



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

SMART Program Quarterly Report Review for the Quarter Ended September 30, 2018

Q1
2018-19

Presented to the Broward County Bond Oversight Committee
December 17, 2018





Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

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

District staff also made it clear that the renovation projects will cost more than what is currently planned. A recent risk assessment conducted by one of the District's vendors shows that projects that have been bid or negotiated to date are approximately 35 percent above the initial budgets.

At the most recent BOC meeting, Superintendent Runcie introduced a restructured facilities construction team. The District staff and vendor representatives that until recently had appeared at BOC meetings have been replaced with a new team, ostensibly to better manage the construction phase of the SMART Program.

The challenge facing the new project team is daunting, and TaxWatch is available to assist in any way possible. TaxWatch is honored to independently assess this historic effort and pleased with the support we have provided the Bond Oversight Committee. I am pleased to present the following report, which includes the TaxWatch review of the SMART Program quarterly report for the quarter ending September 30, 2018. TaxWatch staff will be available to present our findings and recommendations at the Committee's December 17, 2018 meeting.

Sincerely,

A handwritten signature in black ink that reads "Dominic M. Calabro".

Dominic M. Calabro
President & CEO

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

INTRODUCTION

On December 3, 2018, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended June 30, 2018* ("Quarterly Report"). This single 691-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, TaxWatch has reviewed this report against the most recent SMART Program budget. TaxWatch is pleased to present the following report and recommendations.

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. As of June 30, 2018, the planned SMART technology deployment has been fully completed for all 230 schools. Table 1 provides a summary of the SMART Program technology deployment.

TABLE 1.
FINAL TECHNOLOGY UPGRADE SUMMARY

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

The District reports that all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students. With the additional computers purchased with SMART Program funds, the District-wide average ratio of students to computers is now 2:1. As shown in Table 2, 150 (65 percent) schools have student-to-computer ratios of 2:1 or better. Student-to-computer ratios range from 0.9:1 (Hollywood Central Elementary School, Larkdale Elementary School, Oakridge Elementary School, Palmview Elementary School, and the Quest Center) to 3.5:1 (Coral Park Elementary School).

TABLE 2.
FINAL STUDENT-TO-COMPUTER RATIOS

Range	Number	Percentage
0.0 - 1.0	11	4.8%
1.1 - 2.0	150	65.2%
2.1 - 3.0	45	19.6%
3.1 - 3.5	4	1.7%
Met Standard*	20	8.7%
Total	230	100%

* Twenty schools met the 3.5:1 ratio standard prior to any action under this program, and were not required to purchase additional equipment.

The SMART Program allocates \$11 million to the Technology and Support Services Center (TSSC) to purchase infrastructure to support upgrades for school networks and computer expansion. The District reports that greatly increased demand for network capacity and reliability has required either the replacement or implementation of systems that provide:

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

To meet this demand, the District has spent or encumbered \$9.14 million to:

- Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- Upgrade the application-specific load balancing system (\$46,497);
- Improve the reliability of critical network services and systems (\$905,556);
- 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 (\$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 (\$596,429); and
- Upgrade systems that support the Student Information System and Data Warehouse (\$334,372).

As previously recommended by TaxWatch, the District has included the status of each of these projects. All of the above projects have been completed, with the exception of the planned improvements to the speed and capacity of the core network, the additional storage space, and the upgrades in support of the Student Information System and Data Warehouse. It should be noted that the Midrange System Upgrade to support the Student Information System and Data Warehouse is a new project, approved by the School Board on September 5, 2018.

The District reports that the remaining \$1.86 million will be used for projects that:

- Increase network bandwidth and reliability;
- Improve network traffic management and reporting;
- Enhance IT security and identity management systems;
- Increase systems storage capacity;
- Expand and refresh the District's virtualized server environment; and
- Extend and enhance core telecommunications routing and applications systems.

