

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

*SMART Program Quarterly Report Review
for the Quarter Ended June 30, 2020*

Presented to the Broward County Bond Oversight Committee
October 5, 2020

Q4
2019-20



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Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

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

The District continues to struggle to find a enough proven roofing companies to replace more than 17 million square feet of roof on 1,300 buildings at more than 200 schools. Perhaps the greatest concern is the issue of financial risk. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but the most recent risk assessment estimates that the total cost of SMART Program facility improvements could increase by about \$462 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.

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

I am pleased to present the following report, which includes the Florida TaxWatch review of the SMART Program quarterly report for the quarter ending June 30, 2020. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's October 5, 2020 meeting.

Sincerely,


Dominic M. Calabro
President & CEO

INTRODUCTION

On September 12, 2020, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended June 30, 2020* ("Quarterly Report"). This single 878-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, and to hold the district accountable for spending decisions, Florida TaxWatch has reviewed this report against the most recent SMART Program schedule and budget and is pleased to present the following report and recommendations.

TECHNOLOGY

The SMART Program allocates \$80.5 million for Technology (computer devices and hardware) for SBBC schools (\$68.5 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 SBBC schools. 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.

Appendix 1 provides a final summary of the SMART Program technology deployment.

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.

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 has spent or encumbered \$10,095,206 million on projects to replace or implement 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.

The completed projects are identified in Appendix 2. The one remaining project is the replacement of Uninterrupted Power Supply (UPS) devices and computer batteries as needed (\$904,794). The UPS project is expected to be completed by the end of Q1 2020-21 (September 30, 2020).

MUSIC, ART, AND THEATER EQUIPMENT

MUSIC EQUIPMENT

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

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. Overall, 60,161 pieces of musical equipment have been ordered. Of that total, 59,020 (98 percent) have been delivered (see Table 1). The deployment of music equipment has been completed at 194 of the 195 schools (99.5 percent) with music programs.

TABLE 1.
Q4 2019-20 MUSIC EQUIPMENT ORDERING STATUS

Status	Current Quarter June 30, 2020		Previous Quarter March 31, 2020	
	Ordered	Delivered	Ordered	Delivered
Elementary	47,412	46,401	47,412	46,393
Middle	3,849	3,801	3,849	3,798
High	8,316	8,237	8,316	8,237
Center	584	581	584	581
TOTAL	60,161	59,020	60,161	59,009

Approximately \$17.7 million has been spent or encumbered on music equipment as of June 30, 2020. Music and art equipment has been purchased from 13 vendors. Of the approximately \$17.7 million spent on replacement music and art equipment, approximately \$10.97 million (61.9 percent) has been spent with one vendor, All County Music.

ART EQUIPMENT

The SMART Program allocates \$313,600 for 136 replacement kilns. Kilns are ordered on an “as needed” basis subject to the process for kiln evaluation/repair/orders. The Chief Academic Officer reports that 130 kilns have been delivered to school sites, five kilns are in the warehouse awaiting delivery and installation and one kiln is in order status.

THEATER EQUIPMENT

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

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

The District reports that all 39 schools with full or part-time theater programs are beginning to use their stage, lighting, and sound equipment. All orders have been completed and most schools have had their theater equipment delivered and installed. A total of \$998,384 (96 percent) of the \$1,036,000 allocated has been used.

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 one remaining high school (Northeast High School), the weight room project is currently in the Design Phase.

The Task Assigned Chief Portfolio Services Officer reports that the weight room is being relocated to a building that is set for Primary Renovations and cannot proceed until construction for the building is complete. Construction of the weight room is expected to begin during Q3 of the 2020 calendar year (July 1, 2020 – September 30, 2020) with completion expected within 90 days after the vendor gains access to the site (during Q4 of calendar year 2020). This project is currently delayed more than two years (see School Spotlight, page 451).

FACILITIES

CONSTRUCTION SCHEDULE

Twice since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The most recent (Fall 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.

The current construction schedule envisions the completion of all Primary Renovations projects by the end of Q1 of calendar year 2023. During a January 6, 2020 conference call that included Superintendent Runcie and his staff and contractors, Florida TaxWatch, and representatives from the Broward Workshop, District staff stated that meeting the current schedule would require a monthly spend of \$24 million, and that the District is not currently spending anywhere near this amount. Despite their best efforts, District staff confirmed that the best scenario would have all Primary Renovations projects completed by the end of calendar year 2023, an additional delay of nine months.

A much longer delay was discussed at a February 11, 2020 workshop of the School Board. District staff hiring challenges (e.g., badging, difficulty of effort, harsh working conditions, and process complexities) have made some South Florida roofing companies reluctant to bid and work on SMART Program roofing projects. Whereas experienced roofing companies are completing the permit review process in as little

as one to three months, the permit review process for newer roofing companies is taking up to six to nine months.

District staff expressed optimism at the February 11 workshop that, under current conditions, roofing projects could be completed for about 20 schools each year. With approximately 200 schools yet to be completed, it could take years, not months, to complete all of the SMART Program roofing projects. It is apparent from the January 6, 2020 conference call and the February 11, 2020 workshop that the schedule for completing the Primary Renovations projects will require multiple revisions going forward.

It should also be noted that the Financial Risk Assessment contained in the Facilities Report (reference page 182) states that “the Program schedule has shifted from an original planned completion of mid-2021 to the current planned completion of early 2024, an extension of 2-1/2 years.”

