$941,732	\$2,764,293	\$971,681	\$3,623,095
Completed/Meets Standards						
GOB Funds	\$540,000	\$540,000	\$516,042	\$2,851	\$14,113	\$6,994
Non-GOB Funds	\$19,843,000	\$18,593,000	\$17,923,979	\$16,437	\$348,301	\$304,283

ATHLETICS

The current SMART Program budget for Athletics is \$7.608 million. A summary of SMART Program expenditures through December 31, 2020, is provided in Table 6.

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, as of September 30, 2018.

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. The District reports that the weight room at the one remaining school (Northeast High School) is being relocated to a building that is set for Primary Renovations and cannot proceed until construction for the building is complete. Renovations are 90 percent complete and are expected to be completed during Q3 of calendar year 2021.

TABLE 6.
SMART PROGRAM ATHLETICS PROJECT EXPENDITURES
(THROUGH DECEMBER 31, 2020)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$175,360	\$175,360	\$15,396	\$85,907	\$6,798	\$67,259
Non-GOB Funds	\$5,640	\$33,508	\$8,710	\$13,384	\$2,725	\$8,689
Completed/Meets Standards						
GOB Funds	\$7,198,000	\$7,198,000	\$6,306,141	\$135,536	\$0	\$756,323
Non-GOB Funds	\$121,000	\$201,000	\$171,830	\$0	\$0	\$29,170

FACILITIES

PMOR CHANGE

About two-thirds of the way through Q1 2020-21, the SMART Program transitioned from its current Manager/Owner's Representative (PMOR), CBRE|Heery, to the newly hired PMOR, AECOM. The District has tasked AECOM with assessing the overall state of the SMART Program, including the scope of work and schedule for each project.

CONSTRUCTION SCHEDULE RESET

Twice since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The most recent (2018) revision to the construction schedule was 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. Under this schedule, most of the planned facilities construction projects are scheduled for completion by the Fall of 2022, with a handful of projects completed in early 2023. As of September 30, 2020, the District reported that "nearly all projects have been flagged and deemed at risk of schedule delays with potential budget impacts."

At a December 17, 2020 SBBC workshop, AECOM presented its evaluation of the status of all facility construction projects and determined that the 2018 schedule is "statistically improbable." AECOM presented a proposed 2020 schedule reset (Y21) which reflects completion of most planned facility

construction projects in late 2025, with remaining projects completed in Spring 2026, a delay of an additional 3 years.

The schedule reflected in the District's Quarterly Report for the quarter ended December 31, 2020 is the Y21 schedule presented to the SBBC at its December 17, 2020 workshop, which reflects the completion of most planned construction projects by Q4 2025. Going forward, this is the basis upon which future facility construction progress will be measured.

Florida TaxWatch reviewed each school's School Spotlight (reference pages 146 - 503) to compare the 2018 actual/forecast completion dates to the new 2020 Schedule Reset (Y21 Schedule) planned completion dates for Primary Renovations projects to better understand how long each of these projects will be delayed. Figure 1, which overlays the two schedules, shows that the Y21 schedule will flatten and extend the facilities construction schedule. Figure 2, which compares the planned completion dates for individual projects in the 2018 and Y21 schedules, shows that the Y21 schedule will push back the completion dates for more than 140 Primary Renovations projects by more than two years.