To meet this demand, the District has planned the following projects, beginning in Q2 2018-19:

- Application specific load balancing system and version upgrade (\$15,000);
- Additional hardware to support centralized management tools for Local Area Network endpoints (\$125,000);
- Infrastructure upgrade for systems that support the Student Information System (SIS) and the data warehouse (\$61,628);
- Additional server blades needed to accommodate growth as well as those server blades are end of life (\$70,324);
- Additional capacity to support internet growth and security requirements (\$418,000);
- Replace/upgrade back-up from OEM NETAPP to an enterprise solution (\$300,000); and
- Replace UPS devices and computer batteries as needed (\$882,812).

TaxWatch notes that the Chief Information Officer previously reported that these projects were scheduled to begin in Q1 2018-19; however, this report reflects a Q2 2018-19 start date for these 7 projects. There is no explanation for this apparent delay.

RECOMMENDATION 1

TaxWatch recommends that the Chief Information Officer provide an explanation for the apparent delay in starting the 7 new technology projects above.

RECOMMENDATION 2

TaxWatch recommends that, beginning with the Q2 2018-19 Bond Oversight Committee Report, the Chief Information Officer begin reporting the status of these 7 new technology projects.

SECTION 2 --- TECHNOLOGY CHARTER SCHOOLS

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

TABLE 3.
FINAL CHARTER SCHOOL TECHNOLOGY UPGRADE SUMMARY

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

SECTION 3 --- MUSIC & ART EQUIPMENT

MUSIC EQUIPMENT

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

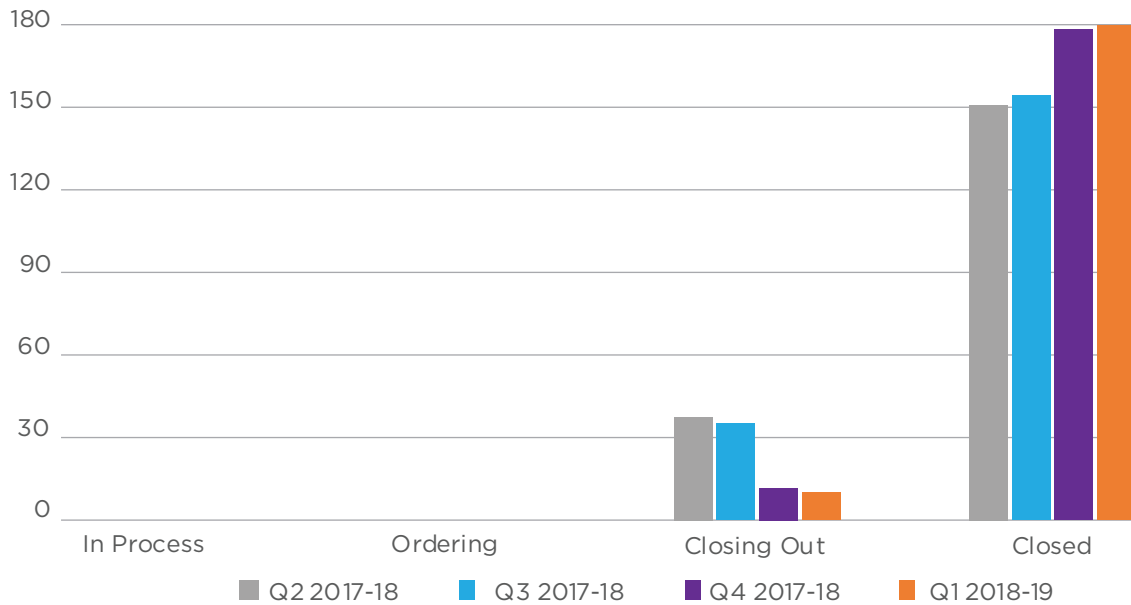
Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The District reports that 100 percent of the schools with music programs had completed their orders for music equipment. More than 58,000 pieces of music equipment have been ordered and all but 2,969 pieces have been received at 189 schools. The status of each project is shown in Table 4.

TABLE 4.
MUSIC EQUIPMENT DEPLOYMENT STATUS - SCHOOLS WITH MUSIC PROGRAMS (Q1 2018-19)

	Q4 2017-18		Q4 2017-18	
	Number	Percent	Number	Percent
In Process	0	0.0%	0	0.0%
Ordering	0	0.0%	0	0.0%
Closing Out	10	5.3%	11	5.8%
Closed	179	94.7%	178	84.2%
Total	189	100%	189	100%

As shown in Figure 1, the District is making considerable progress implementing the music equipment upgrades. Over the past 12 months, the number of projects that are closing out has decreased significantly, accompanied by a significant increase in the number of projects that are closed out.

