



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

*SMART Program Quarterly Report Review for the
Quarter Ending March 31, 2017*

Presented to the Broward County Bond Oversight Committee

May 22, 2017

Q3 2017





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Michelle A. Robinson
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

In November 2014, Broward County voters approved an \$800 million bond referendum to renovate and repair Broward's aging school facilities, upgrade school safety and security systems and purchase new computers and educational technology. A citizen bond oversight committee ("Committee") was appointed to encourage greater accountability, transparency, public support and confidence in the use of the general obligation bond funds. The Committee is charged with ensuring that bond proceeds are used in compliance with the purposes set forth in the bond programs, as approved by the School Board of Broward County.

Broward County taxpayers must hold the School Board accountable for making smart business decisions and doing the high-level planning and project management necessary to minimize the risk to the County and to make sure every dollar of bond proceeds is spent consistent with the purposes set forth in the bond programs, as approved by the School Board of Broward County.

Superintendent Robert W. Runcie has expressed a commitment to an open and transparent process to guide the oversight of the general obligation bond program and has asked Florida TaxWatch to provide high quality, independent research and analyses to help the bond oversight Committee to effectively carry out its oversight duties and obligations. To that end, Florida TaxWatch has agreed to: (1) provide a research report on industry or national "best practices" to aid the Committee in its oversight of the bond-funded capital outlay program; and (2) review quarterly reports submitted to the Committee and present our findings to the public during the regular (quarterly) Committee meetings. This effort is funded by the Broward community, and does not use taxpayer dollars.

I am pleased to present the following report, which includes the TaxWatch review of the SMART Program quarterly report for the quarter ending March 31, 2017. TaxWatch staff will be available to present our findings and recommendations at the Committee's May 22, 2017 meeting.

Sincerely,

Dominic M. Calabro
President & CEO

EXECUTIVE SUMMARY

The District continues to make commendable progress in implementing the \$987 million SMART Program. During the quarter ending March 31, 2017, SMART Program expenditures increased from \$83.4 million to \$106.5 million, and the number of financially active projects increased from 722 to 931.

TECHNOLOGY: The District continues acquiring computers and wireless access points, upgrading technology infrastructure, upgrading wireless networks, and updating CAT 6 data ports. With the purchase of more than 83,000 computers, all School Board of Broward County (SBBC) schools now comply with the District's standard of 1 computer for every 3.5 students at every school. All technology projects planned for charter schools have been completed. Florida TaxWatch estimates that more than \$8.41 million has been saved from the technology upgrade projects that have been completed.

MUSIC: The replacement of music and arts equipment continues, with all planned projects accelerated and underway. Of the \$19.2 million allocated for these projects, more than \$13.2 million has been spent or committed. More than 26,000 new instruments and pieces of musical equipment have been received and another 15,315 have been ordered and are awaiting delivery. Music and art equipment replacement projects have been completed at 60 schools and these completed projects have been delivered on or under budget.

ATHLETICS: The SMART Program allocates \$3.8 million for new tracks at three middle schools and 12 high schools. Track resurfacing projects have been completed at the three middle schools and at five of the 12 high schools. These projects have been delivered on or under budget, saving the District more than \$71,000. The SMART Program allocates \$3.6 million for new weight rooms at each of the 30 high schools, and vendors have been selected and weight room equipment ordered for 10 of the 30.

MINORITY/WOMEN BUSINESS ENTERPRISE (M/WBE): The District's outreach efforts have certified more than 750 active M/WBE firms. Through March 31, 2017, the District has issued 24 purchase orders to M/WBEs totaling \$17.6 million, which represents a total M/WBE commitment of about 12 percent. No M/WBEs have received any of the bond money for technology upgrades or music and art equipment.

PUBLIC OUTREACH: The District has stepped up its efforts to provide principals more information about SMART Program milestones that occur at their schools. Other outreach efforts include developing materials regarding the progress of the SMART Program for presentation to business and community organizations, and to municipalities within Broward County. The role of the Bond Oversight Committee in the District's outreach and public education efforts regarding SMART Program implementation remains unclear.

FACILITIES: In response to previous Florida TaxWatch recommendations, the District's facility construction reports have become more transparent, and now include more project-specific information on construction activities at SBBC schools. Of great concern, however, is the District's treatment of projected cost overruns and delayed projects.