FIG. 1 - Y21 SCHEDULE FLATTENS AND EXTENDS THE PRIMARY RENOVATIONS SCHEDULE
NUMBER OF PROJECTS

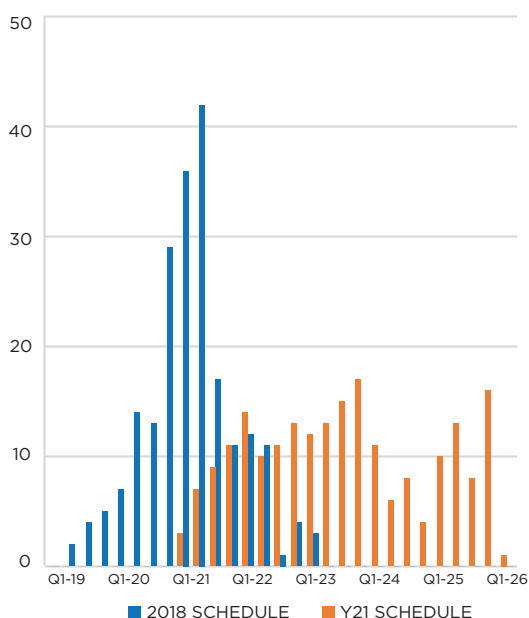
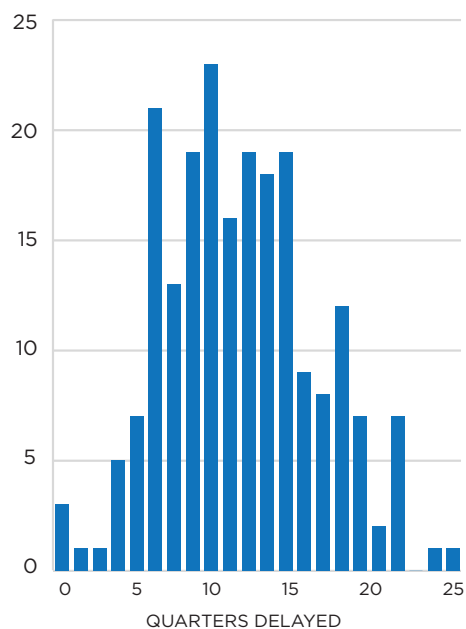


FIG. 2 - Y21 SCHEDULE PUSHES MORE THAN 140 PROJECTS BACK MORE THAN TWO YEARS
NUMBER OF PROJECTS



PRIMARY RENOVATIONS PROJECT STATUS

The District reports that 235 Primary Renovations projects are either underway or complete at Broward County schools. Actual project construction has begun or has been completed at 125 schools. The status of the Primary Renovations projects over the past four quarters is shown in Figure 3.

When compared to Q1 2020-21, Figure 3 shows an increase in the number of active Primary Renovations Projects in the Design Phase (58 to 63); a decrease in the number of active Primary

Renovations Projects in the Hire Contractor/ Vendor Phase (59 to 47); and an increase in the number of active Primary Renovations Projects in the Project Construction Phase (92 to 105). Florida TaxWatch considers this to be a good sign. This trend has continued for the past two years. In addition, the number of Primary Renovations projects in the Construction Closeout Phase has increased from 18 to 20.

FLAGGED SCHOOLS AND PROJECTS

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

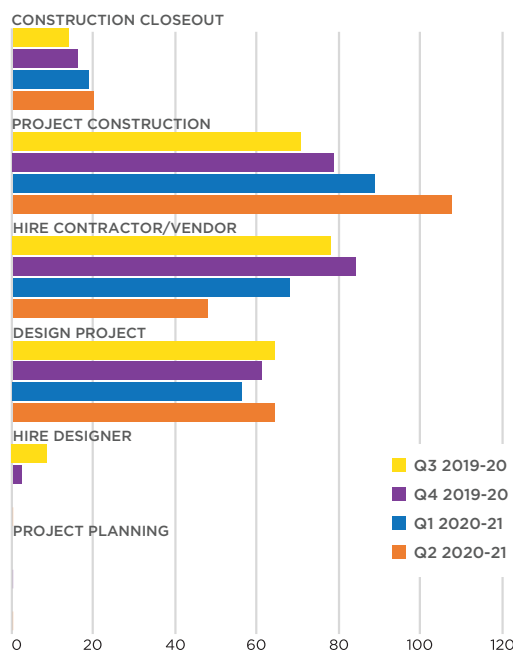
- Schedule issues reflect a risk of or inability to meet the planned milestone date for progressing to the next phase in the process. Schedule flags are removed once the project has regained the time and is back on its planned schedule.
- Budget issues reflect a need for School Board approval of an increase 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.

The District reports that, due to the schedule reset, the flag section of the School Spotlights will be empty.

Florida TaxWatch has included recommendations in previous reports to the Bond Oversight Committee that the District identify actions taken to enforce the terms and conditions of contracts with design firms, vendors, and contractors.