FIG. 1 - MUSIC EQUIPMENT PROJECT STATUS: Q2 2017-18 THROUGH Q1 2018-19
NUMBER OF PROJECTS



Approximately \$17.23 million has been spent or encumbered on music equipment as of June 30, 2018. Music and art equipment has been purchased from 13 vendors (see Table 5). Of the approximately \$17.23 million spent on replacement music and art equipment, approximately \$10.6 million (61.8 percent) has been spent with one vendor, All County Music.

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

Vendor	Amount	Percentage
All County Music	\$10,658,131	61.8%
Cascio Interstate Music	\$3,228	0.0%
Enabling Devices	\$8,284	0.0%
JW Pepper	\$3,383	0.0%
Malmark	\$6,372	0.0%
Music Arts Enterprises	\$3,616,429	21.0%
Music Man	\$1,275,994	7.4%
Romeo Music	\$40,549	2.6%
School Specialty	\$62,754	0.4%
Summer Arts Sessions	\$9,600	0.1%
Summer Hays Music	\$11,984	0.1%
Vista Pan Steel Instruments	\$5,036	0.0%
Wenger	\$1,134,771	6.6%
Total	\$17,236,515	100.0%

ART EQUIPMENT

The SMART Program allocates \$313,600 for replacement kilns. Kilns are ordered on an “as needed” basis subject to the process for kiln evaluation/repair/orders. The District reports that 50 kilns have been delivered to 39 schools. An additional 20 kilns have been ordered.

THEATER EQUIPMENT

The District reports that SMART funding will be made available to schools to upgrade and/or add to their sound, lighting, and stage equipment. The District reports that \$1,008,000 million will be allocated over the 5- year term of the SMART Program:

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

No expenditures for theater equipment have been reported. The District reports that orders have been received from all 37 schools and orders have been placed for 20 schools. Orders for the remaining schools will be placed during Q2 2018-19.

SECTION 4 --- 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 26 of the high schools. Of the 4 remaining high schools, the weight room project at Northeast High School has moved into the Design Phase and the weight room projects at Copper City High School, Coral Springs High School, and Deerfield Beach High School have moved into the Implementation Phase.

The Chief Portfolio Services Officer reports that, while in the Design Phase, a redesign request has pushed the planned completion date for the Northeast High School weight room project back to the second quarter of calendar year 2019 (June 30, 2019). "Unforeseen concerns" have pushed the planned completion dates for the weight room projects at Cooper City High School, Coral Springs High School, and Deerfield Beach High School back to the fourth quarter of calendar year 2018 (December 31, 2018).

SECTION 5 --- FACILITIES

CONSTRUCTION SCHEDULE

The 2018-19 school year marks the beginning of Year 5 of the SMART Program. This is significant considering the District's commitment that every planned facility renovation project would begin within five years and be completed within seven --- a commitment that, until the October 8, 2018 BOC meeting, the District had steadfastly maintained. At that meeting, District staff said publicly what many associated with the SMART Program had long feared privately --- that beginning every project within five years and completing every project within seven years is no longer realistic.

For the second time since the beginning of construction activities, the District is revising the construction schedule for the completion of SMART Program construction projects. The first occurred with the District's submission of the Q3 2016-17 report. The District reported that the Project Management Team had reevaluated the timelines for all SMART Program construction projects with the intent of establishing more realistic milestone dates. 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 was pushed back to the first quarter of calendar year 2018, a delay of 3-6 months. For FY 2016-17 projects, implementation (construction) procurement that was originally scheduled to begin in the first and second quarter of calendar year 2018 was pushed back to the fourth quarter of calendar year 2018, a delay of 6-9 months.

TaxWatch expressed concern in its May 22, 2017 report to the Bond Oversight Committee that 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.