RECOMMENDATION 1

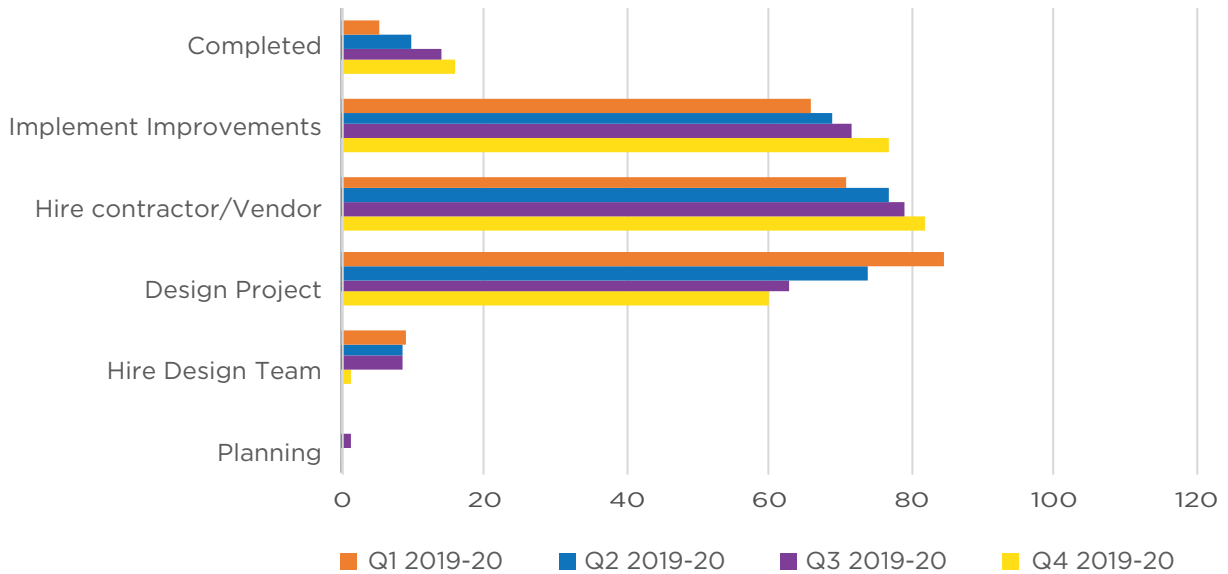
Florida TaxWatch recommends the Executive Director, Capital Programs, verify the current planned completion schedule for all remaining SMART Program construction projects.

As shown in the following sections of this report, the number of Primary Renovations projects that have been flagged for schedule delays in Q4 2019-20 continues to increase and the length of the delays continues to increase as well. The Facilities Report (reference page 141) reiterates the District’s intent to share results, recommendations and mitigating strategies with the School Board and BOC as more roofing data become available.

PRIMARY RENOVATIONS PROJECT STATUS

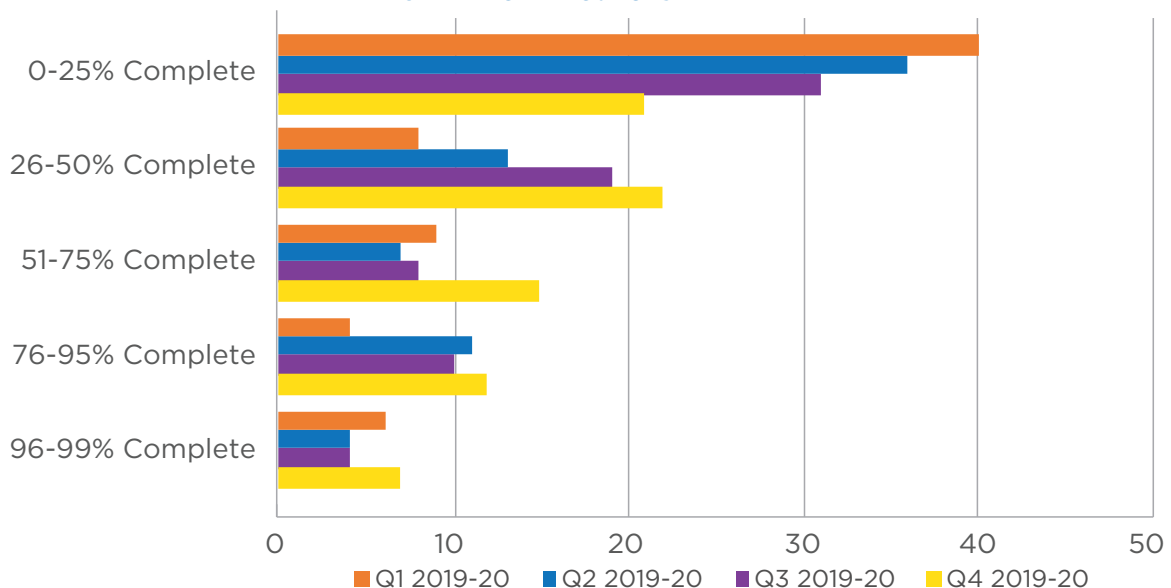
The District reports that 236 Primary Renovations projects are either underway or complete at Broward County schools. The status of the Primary Renovations projects over the past four quarters is shown in Figure 1. When compared to Q3 2019-20, Figure 1 shows a decrease in the number of active Primary Renovations Projects in the Design Phase (63 to 60) and an increase in the number of active Primary Renovations Projects in the Hire Contractor/Vendor Phase (79 to 82) and in the Implement Improvements Phase (72 to 77). Florida TaxWatch considers this to be a good sign. This trend has continued for the past six reporting quarters. In addition, the number of completed Primary Renovations projects has increased from 14 to 16. The Executive Director, Capital Programs, reports that “[A]s campuses remain vacant, the SMART team continues to leverage the opportunity to move renovations along while maintaining all necessary safety precautions.”

FIG. 1 - MORE PRIMARY RENOVATIONS PROJECTS ARE MOVING FROM DESIGN TO CONSTRUCTION
NUMBER OF PROJECTS



The current status (percentage completed) of the 77 Active Primary Renovations (in construction) projects is shown in Figure 2. Although the construction phase of more Primary Renovations projects is underway, 27.2 percent (21) of Primary Renovations projects are less than 25 percent complete, and 55.8 percent (43) are less than 50 percent complete.