The District acknowledges that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work could increase costs by an average of 25 percent. As vendors are hired and the scopes of works and associated costs become clearer and more accurate, the Budget Activity and Facilities Construction reports must be revised to reflect ("flag") these increased costs.

The District has also acknowledged the need to push back construction-related procurement activities for projects scheduled for Years 1-3 of the SMART Program by 3-9 months. The District cannot ignore the fact that certain facilities' construction activities are delayed by adjusting their implementation timeframes. These delays have not been reflected ("flagged") in the Facilities Construction Report. The public has every right to know which school projects are delayed and the reasons for the delay, as well as which school projects are over budget.

INTRODUCTION

On May 8, 2017, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 2017* (“Quarterly Report”). This single 623-page¹ 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 Schools;
- Section 2—Technology Charter Schools;
- Section 3—Music & Art Equipment;
- Section 4—Athletics;²
- Section 5—Facilities & Construction;
- Section 6—Budget Activity;
- Section 7—Supplier Diversity Outreach Program; and
- Section 8—Communications.

The School Board of Broward County (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 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 SMART Program budget, which was most recently amended in September 2016. Florida TaxWatch is pleased to present the following findings and recommendations.

¹ The Music & Art Equipment Report includes a link to the SBBC/BOC website and a 151-page summary of music equipment purchased with SMART Program funds, increasing the total number of pages to 774 pages.

² This is a new section of the Quarterly Report.

SECTION 1—TECHNOLOGY SBBC SCHOOLS

The SMART Program allocates \$80.9 million for Technology (computer devices and hardware) for SBBC schools (\$68.9 million) and charter schools (\$12.0 million), all of which is programmed to be spent in Years 1-3. Technology allocations in SMART Program during Year 1 (FY 2015-16) and Year 2 (FY 2016-17) focus on the acquisition of additional computers to achieve desired student-to-computer ratios, and on technology infrastructure upgrades (servers, racks, etc.). The District reports that all technology upgrade projects are “on schedule and on target.”

TECHNOLOGY UPGRADES

Infrastructure upgrades have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17. The projects scheduled for FY 2015-16 have been completed and work has begun at 88 of the schools scheduled for FY 2016-17.

The District has identified the following areas of emphasis for the infrastructure upgrades:

- Perimeter defense and traffic management;
- Load balancing of traffic across the network;
- Upgrading & expansion of core network services;
- Increased capacity and speed of core network switches; and
- Improved backup and restoration capabilities for critical business systems.

Florida TaxWatch looked at the combined status of the 230 schools at which technology infrastructure upgrades are planned for FY 2015-16 and for 2016-17. The status of these projects is shown in Table 1.

TABLE 1 – INFRASTRUCTURE UPGRADE STATUS (Q3 2016-17)		
STATUS	NUMBER	PERCENTAGE
Meets Standard	86	37.4%
Not Started	16	6.9%
In Process	19	8.3%
Complete	109	47.4%
Total	230	100.0%

FINDING 1

The District continues to make progress implementing the infrastructure upgrades, with 47 percent of the upgrades complete. With 37 percent of the schools already meeting the District standards, this leaves only 16 percent of the planned technology upgrades not completed.

COMPUTER DEVICES

The District has planned to purchase additional computer devices to meet the District's standard of 1 computer for every 3.5 students. Computer upgrades have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17.

Florida TaxWatch looked at the combined status of the 230 schools at which computer upgrades are planned for FY 2015-16 and for 2016-17. The status of the planned computer purchases is shown in Table 2.

TABLE 2 – COMPUTER DEVICE STATUS (Q3 2016-17)			
ITEM	ORDERED	INSTALLED	% COMPLETE
Student Laptops	64,455	64,455	100%
Teacher Laptops	13,333	13,333	100%
Desktops	5,051	5,051	100%
Tablets	523	523	100%
Total	83,362	83,362	100%

Based upon information provided by the District, all 230 schools now comply with the District's standard of 1 computer for every 3.5 students. The final computer-to-student ratios are provided in Table 3. As shown in Table 3, 70 percent of SBBC schools now have 1 computer for every 2 or fewer students.

TABLE 3 – FINAL COMPUTER-TO-STUDENT RATIOS (Q3 2016-17)		
RANGE	NUMBER	PERCENTAGE
0.0 - 1.0	10	4.3%
1.1 - 2.0	151	65.7%
2.1 - 3.0	45	19.6%
3.1 - 3.5	4	1.7%
Meets Standard	20	8.7%
Total	230	100%

FINDING 2

As of March 31, 2017, all 230 schools (100 percent) at which computer upgrades are planned for FY 2015-16 and for 2016-17 comply with the district's computer standard of one computer for every 3.5 students.