The Q2 2020-21 Facilities Report includes a “running list” of financial penalties that have been collected from firms for delays in the Design Phase (reference page 99). Three vendors (four schools) are identified, along with credits totaling \$118,800. The District reports that the team has recovered \$322,800 in penalties from architects/engineers who completed the Design Phase. This is contrary to the District’s Q1 2020-21 Facilities Report, which identifies six vendors (16 schools), along with \$322,800 in credits.

FIG. 3 - MORE SMART PRIMARY RENOVATIONS PROJECTS ARE MOVING INTO CONSTRUCTION
NUMBER OF PROJECTS



RECOMMENDATION 2

Florida TaxWatch recommends the District: (1) reconcile the apparent discrepancies in the reporting of actions taken to enforce the terms and conditions of contracts with design firms, vendors, and contractors; and (2) include an accurate report in the Q3 2020-21 District Report.

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q2 2020-21:

- Authorized 12 schools to advertise for bids;
- Approved change orders for projects at 10 schools;
- Approved final acceptance and release of retainage at 3 schools; and
- Approved partial release of retainage at 1 school.

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. Most change orders are the result of unforeseen circumstances. Change orders at 33 schools have required \$3.16 million to be transferred from unbudgeted contingencies (reference page 92). Change orders at nine schools have resulted in more than \$417,000 returned to the projects in the form of credits). The time required to process and approve a change order remains a problem.

"...one of the trends that we ran is that it takes 192 days to get a change order approved..."

Kathleen Langan, AECOM

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 Renovations and other projects is identified, and key milestones and their target completion dates are identified. The planned dates for "substantial completion" of Primary Renovations projects are as follows:

- Blanche Ely High School Primary Renovations --- the District reports that construction is "progressing gradually" and is 78 percent complete. Final completion is scheduled for Q3 calendar year 2022 (reference School Spotlight, page 164). This represents a completion date that is one year later than the completion date identified in the Q1 2020-21 Facilities Report.
- Northeast High School Primary Renovations (Original Scope) --- the District reports that construction is 7 percent complete. Final completion is scheduled for Q4 calendar year 2023 (reference page 81). This represents a completion date that is 15 months later than the completion date identified in the Q1 2020-21 Facilities Report.
- Northeast High School Primary Renovations (New Classroom Addition) --- the District reports that "Design drawings are being reviewed by the Building Department..." (reference page 82). Final completion is scheduled for Q1 calendar year 2024 (reference School Spotlight, page 164).

This represents a completion date that is 1.5 years later than the completion date identified in the Q1 2020-21 Facilities Report.

- Stranahan High School Primary Renovations (Phase 1) --- the District reports construction is 72 percent complete. Final completion is scheduled for Q3 calendar year 2022 (reference page 84). This represents a completion date that is one year later than the completion date identified in the Q1 2020-21 Facilities Report.
- Stranahan High School Primary Renovations (Phase 2) --- the District reports the Cafeteria Addition is nearing completion (96 percent) of the Design Phase and that design drawings are being reviewed by the Building Department. Final completion is scheduled for Q3 2023. This represents a completion date that is three years later than the completion date identified in the Q1 2020-21 Facilities Report.

SCHOOL SAFETY & SINGLE POINT-OF-ENTRY PROJECTS

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. Additional safety improvements include fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware. The SBBC accelerated the release of funds so Single Point-of-Entry projects could be initiated ahead of schedule. All Single Point-of-Entry projects were complete and operational before students returned to school in the Fall of 2019. A summary of school safety and security project expenditures through December 31, 2020 is presented in Table 7.