FIG. 2 - THE MAJORITY OF ACTIVE PRIMARY RENOVATIONS PROJECTS ARE LESS THAN 50 PERCENT COMPLETE
NUMBER OF PROJECTS



FLAGGED SCHOOLS AND PROJECTS

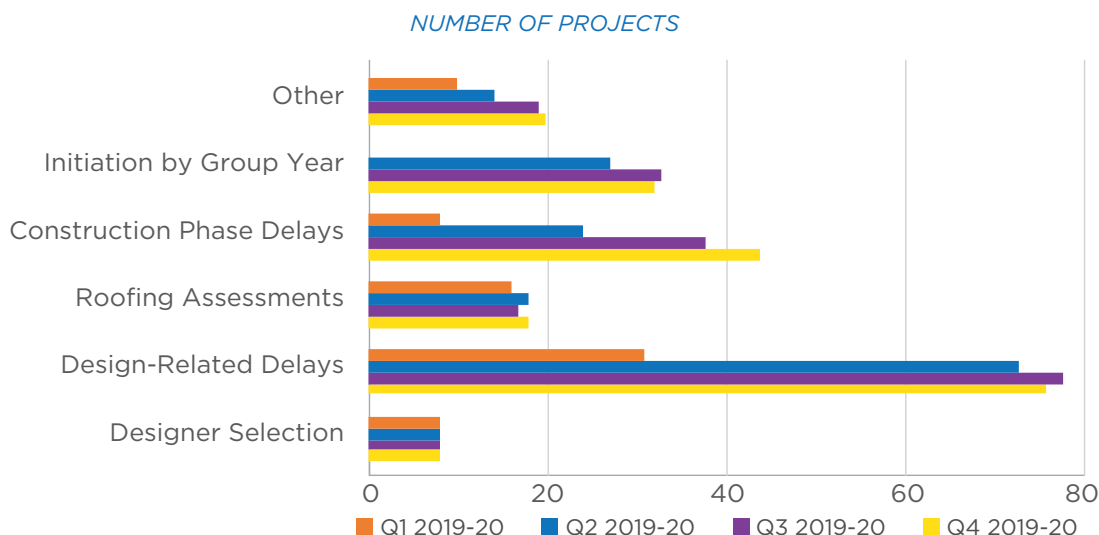
In previous reports TaxWatch has identified schools and projects that were “flagged” for either schedule or budget issues.

- 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*.

SCHEDULE-RELATED ISSUES

The Facilities Report identifies 198 Primary Renovations and two “Other” (weight room, fire alarms, etc.) projects that have been flagged for schedule-related issues during Q4 2019-20. This represents an increase over the 189 Primary Renovations and two Other projects that were flagged for schedule-related issues during Q3 2019-20 (see Figure 3).

FIG. 3 - THE NUMBER OF CONSTRUCTION PROJECTS EXPERIENCING SCHEDULE DELAYS CONTINUES TO INCREASE



Most of the schedule-related delays in Q4 2019-20 are design-related (76) and construction-related (44). “Initiation by Group Year” refers to Year 1-3 projects that are being permitted to transition into construction, thereby delaying some Years 4-5 projects.

All eight of the projects that are flagged for “Designer Selection” issues were flagged previously. These delays are occurring due to additional review of the delivery method and securing School Board approval to perform the project using Construction Manager At-Risk (CMAR) services. Authorization to proceed has been approved for six of these projects and design has begun.

All but one of the 76 projects that are flagged for “Design-Related Delays” were also flagged previously. Reasons for the design-related delays during Q4 2019-20 include:

- Design firm has been delayed in submitting construction documents for permit review;
- Design firm has not submitted design documents per the Professional Services Agreement;
- Design firm has taken an above-average amount of time to complete the required documents;
- Multiple revisions have been required by the design firm in order to secure a permit;
- Project is pending a presentation to the School Board on demolition or renovation prior to completing the design;
- Design firm has not met the deadlines for design deliverables;
- Delay was experienced due to required decisions by the District;
- Multiple backcheck reviews were required to close out comments before submission for permit review;
- Revision of the scope of a project;
- Design firm is non-responsive after review and comments by the Building Department;
- Clarification of scope of services and requirements;
- Multiple bids were required to receive a competitive cost;
- Need to redesign project to comport with the budget;
- Required roofing reality checks; and
- Termination of the original design firm.

It is important to note that, for 37 of these delayed projects, the remedy identified by the District is to enforce the terms and conditions of the contract. Florida TaxWatch has included recommendations in previous reports to the Bond Oversight Committee that the Executive Director, Capital Programs, identify actions taken by the District to enforce the terms and conditions of contracts with design firms, vendors, and contractors. The District identifies four vendors at 12 schools who have been fined or who have had financial penalties levied against them (reference page 138), totaling \$211,500.

Seventeen (17) of the 18 projects that are flagged for “Roofing Assessment” delays were flagged previously. Reasons for the roofing-related delays during Q4 2019-20 include:

- Roofing reality check (identify opportunities for cost and/or scope efficiencies); and
- Design firm has taken an above-average amount of time to complete the required documents.

All of the 32 projects that are flagged for “Initiation by Group Year” delays were flagged previously. These 32 projects are Years 1-3 projects that are being prioritized for advertisement and bids.

Thirty-seven (37) of the 44 projects that are flagged for “Construction Phase” delays were flagged previously. Reasons for these delays during Q4 2019-20 include:

- Roofing sub-permit problems;
- Original milestone schedule for construction was found to be unrealistic;
- Need to update specifications to comport with District standards;
- Poor contractor performance;

- Contractor did not submit correct documents; and
- Delays in systems testing.