The need to revise the construction schedule for completing the remaining SMART Program construction projects was outlined at the October 8, 2018 BOC meeting. In recent reports to the BOC, TaxWatch has identified many projects that have been delayed in the Design Phase. Of primary concern to the BOC has been the planned facility improvements at the "Big 3" schools --- Blanche Ely, Northeast, and Stranahan high schools. In its most recent report to the BOC, TaxWatch noted that the forecast completion dates for the primary renovations projects at Blanche Ely and Stranahan high schools had been pushed back a year or more, and the costs of the primary renovations projects at Blanche Ely and Stranahan high schools had increased by approximately \$21 million. This was acknowledged by District staff.

District staff has pointed out that design professionals are taking months to address comments by the building department and resubmitting design plans. Failure to adequately address these comments

has resulted in multiple resubmittals, which has resulted in further delays. Provisions in the current contracts that would permit the District to impose financial penalties on design professionals who failed to submit higher-quality initial plans or who failed to address building department comments more quickly have been deemed by the District staff to be “nonenforceable.”

At the October 8, 2018 BOC meeting, Superintendent Runcie introduced a restructured facilities construction team. The District staff and vendor representatives that, until now, had appeared at BOC meetings have been replaced with a new team, ostensibly to better manage the construction phase of the SMART Program. Their charge is to come back to the BOC at its December meeting with project timelines and budgets that are as accurate as possible given what it will take to implement the planned improvements within the current market conditions. Superintendent Runcie made it clear that it is going to take longer than expected to complete the planned renovations, perhaps one to two years beyond the current forecast completion dates.

The Task Assigned Executive Director, Capital Programs, reports that, beginning with the Q2 2018-19 report for the quarter ending December 31, 2018, the BOC will see:

- A more accurate account of what is happening at each school, including clear and realistic timelines, presented in a way that is more transparent and intuitive;
- An updated and more reasonable completion schedule for every project at each school; and
- A more concerted effort to address the critical risk factors in roofing and HVAC projects.

RENOVATIONS

The District’s Q1 2018-19 Facilities Construction Report includes project-specific information on 1,579 construction projects at 232 schools. The District reports that 1,539 projects (97.5 percent of the scheduled construction activities) are either underway or complete, and all 232 schools (100 percent) have at least one project that is currently initiated¹ or underway.²

The status of facility construction projects is shown in Table 6 (which allows readers to view progress from the quarter ending June 30, 2018 to the quarter ending September 30, 2018).

¹ A project is “initiated” when funding is released and planning has begun.

² A project is “underway” when it enters Phase 2, Hire Design Team.

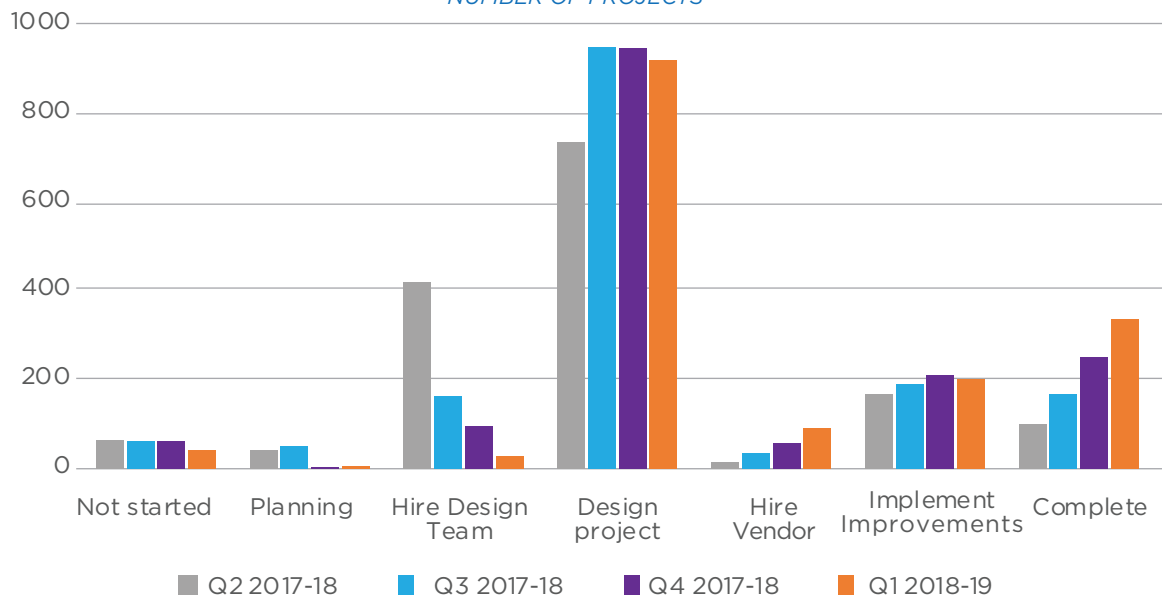
TABLE 6.
FACILITIES CONSTRUCTION PROJECT STATUS (Q1 2018-19)