TABLE 7.
SMART PROGRAM SAFETY & SECURITY PROJECT EXPENDITURES
(THROUGH DECEMBER 31, 2020)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	\$91,279,473	\$91,279,473	\$20,793,935	\$20,510,832	\$5,412,185	\$44,562,521
Non-GOB Funds	\$17,133,387	\$46,822,625	\$9,820,921	\$19,307,667	\$4,727,712	\$12,966,325
Completed/Meets Standards						
GOB Funds	\$15,380,592	\$17,456,691	\$11,273,031	\$341,549	\$732,038	\$5,110,073
Non-GOB Funds	\$1,653,673	\$2,743,181	\$2,458,185	\$260,941	\$24,055	\$0

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 December 31, 2020, the number of SCEP projects in the Planning Phase has decreased from 19 to 15. The second phase (Implementation) includes selection and procurement. There are currently 68

schools in the second phase, down from 70 in Q1 2020-21. The third phase (Completion) occurs when all items have been delivered and installed. There are 147 schools with completed SCEP projects, up from 141 in Q1 2020-21. 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.

BUDGET ACTIVITY

THE BUDGET

The Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. As previously recommended by Florida TaxWatch, the District has included SMART Program budget allocations for years 6 (FY 2019-20) through 8 (FY 2021-22). The SMART Program total budget has increased from \$1.290 billion in Q1 2020-21 to \$1.304 billion, an increase of about \$14 million (see Figure 5). This includes the \$800 million in general obligation bond (GOB) funding and \$504.0 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$316.7 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

EXPENDITURES

SMART Program expenditures increased from \$478,581,387 in Q1 2020-21 to \$535,824,787, an increase of about \$57.24 million during Q2 2020-21. The District reports a SMART Program balance (current budget minus commitments and expenditures) of \$435,871,607 at the end of Q2 2020-21.

FIG. 4 - THE DISTRICT CONTINUES TO MAKE PROGRESS IMPLEMENTING SCEP PROJECTS
NUMBER OF PROJECTS

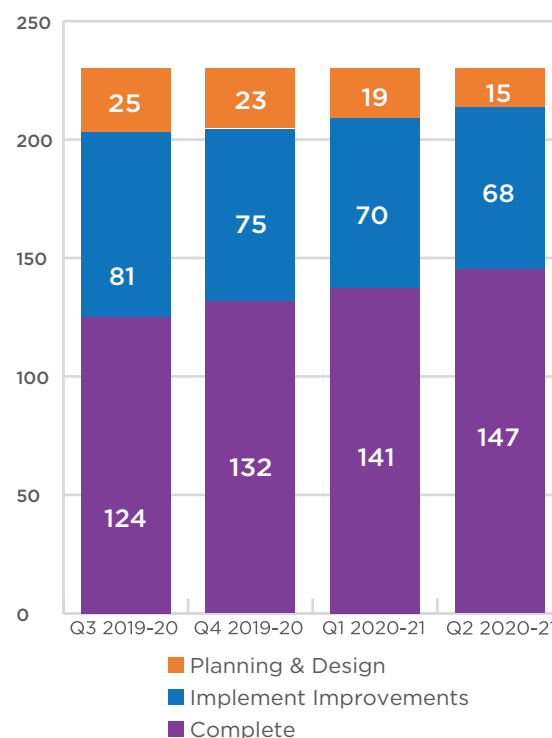
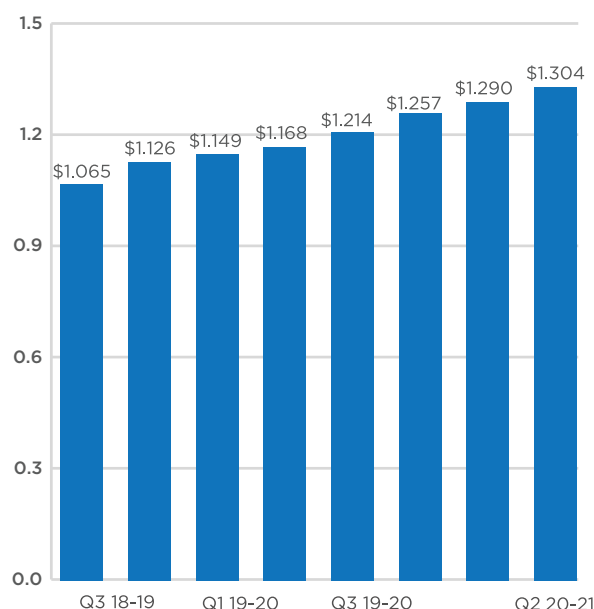