Eighteen (18) of the remaining 20 projects that are flagged for “Other” delays were also flagged previously. Reasons for these delays during Q4 2019-20 include:

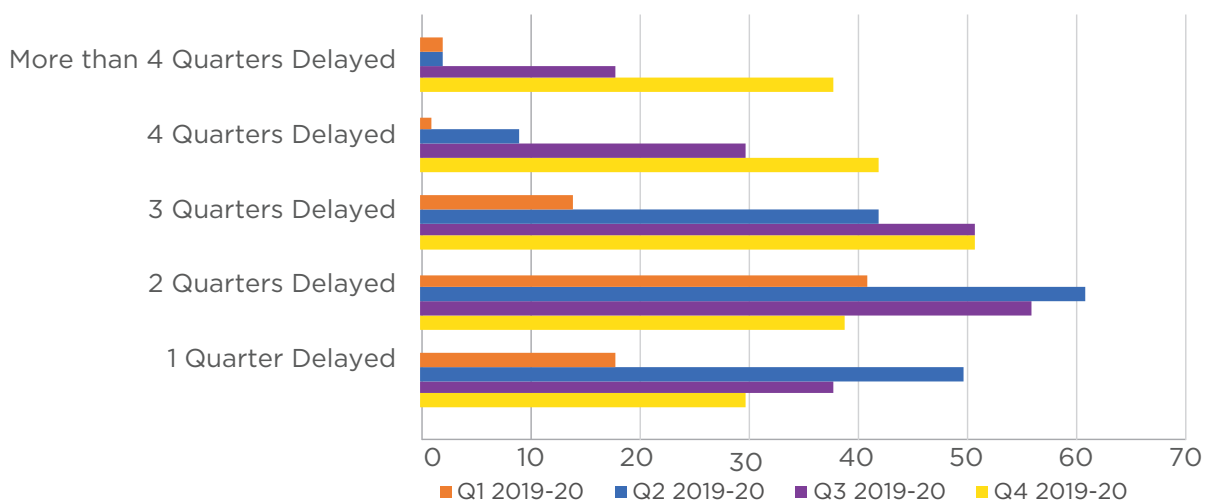
- Need for better pricing and schedule management;
- Delays in negotiating a quality Guaranteed Maximum Price (GMP);
- Difficulties receiving correct quotes from multiple contractors;
- Delays in selecting contractor;
- Construction cost estimates; and
- Decisions related to enrollment and scope of work.

Florida TaxWatch reviewed each school’s *School Spotlight* (reference pages 192 – 632) to compare the actual/forecast completion dates to the new planned completion dates to better understand how long these projects are delayed. As shown in Figure 4, of the 200 Primary Renovations (198) and Other (2) projects that have been flagged for schedule-related delays as of the end of Q4 2019-20:

- 30 projects have been delayed by one quarter;
- 39 projects have been delayed by two quarters;
- 51 projects have been delayed by three quarters;
- 42 projects have been delayed by four quarters; and
- 38 projects have been delayed by more than four quarters.

It is clear in Figure 4 that the number of Primary Renovations and Other construction projects that are delayed is increasing, and the length of the delay is increasing as well. During Q4 2019-20, the number of projects that are delayed by at least one calendar year increased from 48 to 80.

FIG. 4 - MORE CONSTRUCTIONS PROJECTS ARE DELAYED FOR LONGER PERIODS OF TIME
NUMBER OF PROJECTS



BUDGET-RELATED ISSUES

The District Facilities Construction Report identifies 15 Primary Renovations projects that have been flagged for budget-related issues (reference page 137), none of which was flagged during Q3 2019-20. The Budget flags represent \$34.2 million in additional funding approved by the School Board of Broward County (SBBC) to complete these 15 projects (see Table 2).

TABLE 2
ADDITIONAL PRIMARY RENOVATIONS PROJECTS FLAGGED FOR
BUDGET ISSUES DURING Q4 2019-20

School	Additional Spending
Central Park Elementary School	\$3,045,525
Challenger Elementary School	\$2,206,100
Deerfield Park Elementary School	\$984,840
Driftwood Middle School	\$2,801,700
Flamingo Elementary School	\$205,000
Floranada Elementary School	\$2,062,840
Fox Trail Elementary School	\$627,150
Hollywood Central Elementary School	\$3,841,350
Lakeside Elementary School	\$1,385,240
Northeast High School	\$1,385,240
Nova Middle School	\$4,037,300
Panther Run Elementary School	\$2,128,983
Royal Palm STEM Museum Magnet	\$4,275,900
Virginia Shuman Young Elementary School	\$2,904,230
Westpine Middle School	\$2,330,500
Total	\$34,221,898

When the SBBC approves the necessary budget increases for these projects, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s *School Spotlight*. A review of the *School Spotlight* for each school identifies Primary Renovations projects at 98 schools where additional funding totaling more than \$264 million has been approved by the SBBC. These projects are identified in Appendix 3.

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q4 2019-20:

- Authorized 11 schools to advertise for bids;
- Authorized CMAR advertisements for 16 schools;
- Approved bid recommendations from contractors at 20 schools;
- Approved contingency funds for 1 school;
- Approved additional funding for 2 schools;
- Approved CMAR contract amendments for 3 schools;

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- Approved PSA amendments (scope and/or service fees) to 8 PSAs;
 - Terminated 1 vendor; and
 - Approved 10 change orders for projects at 9 schools (no fiscal impacts).

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. Most change orders are the result of unforeseen circumstances. The Executive Director, Capital Programs, reports that change orders are tracking at 0.21 percent of the total construction value, a small increase from the 0.165 percent reported in Q3 2019-20. Change orders totaling \$1.18 million have been approved at 26 schools. Tax savings (dollars returned to projects in the form of credit) totaled \$55,708.

THE “BIG 3” SCHOOLS

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

- Blanche Ely High School Primary Renovation --- Q4 calendar year 2021. This represents an additional delay of 15 months, which is due to the length of time to obtain a notice to proceed (NTP) for construction, combined with the time taken to secure a roofing sub-permit;
- Northeast High School Primary Renovation (Phase 1) --- Q3 calendar year 2022.
- Northeast High School Primary Renovation (Phase 2) --- Q4 calendar year 2021.
- Stranahan High School Primary Renovation --- Q1 calendar year 2021.

SINGLE POINT-OF-ENTRY PROJECTS

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. 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.