FINDING 3

Of the 83,362 computer devices that have been ordered, 100 percent have been received and installed.

WIRELESS ACCESS POINTS

The District has planned to purchase additional wireless access points to meet the District's standard of 1 wireless access point per classroom. Wireless access points have been programmed for 135 SBBC schools during FY 2015-16 and for an additional 95 schools during FY 2016-17.

Florida TaxWatch looked at the combined status of the 230 schools at which wireless access points are planned for FY 2015-16 and for 2016-17. The status of these projects is shown in Table 4.

TABLE 4 - WIRELESS ACCESS POINT STATUS (Q3 2016-17)		
	NUMBER	PERCENTAGE
Meets Standard	8	3.5%
Not Started	25	10.9%
In Process	31	13.5%
Complete	166	72.1%
Total	230	100.0%

FINDING 4

The District continues to make progress purchasing additional wireless access points, with almost 76 percent of the SBBC schools in compliance with the District standard.

FINDING 5

Of the 11,592 wireless access points ordered, 10,548 (90.1 percent) have been received and installed (completed). Cat 6 wireless upgrades have been completed for 11,215 (96.7 percent) of the wireless access points.

As shown in Table 5, the District has reported the successful delivery of the following technology upgrades across 230 SBBC schools as of March 31, 2017.

TABLE 5 - TECHNOLOGY UPGRADE SUMMARY (Q3 2016-17)			
	ORDERED	INSTALLED	%
Student Laptops	64,455	64,455	100.0%
Teacher Laptops	13,333	13,333	100.0%
Desktops	5,051	5,051	100.0%
Tablets	523	523	100.0%
Computer Carts	1,066	1,066	100.0%
Wireless Access Points	11,592	10,548	90.1%

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 reported that greatly increased demand for network capacity and reliability has required either the replacement or implementation of systems that provide:

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

To meet this demand, the District has spent or encumbered \$7.15 million to:

- Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- Improve the reliability of critical network services and systems (\$805,556);
- Improve the speed and capacity of the core network (\$836,056);
- 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 (\$197,124);
- Relocate and build storage for offsite disaster recovery (\$171,661);
- Replace disk storage that supports the Enterprise Resource Planning (EARP) system (\$212,881);
- Implement enhanced content filters (\$1,354,141);
- Build firewall internet capacity (\$740,465); and
- Update data network infrastructure (\$359,779).

SECTION 2—TECHNOLOGY CHARTER SCHOOLS

The SMART Program includes a \$12.0 million allocation for “SMART Charter School Technology from General Obligation Bonds” which, according to discussions with District staff, is to be allocated based on charter school enrollment.

The SMART Program Technology Charter Schools Quarterly Report reflects the following summary activity:

TABLE 6 – TECHNOLOGY UPGRADE SUMMARY (Q3 2016-17)			
	ORDERED	INSTALLED	%
Student Laptops	5,086	5,086	100.0%
Teacher Laptops	1,417	1,417	100.0%
Desktops	1,712	1,712	100.0%
Tablets	3,099	3,099	100.0%
Computer Carts/Trays	316	316	100.0%
Digital Classrooms	1,347	1,347	100.0%
Accessories & Peripherals	3,394	3,394	100.0%

FINDING 6

The District is making considerable progress implementing the charter school technology upgrades, with 100 percent of the ordered upgrades having been received.

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In its review of the District’s report for the quarter ending March 31, 2017, TaxWatch found nothing that identified specifically how general obligation bond funds appropriated for “Charter School Technology” are to be spent. Without this additional specificity, TaxWatch could not say that the bond revenues are being expended for the purpose set forth in the bond programs as approved by the School Board.

District staff has previously explained that the following criteria were used to guide technology purchases by the charter schools:

- Technology devices that a charter school might need that were on established bids that the information technology (IT) department has done;
- Technology that teachers could use within the classroom (e.g., laptops, desktops, etc.) based on the appropriate approved bids that the IT department has done;
- Anything in the classroom that could be recoverable; and
- Technology must be used for instructional purposes, and not bought for administrative purposes.