Phase	(as of Sept. 30, 2018)		(as of June 30, 2018)	
	Number	Percentage	Number	Percentage
Not Started	40	2.5%	60	3.8%
Planning	6	0.4%	3	0.2%
Hire Design Team	28	1.8%	92	5.8%
Design Project	894	56.6%	920	58.3%
Hire Contractor/Vendor	88	5.6%	56	3.5%
Implement Improvements	195	12.3%	205	13.0%
Completed	328	20.8%	243	15.4%
Total	1,579	100.0%	1,579	100.0%

As shown in Table 6 and Figure 2, the District continues to make 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 60 to 40;
- More projects are moving from the Design Phase into the Hiring Contractor Phase; and
- The number of Completed projects has increased from 243 to 328, an increase of 35 percent.

FIG. 2 - PROJECT STATUS: Q2 2017-18 THROUGH Q1 2018-19
NUMBER OF PROJECTS



FLAGGED SCHOOLS

A review of the “School Spotlights” by TaxWatch identified 142 schools with one or more projects where “unexpected complications” have created budget³ and/or schedule⁴ issues. The 142 flagged schools represent about 61 percent of the 232 schools at which facility construction/renovation projects are planned.

FLAGGED PROJECTS

A review of the “School Spotlights” by TaxWatch identified 199 flagged projects, all of which were flagged for schedule issues. These projects are broken out in Table 7.

TABLE 7.
FLAGGED PROJECTS (Q1 2018-19)

	Schedule Issues	Budget Issues	Total
Primary Renovations	130	0	130
Single Point of Entry	0	0	0
School Choice Enhancements	58	0	58
Other	11	0	11
Total	199	0	199

Looking at Table 7, a couple of things warrant further discussion. First, TaxWatch was unable to identify any projects that had been flagged for budget issues. In the Q4 2017-18 report, TaxWatch identified 7 projects that had been flagged for budget reasons. In addition, TaxWatch noted that, during Q4 2017-18, the School Board approved additional funding increases for 8 projects totaling \$27.65 million. In Section 6 (Budget Activity) of this report, TaxWatch notes that a recent risk assessment conducted by one of the District’s vendors shows that projects that have been bid or negotiated to date are approximately 35 percent above the initial budgets. In light of these findings, it is difficult to understand how no projects could be flagged for budget issues.

RECOMMENDATION 3

TaxWatch recommends that the Task Assigned Executive Director, Capital Programs, provide an explanation why there are no projects flagged for budget issues.

3 Budget issues reflect a need for School Board approval of an increase in funding based on bid and/or change order results.

4 Schedule issues reflect a risk of or inability to meet the planned milestone date for progressing to the next phase in the process.

Second, there are no Single Point of Entry projects flagged for schedule or budget issues. In the Q4 2017-18 report, TaxWatch identified 45 Single Point of Entry projects flagged for schedule issues and 1 Single Point of Entry project flagged for budget reasons. In fact, TaxWatch’s review of the “School Spotlights” failed to identify any Single Point of Entry projects. As a result, TaxWatch is unable to determine how many Single Point of Entry projects are behind schedule or over budget.