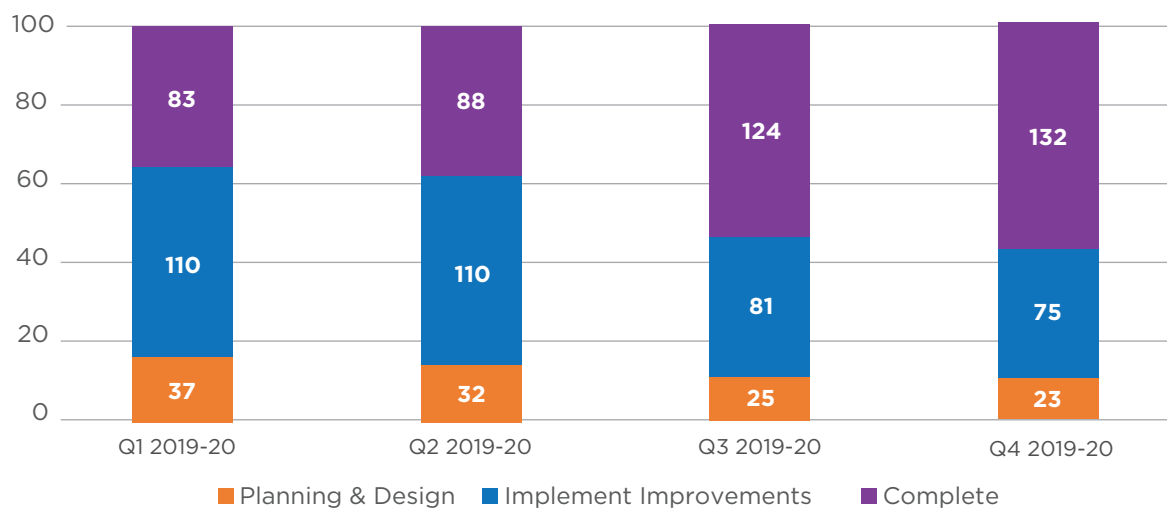
SCHOOL CHOICE ENHANCEMENT PROGRAM

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 June 30, 2020, the number of SCEP projects in the Planning Phase has decreased from 25 to 23. The second phase (Implementation) includes selection and procurement. There are currently 75 schools in the second phase, down from 81 in Q3 2019-20. The third phase (Completion) occurs when all items have been delivered and installed. There are 132 schools with completed SCEP projects, up from 124

in Q3 2019-20. As shown in Figure 5, the number of SCEP projects that are in the Planning and Design Phase have decreased over the past four quarters and the number of Completed projects has increased.

FIG. 5 - THE DISTRICT CONTINUES TO MAKE PROGRESS IMPLEMENTING SCEP PROJECTS
NUMBER OF PROJECTS



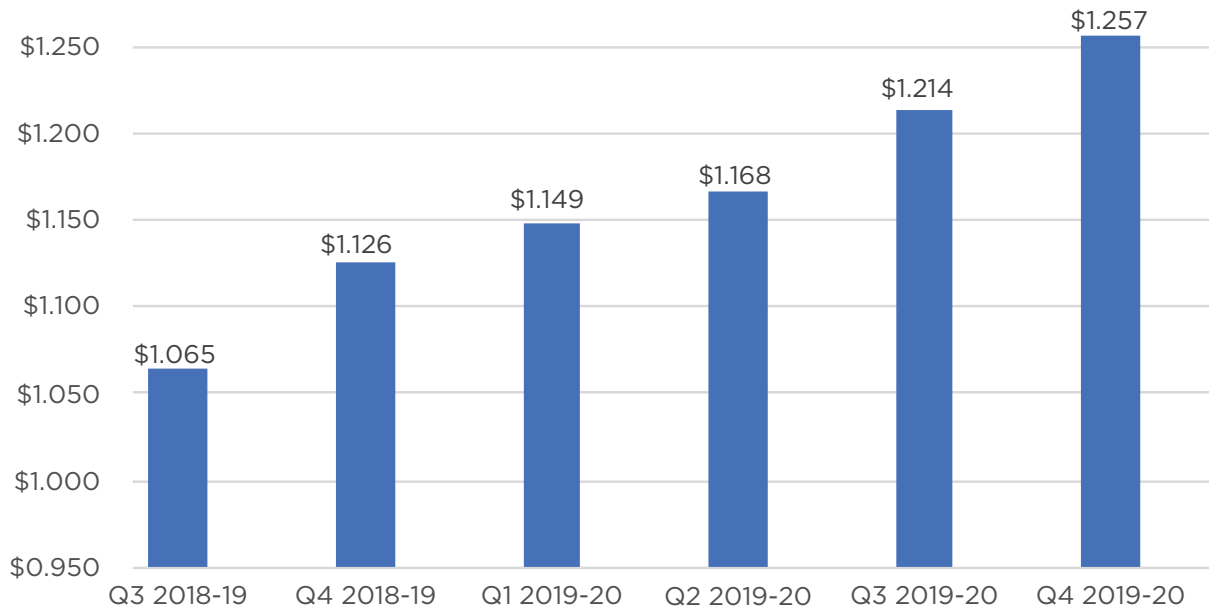
BUDGET ACTIVITY

EXPENDITURES

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. 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).

With the inclusion of budget allocations for years 6-8, the SMART Program total budget has increased from \$1.214 billion in Q3 2019-20 to \$1.257 billion, an increase of about \$42.6 million (see Figure 6). This includes the \$800 million in general obligation bond (GOB) funding and \$456.6 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$269 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

FIG. 6 - SMART PROGRAM BUDGET CONTINUES TO INCREASE
\$ BILLIONS



SMART Program expenditures increased from \$391,014,636 to \$435,263,624, an increase of about \$44.2 million during Q4 2019-20. The Chief Financial Officer reports a SMART Program balance of \$553,035,723 at the end of Q4 2019-20.