FIG. 5 - SMART PROGRAM BUDGET CONTINUES TO INCREASE
BILLIONS OF DOLLARS



Over the past four quarters the District has spent \$195.3 million, which equates to approximately \$48.8 million per quarter or \$16.3 million per month. With \$768.2 million in unspent balance, if the District continues to spend at the current rate of \$16.3 million per month, the District will exhaust the remaining unspent SMART Program funds in about 47 months, or near the end of calendar year 2024. This is of concern because the Y21 Schedule does not envision the completion of most of the Primary Renovations projects until the end of calendar year 2025. The possibility exists that, at the current spend/burn rate, the District may exhaust the remaining unspent SMART Program funds well before the planned facilities construction projects have been completed. If the spend rate increases, the District may exhaust the remaining unspent SMART Program funds sooner.

RECOMMENDATION 3

Florida TaxWatch recommends the District calculate the lifespan of remaining unexpended SMART Program funds and evaluate the possibility that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed. If it appears that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed, then the District's Q3 2020-21 Report to the Bond Oversight Committee should outline the District's plan to make up the shortfall.

During Q2 2020-21, the SBBC approved the following funding increases:

- William T. McFatter Technical Center --- Approved recommendation to award Construction Agreement (\$1,740,060);
- Park Trails Elementary School --- Approved recommendation to award Construction Agreement (\$1,270,690);
- Dillard Elementary School --- Approved recommendation to award Construction Agreement (\$2,416,371);
- Attucks Middle School --- Approved recommendation to award Construction Agreement (\$1,669,367);
- Boyd Anderson High School --- Approved recommendation to award Construction Agreement (\$5,059,254);
- Gulfstream Academy of Hallandale Beach --- Approved recommendation to award Construction Agreement (\$1,144,821);
- Park Ridge Elementary School --- Approved recommendation to award Construction Agreement (\$1,318,309);
- Bair Middle School --- Approved recommendation to award Construction Agreement (\$251,530);
- Meadowbrook Elementary School --- Approved Construction Agreement (\$167,500);
- Cooper City Elementary School --- Approved Construction Agreement (\$310,238); and
- Various locations --- Financial close-out of single point-of-entry projects (\$806,012).

These increases total \$13.7 million. Since inception of the SMART Program, the School Board has approved net increases/decreases of \$316.7 million.

ASSESSMENT OF FINANCIAL RISK

It has been previously understood that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work would increase the costs of SMART Program construction projects. In its most recent (January 2021) assessment of financial risk, Atkins points out that (reference page 135):

“The risk assessment has significantly increased this update as a result of the proposed schedule revision provided by the PMOR that extends the projected completion of construction to August 2025, thus extending the inflation, management and administrative costs of the Program for two additional years.”

David J. Carter, CCM, Vice President

As shown in Figure 6, after a period of relative stability, the potential risk outcomes range from a low (mid-point risk) of \$497 million to a high (high end risk) of \$575 million, with a most likely estimate (70 percent risk) near \$508 million. This represents an increase of about \$46 million compared to the October 2020 estimate. Atkins attributes this increase to inflation (\$10 million); increased PMOR costs (\$33 million); and extended CPCM, building department support and builder’s risk insurance (\$3 million).

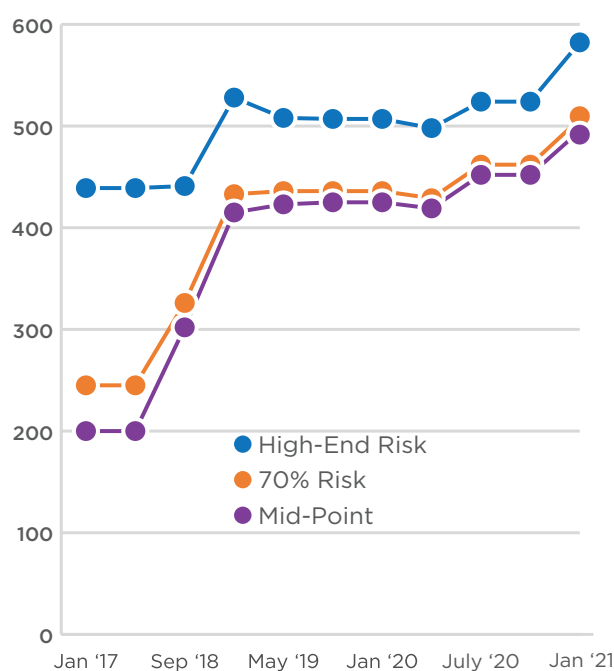
RESERVE FUNDING

Florida TaxWatch considers the issue of financial risk to be the greatest concern and controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the