District staff has further explained that the IT team developed an online ordering system for the charter schools. A catalogue identifying all of the devices allowed to be purchased was sent to the charter schools, and each charter school was given an access code to enter the system. As each item is ordered, it is placed into a

“shopping cart” and a running total cost was calculated after each item was entered. This suggests that, at a high level, the bond revenues are being expended for the purpose set forth in the bond programs as approved by the School Board.

FINDING 7

Although there is no “planned spend” against which to compare the “actual spend,” the use of the catalogue and online ordering system provides a measurable level of comfort that the use of bond revenues to purchase technology upgrades for charter schools is consistent with the purpose set forth in the bond programs as approved by the SBBC.

SECTION 3—MUSIC & ART EQUIPMENT

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

The District reports that the School Board approved the escalation of the SMART Program funds for music instruments and equipment at the January 18, 2017 SBBC meeting. This escalation will allow schools that were originally scheduled to receive their funds in years 4 and 5 to access to music equipment funds this year. The District mentioned in the Q2 2016-17 Quarterly report that a revised ordering schedule has been prepared that will allow all school orders to be placed by March 2017. To facilitate these orders, the Q3 Quarterly Report mentions that, at its January 18, 2017 meeting, the SBBC allocated \$300,000 in SMART Program music reserves.

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The status of each project is shown in Table 7.

TABLE 7 – MUSIC EQUIPMENT DEPLOYMENT STATUS (Q3 2016-17)

	NUMBER	PERCENT
In Process	29	13.3%
Ordering	20	9.2%
Closing Out	77	35.3%
Closed	62	28.4%
No Program	30	13.8%
Total	218	100.0%

FINDING 8

The District is making considerable progress implementing the music equipment upgrades, with almost 64 percent of the equipment orders either closed or closing out.

As shown in Table 7, the purchase of music equipment is “In Process” at 29 of the SBBC schools. The District defines “In Process” as “in the process of getting quotes from vendors or in the queue.” Further, the term “Ordering” is defined as “in the process of ordering” and that “some money, but not all, has been spent.” This suggests that music equipment has not been ordered for at least 29, and for as many as 49, schools.

FINDING 9

It does not appear that all school music equipment orders were placed by March 2017, consistent with the revised ordering schedule. The District offers no explanation for this apparent delay.

RECOMMENDATION 1

Florida TaxWatch recommends the District brief the Committee on the apparent delay in placing school music equipment orders. Further, the Committee should make clear its expectation that future Music & Art Equipment Reports include explanations for any project that is delayed.

The Music & Art Equipment Report includes a link to 151-page pdf file on the SBBC/BOC website that provides a detailed inventory of music equipment purchased, its costs, and the vendor from whom the equipment was purchased. This information is summarized in a pie chart on page 53 of the Q3 Quarterly Report.

Of the \$19.2 million allocated for these projects, approximately \$13.22 million has been spent or committed. Music and art equipment has been purchased from 10 vendors (see Table 8). More than 26,000 new instruments and pieces of musical equipment have been received and another 15,315 have been ordered and are awaiting delivery.

FINDING 10

Of the approximately \$13.22 million spent on replacement music and art equipment, approximately \$8.8 million (66.6 percent) has been spent with one vendor, All County Music.

TABLE 8 - MUSIC & ART VENDOR PAYMENTS (CUMULATIVE)		
VENDOR	AMOUNT	PERCENTAGE
All County Music	\$8,806,573	66.6%
Cascio Interstate Music	\$3,278	0%
Music Arts Enterprises	\$2,705,669	20.5%
Music Man	\$805,087	6.1%
Romeo Music	\$49,999	0.4%
School Specialty	\$30,667	0.2%
Summer Arts Sessions	\$9,600	0.1%
Summer Hays Music	\$11,984	0.1%
Vista Pan Steel Instruments	\$5,036	0.0%
Wenger	\$792,129	6.0%
Total	\$13,220,022	100.0%

RECOMMENDATION 2

Florida TaxWatch recommends the District include in the Q4 2016-17 Quarterly Report, and all subsequent quarterly reports, a summary of expenditures for music instruments and equipment, by vendor.

The SMART Program allocates \$78,400 each year through FY 2018-19 (\$392,000 total) for replacement kilns. The Q2 2016-17 Music & Art Equipment Report identified plans to secure 17 new kilns, 10 of which have been received and the project closed, and the remaining seven have been ordered. All of the kilns were ordered from the same vendor, School Specialty, Inc.