During Q4 2019-20, the SBBC approved the following funding increases:

- Deerfield Beach Elementary School --- Approved recommendation to award Construction Agreement (**\$622,000**);
- Nova Middle School --- Approved recommendation to award Construction Agreement (\$4,037,300);
- Royal Palm STEM Museum Magnet --- Approved recommendation to award Construction Agreement (\$4,275,900);
- Central Park Elementary School --- Approved recommendation to award Construction Agreement (\$3,045,525);
- Fox Trail Elementary School --- Approved recommendation to award Construction Agreement (\$627,150);
- Driftwood Middle School --- Approved recommendation to award Construction Agreement (\$2,801,700);
- Northeast High School --- Approved GMP amendment (\$10,706,440);
- Flamingo Elementary School --- Approved recommendation to award Construction Agreement (\$205,000);
- Challenger Elementary School --- Approved recommendation to award Construction Agreement (\$2,206,100);

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- Lakeside Elementary School --- Approved recommendation to award Construction Agreement (\$1,385,240);
 - Westpine Elementary School --- Approved recommendation to award Construction Agreement (\$2,330,500);
 - Winston Park Elementary School --- Approved recommendation to award Construction Agreement (\$336,400);
 - Hollywood Central Elementary School --- Approved recommendation to award Construction Agreement (\$3,841,350);
 - Deerfield Park Elementary School --- Approved recommendation to award Construction Agreement (\$984,840);
 - Panther Run Elementary School --- Approved recommendation to award Construction Agreement (\$2,128,970);
 - Floranada Elementary School --- Approved recommendation to award Construction Agreement (\$2,062,840); and
 - Virginia Shuman Young Montessori --- Approved recommendation to award Construction Agreement (\$2,904,230).

These increases total almost \$42.6 million. Since inception of the SMART Program, the School Board has approved net increases/decreases of \$269.2 million.

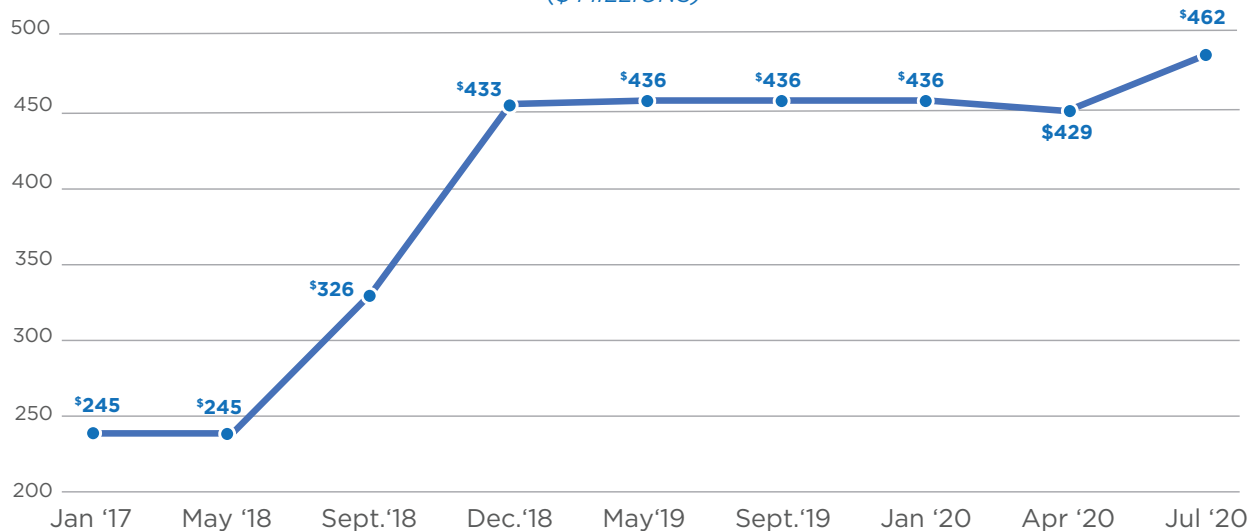
ASSESSMENT OF FINANCIAL RISK

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. After remaining relatively stable over the past 12 months, the financial risk (70 percent risk result) has increased from \$429 million to \$462 million, an increase of \$33 million (see Figure 7). This increase is attributed to several factors, including:

- Extension of the SMART Program from an original planned completion from mid-2021 to early 2024, an extension of 2.5 years.
- The need for additional overhead and support costs associated with the extension (\$28 million).
- The need for continued staff augmentation (e.g., procurement, public information, etc.) (\$19 million).
- Modification of the inflation rate to account for the continuing impact of COVID-19 (\$14 million).

Also driving the increased financial risk is the acknowledgement that actual costs of SMART projects that have been contracted to-date (roughly 50 percent of the total projects) are approximately 65 percent above the projects' initial budgets. The District is also monitoring the capacity of contractors that are performing SBBC project work (which could limit their ability to participate in new projects), as well as the number of qualified and available roofing contractors.

FIG. 7 - AFTER MONTHS OF RELATIVE STABILITY, THE SMART PROGRAM FINANCIAL RISK (MILLIONS \$) HAS BEGUN TO INCREASE
(\$ MILLIONS)



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. The most recent risk assessment suggests that the projected costs to complete planned SMART Program construction will exceed the original \$987 million SMART Program budget by \$462 million, which is \$237 million more than the amount the District placed into reserve.

In March, the SBBC authorized the issuance of up to \$250 million in Certificates of Participation (CPOs). These CPOs will provide supplemental funding for the additional costs for the SMART Program, increasing the total amount of reserve funds to \$475 million. If the projected costs to complete planned SMART Program construction continue to exceed the original SMART Program budget by \$462 million, as projected, the District should have sufficient funding in reserve; however, it is important to note that the high end of the financial risk assessment prepared by Atkins (\$524 million) exceeds the amount placed in reserve. Due to approved School Board approvals through the end of Q4 2019-20, the SMART Program reserve balance is currently \$155.4 million.