District as SMART project implementation moves forward. The District originally set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program.

In March 2020, the District authorized the issuance of \$250 million in Certificates of Participation to provide supplemental funding for SMART Program risk, \$211 million of which was placed into the SMART Program reserve. In July 2020, the SBBC approved a new SMART Program PMOR contract which

FIG. 6 - AFTER MONTHS OF RELATIVE STABILITY THE POTENTIAL RISK IS INCREASING
MILLIONS OF DOLLARS



had a budget impact of \$47.2 million. This amount was added to the District's reserve, increasing the total SMART Program reserve to \$483.2 million. Under any of the January 2021 financial risk scenarios presented by Atkins, the potential financial risk exceeds the amount of funds in reserve.

RECOMMENDATION 4

Florida TaxWatch recommends the District brief the Bond Oversight Committee on its plans to make sure there is sufficient supplemental funding for potential SMART Program risk.

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 Q2 2020-21 Facilities Report included a breakdown of hard and soft costs for 12 schools at which construction activities had reached substantial/final completion. Although hard costs typically make up 65-70 percent of a project's total budget, the hard costs for the 12 schools identified (reference page 134) range from 80 percent to 86 percent. Although soft costs typically make up 30-35 percent of a project's total budget, the soft costs for the 12 schools identified range from 14 percent to 20 percent. The District notes that the soft cost numbers have been recalculated to reflect the inclusion of the value of the new PMOR contract.

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

SUPPLIER DIVERSITY & OUTREACH

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

The District reports that, as of the end of Q2 2020-21, there were 553 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. Of these 586 E/S/M/WBEs:

- 59 (10.7 percent) are Non-minority (SBE) certified companies;
- 187 (33.8 percent) are African-American certified companies;
- 27 (4.9 percent) are Asian-American certified companies;
- 197 (35.6 percent) are Hispanic-American certified companies;
- 0 (0 percent) is a Native-American certified company; and
- 83 (15.0 percent) are Caucasian-American certified companies.

The 553 E/S/M/WBE certified companies are evenly divided by gender, with 276 female-owned companies and 277 male-owned companies.

The District reports an E/S/M/WBE commitment of \$11.83 million during Q2 2020-21. This represents about 41 percent of the total \$29.07 million in contracts awarded during the quarter. Through December 31, 2020, the District has issued purchase orders to E/S/M/WBEs totaling \$253.0 million. This represents a cumulative E/S/M/WBE prime commitment of 29 percent of the \$868.0 million total cumulative spend. Of this \$253.0 million E/S/M/WBE commitment:

- \$7.99 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;
- \$245.02 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 Florida TaxWatch, the Q1 2020-21 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 cumulative SMART Program minority spend (per ethnicity):

- 7.2 percent has been awarded to African American-owned companies;
- 78.2 percent has been awarded to Hispanic American-owned companies;
- 0 percent has been awarded to Native American-owned companies;

- 3.4 percent has been awarded to Asian American-owned companies;
- 2.5 percent has been awarded to small business enterprises; and
- 8.7 percent has been awarded to women-owned business enterprises.

As previously recommended by Florida TaxWatch, the District has stepped up its efforts to award SMART Program purchase orders to women-owned companies. The District reports that 34.3 percent of the total certified spend was awarded to women-owned companies.

Table 8 compares the cumulative SMART Program spend with E/S/M/WBE certified companies to the 2015 Disparity Study and the aspirational Target Goals outlined in the District's Policy 3330. As shown in Table 8, Hispanic-American owned businesses are over-represented and Women-owned and African-American owned businesses are under-represented.