Ramblewood Elementary School is identified in the kiln program in the Q2 2016-17 Music & Art Equipment Report as having a kiln ordered or in the process of ordering; however, Ramblewood is not mentioned in the Q3 2016-17 Music & Art Equipment Report as participating in the kiln program. Stranahan High School and Coral Springs High School are identified in the Q3 2016-17 Music & Art Equipment Report as having kilns ordered or in the process of ordering; however, neither school was identified in the kiln program in the Q2 2016-17 Music & Art Equipment Report.

FINDING 11

It appears that the kiln program has changed from Q2 2016-17 to Q3 2016-17. The number of kilns has increased from 17 to 18, and the schools included in the kiln program have changed. Further, there is nothing to suggest that the SBBC has approved these changes to the kiln program.

RECOMMENDATION 3

Florida TaxWatch recommends the District brief the Committee on the apparent changes in the kiln program. If the kiln program has been changed without SBBC approval, Florida TaxWatch recommends the Committee advise the SBBC of this change.

SECTION 4—ATHLETICS

TRACK PROJECTS

The SMART Program allocates \$3.81 million for new tracks at three middle schools and 12 high schools. The track resurfacing projects at the three middle schools and five of the 12 high schools have been completed. Of the remaining seven high schools:

- No project schedule has been established for four high schools whose bids were recently approved by the SBBC;
- Track resurfacing is in process at two of the schools; and
- The track resurfacing project at the remaining high school is in the engineering design phase.

FINDING 12

The schedule for the track resurfacing project at Pompano Beach High School shows a projected completion date of January 31, 2017; however, the project is not shown as having been completed. The District offers no explanation for this apparent delay.

RECOMMENDATION 4

Florida TaxWatch recommends the District brief the Committee on the apparent delay in completing the track resurfacing project at Pompano Beach High School. Further, the Committee should make clear its expectation that future Athletics Reports include explanations for any project that is delayed.

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WEIGHT ROOMS

The SMART Program allocates \$3.63 million for new weight rooms at each of the 30 high schools. The District reports that 10 of the high schools have selected vendors and begun to order equipment.

FINDING 13

No project schedules or projected completion dates are included for the 10 high schools that have selected vendors and begun to order weight room equipment.

FINDING 14

The Q3 2016-17 Athletics Report includes a status report for only 15 of the 30 high schools. The status and projected completion dates for the remaining 15 high schools are unclear.

RECOMMENDATION 5

Florida TaxWatch recommends the District include in the next quarterly report project schedules or projected completion dates for every high school weight room project.

SECTION 5—FACILITIES CONSTRUCTION RENOVATIONS

Florida TaxWatch recognizes and acknowledges the District's continued efforts to increase transparency. In previous reports, TaxWatch has recommended that the District's SMART Program Facilities Construction Report include for each financially active project more detailed cost estimates, scopes of work, methods of delivery, schedules and phasing, and other information necessary to define the project (reference TaxWatch's Recommended Best Practice 37.3). The District continues to refine its reporting, based on input from Florida TaxWatch and from the Bond Oversight Committee.

FINDING 15

The District reports³ that 62 percent of the scheduled construction activities are underway and 84 percent of the schools have at least one project that is currently underway. These percentages remain unchanged from the Q2 2016-17 Quarterly Report (reference page 130), suggesting an oversight in updating this information.

RECOMMENDATION 6

Florida TaxWatch recommends the District confirm the percentage of scheduled construction activities that are underway and the percentage of schools with least one project that is currently underway.

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The District's Q3 2016-17 Facilities Construction Report is a 367-page report that includes project-specific information on 1,366 construction projects at 232 schools. The status of these construction projects is shown in Table 9.

FINDING 16

The District is making considerable progress implementing the SMART Program facility construction projects. Since the end of the last quarter:

- The number of projects not yet started has decreased from 525 to 420;
- More projects are moving from the planning phase into the design and implementation phases; and
- The number of completed projects has increased from 67 to 75.

³ See page 83.

TABLE 9 – FACILITIES CONSTRUCTION PROJECT STATUS (Q3 2016-17)

	(AS OF MARCH 31, 2017)	
PHASE	NUMBER	PERCENTAGE
Not Started	420	30.7%
Planning	121	8.9%
Hire Design Team	296	21.7%
Design Project	352	25.8%
Hire Contractor/Vendor	13	0.9%
Implement Improvements	89	6.5%
Complete	75	5.5%
Total	1,366	100.0%

FINDING 17

The District reports that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work could increase costs by an average of 25 percent. Reference is made to unspecified mitigation measures that are in place to address the risks.