HARD COSTS VERSUS SOFT COSTS

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

or implementation of the project's scope, and include such costs as architect and engineering fees, program management fees, furniture and fixtures, general and administrative costs, etc., and typically make up 30-35 percent of total budget.

As previously recommended by Florida TaxWatch, the District's Q4 2019-20 Facilities Report included a breakdown of hard and soft costs for ten 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 10 schools identified (reference page 180) range from 70 percent to 86 percent, with hard costs at nine of the ten schools at 80 percent or greater. Although soft costs typically make up 30-35 percent of a project's total budget, the soft costs for the 10 schools identified (reference page 180) range from 14 percent to 30 percent, with soft costs at nine of the ten schools at 17 percent or less.

RECOMMENDATION 2

Florida TaxWatch recommends the Executive Director, Capital Programs, explain why the hard and soft costs for the ten schools at which construction activities had reached substantial/final completion are outside the identified cost percentage ranges.

SUPPLIER DIVERSITY & OUTREACH

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

The Chief Strategy & Operations Officer reports that, as of the end of Q4 2019-20, there were 620 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. Of these 620 E/S/M/WBEs:

- 75 (12.1 percent) are Non-minority (SBE) certified companies;
- 203 (32.8 percent) are African-American certified companies;
- 30 (4.8 percent) are Asian-American certified companies;
- 216 (34.9 percent) are Hispanic-American certified companies;
- 1 (0 percent) is a Native-American certified company; and
- 95 (15.4 percent) are Caucasian-American certified companies.

The Chief Strategy & Operations Officer reports an E/S/M/WBE commitment of \$14.98 million during Q4 2019-20. This represents about 25 percent of the total \$60.1 million in contracts awarded during the quarter.

Through June 30, 2020, the District has issued purchase orders to E/S/M/WBEs totaling \$197.4 million. This represents a cumulative E/S/M/WBE prime commitment of 28.2 percent. Of this \$197.4 million E/S/M/WBE commitment:

- \$6.7 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;
- \$190.6 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 Q4 2019-20 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 9.1 percent has been awarded to African American-owned companies;
- 73.3 percent has been awarded to Hispanic American-owned companies;
- 0 percent has been awarded to Native American-owned companies;
- 4.2 percent has been awarded to Asian American-owned companies;
- 3.1 percent has been awarded to small business enterprises; and
- 10.3 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. One-third (33 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q4 2019-20 Report highlights the District's continued efforts to promote the SMART Program. The closure of all Broward public schools as a result of the COVID-19 pandemic presented an opportunity to change how the Communications team gathered and shared information on the SMART Program. During Q4 2019-20, outreach efforts include:

- SMART Update newsletter;
- Digital newsletters updating the public on progress at the "Big 3" schools;
- SMART Program pamphlets;
- Principal satisfaction surveys; and
- Post-occupancy customer satisfaction surveys.

Staff mentions their efforts to increase the quality of content and highlighting the message of the SMART Program. What has not been clearly communicated or understood until the February SBBC workshop is the magnitude of the roofing effort. More than 1,300 buildings at more than 200 schools have planned roofing projects, totaling more than 17 million square feet. This equates to more than 300 football fields (including the end zones), approximately 400 acres, or the six-lane paved area of Interstate 595 from Weston to Port Everglades (11 miles).

LOOKING AHEAD

The District continues to make progress in implementing the \$1.257 billion SMART Program. SMART Program expenditures and commitments now total \$703.5 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 59,000 pieces of musical equipment have been delivered to Broward public schools. More than 130 kilns have been delivered, and theater equipment has been ordered and is being delivered to the 39 schools with theater programs.

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

During Q4 2019-20, the number of active Primary Renovations Projects in the Design Phase decreased and the number of active Primary Renovations Projects in the Implement Improvements Phase increased. Florida TaxWatch considers this to be a good sign and reflects a continuing trend over the past five quarters.

The number of Primary Renovations projects flagged for schedule related delays during Q4 2019-20 increased from 189 to 198. Not only is the number of Primary Renovations projects flagged for schedule delays increasing, so too is the length of these delays. Eighty (80) of these flagged projects are experiencing delays of one year or longer, and there is nothing to suggest that this trend will be reversed. Florida TaxWatch finds this extremely concerning. The trajectory of the completion of these projects should be accelerating in a positive direction with a realistic timetable that will be successfully completed. Anything less is unacceptable.

It has become increasingly apparent that the current facilities construction schedule is no longer realistic. Under the "best-case scenario," as discussed on the January 6, 2020 conference call with Florida TaxWatch and the Broward Workshop, all Primary Renovations projects would be completed by the end of calendar year 2023, an additional delay of nine months. Under the "worst-case scenario," as discussed

at the February 11, 2020 School Board workshop, delays in completing the planned Primary Renovations projects could take years, not months.

Also of great concern is the issue of financial risk. Primary Renovations projects at 13 schools were flagged for Budget issues during Q4 2019-20. More than \$34 million in additional funding is required to complete these projects. Since inception, the School Board has approved more than \$264 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. After months of relative stability, the SMART Program's financial risk has increased from \$429 million to \$462 million. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

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

APPENDIX 1

FINAL SMART PROGRAM TECHNOLOGY UPGRADE SUMMARY

TABLE A.
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

APPENDIX 2

TSSC PROJECTS COMPLETED TO-DATE

- Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- Upgrade the application-specific load balancing system (\$31,497);
- Improve the reliability of critical network services and systems (\$905,556);
- Improve the speed and capacity of the core network (\$806,481);
- Replace the out-of-service tape back-up system with a virtual back-up tape solution (\$393,593);
- Replace the existing automatic call distribution system with one that will be integrated into the District’s current voice application system (\$386,313);
- Relocate and build storage for offsite disaster recovery (\$221,488);
- Replace disk storage that supports the Enterprise Resource Planning (ERP) system (\$212,881);
- Implement enhanced content filters (\$1,354,141);
- Build firewall internet capacity (\$1,395,356);
- Update data network infrastructure (\$385,070);
- Address the immediate need for additional storage space (\$596,425);
- Upgrade systems that support the Student Information System and Data Warehouse (\$385,141);
- Provide additional capacity to support Internet growth and security requirements (\$357,193);
- Replace/upgrade back-up to an enterprise solution (\$314,988); and
- Provide additional hardware to support centralized management tools Local Area Network endpoints (laptops/desktops) (\$265,169).