TABLE 8.
SUPPLIER DIVERSITY CUMULATIVE SPEND ANALYSIS

Ethnicity & Gender	Disparity Study	SMART Program	Target Goals
African-American	7.54%	7.21%	19.00%
Hispanic-American	59.89%	78.17%	54.00%
Native-American	0.00%	0.00%	0.00%
Asian-Pacific American	2.40%	3.44%	5.00%
Women Business Enterprise	30.17%	8.69%	17.00%
Small Business Enterprise	0.00%	2.48%	5.00%

"There is a substantial inventory of African-American and Black contractors, but very paltry utilization of them... It becomes frustrating for the African-American construction community and the Women's construction community to see that we're still lagging so far behind after five years."

BOC Member Brian Johnson

RECOMMENDATION 5

Florida TaxWatch recommends the District increase its efforts to award SMART Program funds to Women-owned and African-American owned businesses.

COMMUNICATIONS

The Q2 2020-21 Report highlights the District's continued efforts to promote the SMART Program. The District touts its continued use of the virtual space and social media to deliver content directly to relevant Broward County Public Schools stakeholders and to provide quick and concise updates to the community regarding the schools in their neighborhoods.

At the January 25, 2021 BOC meeting, Chair Rabinowitz expressed concerns that the District was not doing enough to communicate to the taxpayers the construction delays and the reasons for the delays.

Concern was expressed that the District had not done a good job in particular educating Broward taxpayers on the enormity of the roofing effort --- more than 13 million square feet (the equivalent of 300 football fields). The District acknowledged the Chair's concern and committed to address it.

"... once the schedule has been reset and finalized it is our intent to put out and to help educate, communicate that to the public, and to help them understand what has happened and to reset expectations where they are concerned district-wide as well as individually at each school."

Yvonne Garth, President & CEO, Garth Communications

RECOMMENDATION 6

Florida TaxWatch recommends the District make good on its commitment to begin communicating the Y21 schedule delays to Broward County taxpayers and to begin to reset their expectations regarding the completion of the SMART Program facility renovations.

LOOKING AHEAD

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

The SMART Program budget has increased from \$987.4 million to \$1.304 billion, an increase of about \$316.7 million over the original budget. Every dollar above the \$987.4 million originally allocated to the SMART Program represents a dollar of additional risk, and comes from capital millage, impact fees, state funds (e.g., Public Education Capital Outlay), and other sources, which have specific restrictions and spending limitations, or which were intended to be spent on other projects.

After a period of relative stability, the potential financial risk has increased significantly, with outcomes ranging from a low (mid-point risk) of \$497 million to a high (high end risk) of \$575 million, with a most likely estimate (70 percent risk) near \$508 million. The District has set aside \$483.2 million in reserve to mitigate the SMART Program's financial risk; however, under any of the most recent financial risk scenarios, the potential risk exceeds the amount of funds in reserve.

The 2020 schedule reset (Y21) included in the District's Q2 2020-21 Facilities Report reflects the completion of the planned facilities construction projects near the end of calendar year 2025, approximately three years after the planned completion milestones in the 2018 schedule. This too will increase the financial risk.

There is also the question of whether the unexpended balance of the SMART Program funds (\$768.2

million) is sufficient to permit the completion of the planned construction projects. If the District continues to spend at the current rate, the District will exhaust the remaining unspent SMART Program funds in about 47 months, or near the end of calendar year 2024. The possibility exists that, at the current spend/burn rate, the District may exhaust the remaining unspent SMART Program funds well before the planned facilities construction projects have been completed.

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. As shown in Table 8, Hispanic-American owned businesses are over-represented and Women-owned and African-American owned businesses are under-represented. More effort will be required to address these inequities.

The final challenge is resetting the expectations of Broward County taxpayers, who will now learn that, with the adoption of the Y21 schedule, the completion dates for many of the Primary Renovations projects at schools where they work or where their children attend school will be pushed back several years. The District has acknowledged the need to communicate the Y21 schedule to the public and to help them understand what has happened and to reset their expectations going forward.

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

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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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