RECOMMENDATION 7

Florida TaxWatch recommends that the District brief the Committee and the public on the status of projects that are expected to be over-budget, the factors that contribute to the expected cost overruns, and the District’s plan to mitigate the overruns. Further, any project whose total project costs are estimated to exceed the project budget by an amount that requires SBBC approval be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to mitigate the cost overruns.

RECOMMENDATION 8

Florida TaxWatch recommends that the District brief the Committee and the public on the status of delayed facilities construction projects, the factors that contribute to the expected delays, and the District’s plan to mitigate the delays. Further, any project that is expected to be delayed should be identified in subsequent Facilities Construction Reports. For each identified project, the District should include specific measures to be taken to minimize the expected delay.

The reporting of facility construction status has been an ongoing and unresolved issue. Since the publication of its “Recommended Best Practices” document in 2015, Florida TaxWatch has consistently recommended that the District provide sufficient information on each financially active construction project to comply with Florida TaxWatch’s recommended best practice number 37.3.

At its November 14, 2016 meeting, the Committee appointed a subcommittee, chaired by Committee Member Chief DiPetrillo, to develop a reporting template to comply with Florida TaxWatch's recommended best practice number 37.3. The subcommittee met on several occasions and agreed conceptually on a reporting template.

The District's revised "School Spotlight" template used to report the status of facilities construction projects at each school represents an improvement over previous templates in several regards, most notably in the ability of the reader to immediately identify where the project is in the six-stage process. At the bottom of each template is a new "flag key," to be used by the District to identify projects that:

- Reflect the need for increased funding based on bid and/or change order results (budget); or
- Reflect a considerable risk of not being able to meet the anticipated project completion date (schedule).

FINDING 18

None of the 1,366 construction projects identified in the Q3 2016-17 Facilities Construction Report is flagged for either budget ("B") or schedule ("S") concerns. This suggests that every project is on-budget and on-schedule.

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This finding gives cause for concern. The District reports that the Project Management Team has reevaluated the timelines for all SMART Program construction projects to establish more realistic milestone dates.⁴ This has necessitated some adjustments to the timelines for some projects:

- For FY 2014-15 and FY 2015-16 projects, implementation (construction) procurement that was originally scheduled to begin in the second and third quarter of calendar year 2017 has been pushed back to the first quarter of calendar year 2018, a delay of 3-6 months; and
- For FY 2016-17 projects, implementation (construction) procurement that was originally scheduled to begin in the first and second quarter of calendar year 2018 has been pushed back to the fourth quarter of calendar year 2018, a delay of 6-9 months.

Pushing these activities back without adjusting the SMART Program's overall completion during the second quarter of 2021 will have the effect of compressing construction activities at the back end of the schedule.

FINDING 19

The District has adjusted the timeframes for procurement-related construction activities for FY 2014-15, FY 2015-16, and FY 2016-17 projects to establish more realistic milestone dates. This, coupled with the fact that there are no "flagged" budget or schedule items on the revised School Spotlight template, gives the impression that all projects are on-schedule.

⁴ Reference page 121.

RECOMMENDATION 9

Florida TaxWatch recommends that the Committee request the District to submit a revised Q3 2016-17 Facilities Construction Report that, for those projects whose procurement-related construction activities have been pushed back:

- Properly flags those projects as being delayed on the revised School Spotlight template; and
- Includes an appropriate explanation in the “Comments” box on the revised School Spotlight template.

SCHOOL CHOICE ENHANCEMENT PROGRAM (SCEP)

The District reports that, because of the early mobilization⁵ of 30 Year 3 schools, there are now 140 School Choice Enhancement Program (SCEP) projects. 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. The status of these projects is shown in Table 10.

TABLE 10 – SCHOOL CHOICE ENHANCEMENTS PROJECT STATUS				
	(AS OF DECEMBER 31, 2016)		(AS OF MARCH 31, 2017)	
PROJECT PHASE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Pending Response	0	0.0%	0	0.0%
Ballots Developed	68	48.6%	34	24.3%
Voting Process & Rejected Ballots	4	2.9%	14	10.0%
Ready to Procure	65	46.4%	83	59.3%
Completed	3	2.1%	9	6.4%
Total	140	100%	140	100%

FINDING 20

The District is making considerable progress implementing the SCEP Program projects. Since the end of the last quarter:

- The number of projects ready to procure has increased from 65 to 83; and
- The number of completed projects has increased from 3 to 9.