RECOMMENDATION 4

TaxWatch recommends that the Task Assigned Executive Director, Capital Programs, provide an explanation of:

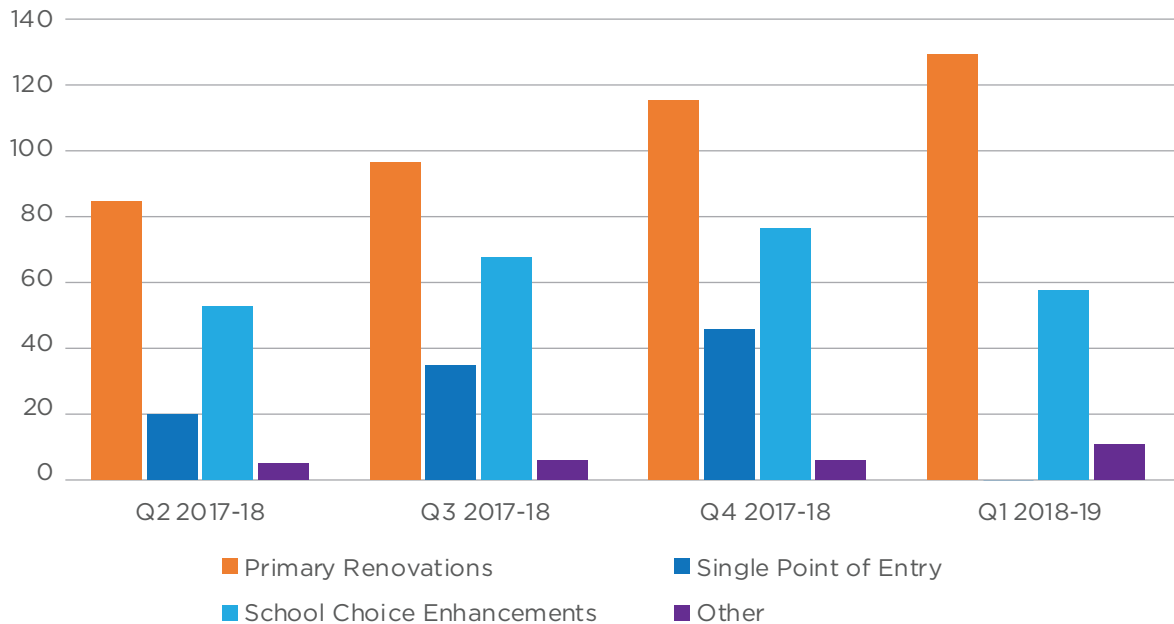
- **why there are no Single Point of Entry projects flagged for budget issues;**
- **why the Single Point of Entry projects are no longer identified on the “School Spotlights”;** and
- **the status of the 68 active Single Point of Entry projects compared to their planned completion dates and budgets.**

As shown in Table 7, most of the flagged projects are Primary Renovation projects. Primary Renovations include, for example, electrical improvements, HVAC improvements, building envelope improvements, etc. It is not uncommon for a Primary Renovation project to include a bundle of anywhere from 2 to 10 specific construction activities.

TaxWatch reviewed the scopes of each of the flagged Primary Renovation projects and identified 566 specific construction activities bundled up in those 130 Primary Renovation projects. This suggests that, of the 1,539 construction activities currently underway, about 37 percent are included in Primary Renovation projects that have been flagged for budget or schedule issues.