APPENDIX 3

ADDITIONAL PRIMARY RENOVATIONS PROJECT FUNDING APPROVED BY SBBC (CUMULATIVE)

	School	Add. \$		School	Add. \$
1	Anabel C. Perry Pre K-8	\$1,950,037	39	Hollywood Central Elementary School	\$3,841,350
2	Atlantic Technical, Arthur Ashe Jr. Cmp	\$1,836,449	40	Hollywood Hills High School	\$7,154,351
3	Banyan Elementary School	\$962,979	41	Hollywood Park Elementary School	\$2,780,250
4	Bayview Elementary School	\$946,739	42	Indian Ridge Middle School	\$945,102
5	Blanche Ely High School	\$7,310,000	43	James S. Rickards Middle School	\$5,449,080
6	Bright Horizons Center	\$1,893,100	44	Lake Forest Elementary School	\$1,202,142
7	Castle Hill Elementary School	\$1,567,030	45	Lakeside Elementary School	\$1,385,240
8	Central Park Elementary School	\$3,045,525	46	Lauderdale Manors EL&R Center	\$3,976,444
9	Challenger Elementary School	\$2,206,100	47	Liberty Elementary School	\$88,093
10	Chapel Trail Elementary School	\$2,850,436	48	Manatee Bay Elementary School	\$625,661
11	Charles W. Flanagan High School	\$6,793,361	49	Maplewood Elementary School	\$2,295,826
12	Coconut Creek Elementary School	\$517,143	50	McFatter Tech. College/Broward Fire Ac.	\$358,512
13	Colbert Museum Magnet	\$834,903	51	McNab Elementary School	\$1,915,437
14	Country Isles Elementary School	\$681,660	52	Miramar Elementary School	\$2,286,935
15	Cypress Bay High School	\$18,839,000	53	Mirror Lake Elementary School	\$2,113,400
16	Cypress Elementary School	\$452,897	54	New River Middle School	\$2,082,600
17	Dave Thomas Education Center - East	\$1,861,494	55	Norcrest Elementary School	\$1,072,500
18	Davie Elementary School	\$2,220,700	56	Northeast High School	\$10,706,440
19	Deerfield Park Elementary School	\$984,840	57	North Lauderdale PreK-8	\$1,093,350
20	Dillard 6-12	\$4,266,232	58	North Side Elementary School	\$1,769,430
21	Driftwood Middle School	\$2,801,700	59	Nova High School	\$11,993,745
22	Eagle Point Elementary School	\$1,325,450	60	Nova Middle School	\$4,037,300
23	Eagle Ridge Elementary School	\$1,047,383	61	Oakland Park Elementary School	\$2,701,330
24	Embassy Creek Elementary School	\$1,340,700	62	Oakridge Elementary School	\$1,473,860
25	Endeavour Primary Learning Center	\$1,403,790	63	Palm Cove Elementary School	\$1,318,659
26	Everglades Elementary School	\$1,132,500	64	Panther Run Elementary School	\$2,128,983
27	Everglades High School	\$2,707,254	65	Pembroke Pines Elementary School	\$1,175,000
28	Fairway Elementary School	\$3,507,900	66	Pinewood Elementary School	\$2,398,000
29	Falcon Cove Middle School	\$12,047,000	67	Piper High School	\$5,570,400
30	Flamingo Elementary School	\$205,000	68	Pioneer Middle School	\$3,467,193
31	Florana Elementary School	\$2,062,840	69	Plantation Middle School	\$3,188,300
32	Forest Glen Middle School	\$3,858,800	70	Pompano Beach Elementary School	\$1,390,551
33	Forest Hills Elementary School	\$1,083,601	71	Pompano Beach Middle School	\$4,787,180
34	Fort Lauderdale High School	\$1,363,887	72	Quiet Waters Elementary School	\$1,576,000
35	Fox Trail Elementary School	\$627,150	73	Ramblewood Elementary School	\$1,353,158
35	Gator Run Elementary School	\$1,535,323	74	Ramblewood Middle School	\$2,334,241
37	Griffin Elementary School	\$1,868,208	75	Riverglades Elementary School	\$448,177
38	Hawkes Bluff Elementary School	\$3,906,437	76	Riverland Elementary School	\$2,551,192

	School	Add. \$
77	Rock Island Elementary School	\$1,072,944
78	Royal Palm STEM Museum Magnet	\$4,275,900
79	Sandpiper Elementary School	\$452,942
80	Sea Castle Elementary School	\$1,508,179
81	Seagull Alternative High School	\$1,131,082
82	Silver Lakes Elementary School	\$1,505,741
83	Silver Ridge Elementary School	\$1,074,700
84	Silver Shores Elementary School	\$1,231,560
85	Silver Trail Middle School	\$1,781,150
86	Stirling Elementary School	\$2,155,295
87	Stranahan High School	\$13,710,000
88	Sunland Park Academy	\$881,100
89	Sunrise Middle School	\$3,950,050
90	Sunset Lakes Elementary School	\$1,780,500
91	Tedder Elementary School	\$1,027,616
92	Virginia Shuman Young Elementary School	\$2,904,230
93	Walker Elementary School	\$1,837,090
94	West Hollywood Elementary School	\$1,231,160
95	Westpine Middle School	\$2,330,500
96	Westchester Elementary School	(\$547,142)
97	Westwood Heights Elementary School	\$2,517,269
98	William E. Dandy Middle School	\$4,023,550
	TOTAL	\$264,716,376

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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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