⁵ These projects were scheduled to begin in January 2017; however, they actually began in November 2016.

SECTION 6—BUDGET ACTIVITY

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects. The SMART Program total budget is \$987 million. This includes the \$800 million in general obligation bond (GOB) funding and \$187 million in non-GOB capital project funding (capital millage and impact fees). The current SMART Program budget combines years 1 (FY 2014-15), 2 (FY 2015-16), and 3 (FY 2016-17) now totaling \$671.7 million.

FINANCIALLY ACTIVE PROJECTS

The District reports that, at its January 2017 meeting, the SBBC approved accelerated funding for music instruments and equipment, moving \$7.0 million from program years 4 and 5 into program year 3. In February, the SBBC approved accelerated funding for construction projects at Markham Elementary School, moving 9.2 million from program year 4 into program year 3. This increased the total funding in years 1 through 3 from \$655.5 million to \$671.7 million.

Budget activity increased dramatically during the quarter ending March 31, 2017. The District reports that the number of financially active projects increased from 722 at the end of Q2 2016-17 to 931 at the end of Q3 2016-17, an increase of 29 percent. SMART Program expenditures increased from \$83,408,231 to \$106,480,601 (a 28 percent increase) during the same period.

FINDING 21

The current budgets for both the SMART Program and the 931 financially active projects reflect an increase of \$212,125 over the original budgets, with increases in the Safety and Renovation SMART categories. The budget for building envelope improvements at Attucks Middle School has increased from \$316,000 to \$498,125, and the budget for fire alarms at Crystal Lake Middle School has increased from \$442,525 to \$472,525.

PROJECTS THAT ARE COMPLETED AND THAT MEET STANDARDS

Florida TaxWatch greatly appreciates the inclusion of a new section in the Q3 2016-17 Budget Activity Report that identifies projects that have been completed and that meet standards. The financial activity for these projects is included in this section of the Budget Activity Report, which greatly facilitates the comparison of actual and planned expenditures for SMART Program projects.

Florida TaxWatch reviewed each project identified in the Technology SBBC Schools Report and Technology Charter Schools Report as “completed” against the Budget Activity Report to identify cost savings.

FINDING 22

The District's technology staff has been able to procure technology improvements that meet or exceed established standards at considerable savings. Florida TaxWatch estimates that, for the technology projects identified in the Technology SBBC Schools Report and Technology Charter Schools Report as "completed," more than \$8.41 million has been saved. These savings are broken down as follows:

- Technology infrastructure upgrade savings—\$3,889,065;
- Computer device savings—\$16,214;
- Wireless network upgrade savings—\$4,503,844; and
- Charter school savings—\$1,196.

Florida TaxWatch compared the budget information contained in the Budget Activity Report to the project information contained in the Music & Art Equipment Report.

FINDING 23

The Budget Activity Report identifies 60 school music equipment projects with a status of "complete." These projects have been delivered on or under budget, saving the District \$432.

Florida TaxWatch compared the budget information contained in the Budget Activity Report to the project information contained in the Athletics Report.

FINDING 24

The Athletics Report identifies eight track resurfacing projects with a status of "complete." These projects have been delivered on or under budget, saving the District \$71,819.

FINDING 25

The Facilities Construction Report identifies the following track resurfacing projects as complete; however, these projects are not included among the projects that have been completed and that meet standards identified in the Budget Activity Report:

- Hallandale High School—track resurfacing; and
- Hollywood Hills Track Resurfacing.

Florida TaxWatch compared the budget information contained in the Budget Activity Report to the project information contained in the Facilities Construction Report.

FINDING 26

The Facilities Construction Report identifies 34 construction projects with a status of "complete." These projects have been delivered on or under budget, saving the District \$2.92 million.

FINDING 27

The Facilities Construction Report identifies the following construction projects as complete; however, these projects are not included among the projects that have been completed and that meet standards identified in the Budget Activity Report:

- Attucks Middle School—School Choice Enhancement Project;
- Coral Cove Elementary School—School Choice Enhancement Project;
- Country Isles Elementary School—School Choice Enhancement Project;
- Cypress Bay High School—School Choice Enhancement Project;
- Cypress Run Educational Center—School Choice Enhancement Project;
- Dave Thomas Educational Center—Single point of entry / facil project;
- Everglades Elementary School—Single point of entry / facil project;
- Forest Hills Elementary School—Replace air handler units;
- Silver Trail Middle School—Emergency reroofing building #2; and
- Whispering Pines Education Center—ADA restrooms.

The cumulative savings for those projects identified as completed or meets standards are shown in Table 11.

TABLE 11 – CUMULATIVE SAVINGS	
COST CATEGORY	SAVINGS
Technology SBBC Schools	\$8,409,123
Technology Charter Schools	\$1,196
Music & Art Equipment	\$432
Athletics	\$7,819
Facilities Construction	\$2,920,016
Total Savings	\$11,338,586

FINDING 28

All told, the District's staff has been able to deliver a number of SMART Program improvements that meet or exceed established standards at a savings of more than \$11.3 million. These are moneys that can be reallocated by the SBBC to meet other critical needs.

SECTION 7—SUPPLIER DIVERSITY OUTREACH

The Supplier Diversity Outreach Program Report includes data specific to Minority/Women Business Enterprise (M/WBE) participation and committed funding in the SMART Program. The District reports that, as of March 31, 2017, there were 759 active certified M/WBE firms that provide commodities (supplies), construction, professional services, and business services to District schools. Of this total:

- 412 (54 percent) are women-owned businesses;
- 579 (76 percent) are minority-owned businesses; and
- 232 (31 percent) are businesses owned by female minorities.

FINDING 29

The District reports as part of its Contract Compliance⁶ Metrics an M/WBE commitment of \$7.34 million during the quarter ending March 31, 2017, representing 82.9 percent of the \$8.34 million committed. Through March 31, 2017, the District has issued 24 purchase orders to M/WBEs totaling \$17.57 million. This represents a cumulative M/WBE commitment of 11.97 percent.

FINDING 30

In terms of minority (ethnic) spending, 65 percent of the purchase orders issued to M/WBEs were issued to Hispanic-owned firms. In terms of minority (gender) spending, less than 15 percent of the purchase orders issued to M/WBEs were issued to women-owned firms.

FINDING 31

No M/WBEs have received any of the bond money for technology upgrades or music and art equipment.

As previously recommended by Florida TaxWatch, the Q3 2016-17 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from 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.

RECOMMENDATION 10

As part of its ongoing outreach efforts, the District should continue to step up its efforts to recruit and retain qualified M/WBEs for all SMART Program categories.

6 Contract compliance totals are only for design and construction activities.

SECTION 8—COMMUNICATIONS

The Q3 2016-17 Communications Report outlines the District’s efforts to develop and implement a comprehensive communications strategy to inform constituents of progress made in implementing the SMART Program. The Communications Report includes a “tool kit” of techniques designed to ensure consistency of message.

The report for the quarter ending March 31, 2017 highlights the District’s efforts to provide principals news about SMART Program milestones that occur at their schools. This is designed to help school administrators speak more knowledgeably about ongoing improvements that affect their facilities. Other outreach efforts include developing materials regarding the progress of the SMART Program for presentation to business and community organizations, and to municipalities within Broward County.

FINDING 32

None of the identified outreach and public education efforts identified in the Q3 2016-17 Communications Report appears to include or involve members of the Bond Oversight Committee. It is unclear what, if any, role the District wants the Bond Oversight Committee to play in the District’s outreach and public education efforts regarding SMART Program implementation.

RECOMMENDATION 11

Florida TaxWatch recommends the Committee request clarification from the District regarding the Committee’s expected role in the District’s outreach and public education efforts regarding SMART Program implementation.

LOOKING AHEAD

The District continues to make commendable progress in implementing the \$987 million SMART Program. SMART Program expenditures now exceed \$106 million, and there are more than 900 financially active projects. 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 and arts equipment continues, with all planned projects accelerated and underway. Track resurfacing projects are underway and weight room equipment is being ordered. Facility renovation and construction activities have begun, and in some cases completed, at numerous SBBC schools.

In response to previous Florida TaxWatch recommendations: (1) the District's facility construction reports have become more transparent; (2) the District's revised School Spotlight template now includes more project-specific information on construction activities at SBBC schools; (3) music and art projects have been accelerated; and (4) the District's Supplier Diversity Outreach Report now includes information on contracts awarded to and purchase orders issued to M/WBE firms for all SMART Program categories.

In this report, Florida TaxWatch has offered 32 Findings and 11 Recommendations to help guide the Bond Oversight Committee and the public in overseeing 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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The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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