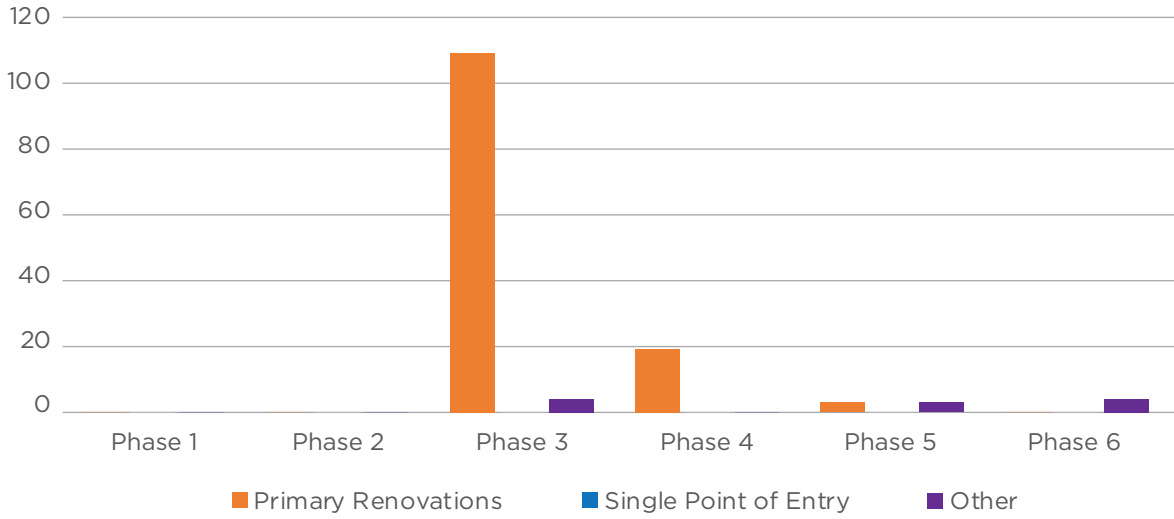
TaxWatch reviewed flagged projects over the last 12 months. As shown in Figure 3, the number of Primary Renovations projects flagged has increased while the number of School Choice Enhancement Projects has decreased.

FIG. 3 - FLAGGED PROJECTS: Q2 2017-18 THROUGH Q1 2018-19
 NUMBER OF PROJECTS



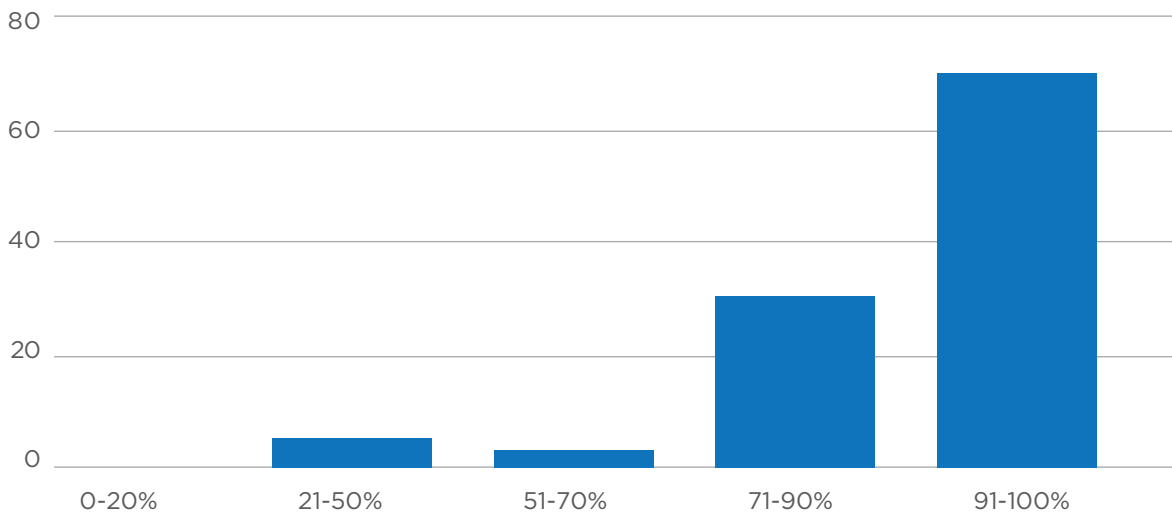
In anticipation of a revised completion schedule, the Planned and Actual/Forecast completion dates beyond a project's current phase have been removed from the "School Spotlights" by District staff. Figure 4 shows where each project flagged for schedule issues (excluding School Choice Enhancement Projects) is in the construction process. It should not be assumed that the reason for the delay occurred during the current phase; however, as has been explained in previous reports, facility renovation projects move through the process with reasonable efficiency until they reach Phase 3 (Design). It is at the Design Phase where almost all of the schedule delays are occurring.

FIG. 4 - FLAGGED PROJECTS Q1 2018-19: CURRENT PHASE
NUMBER OF PROJECTS



TaxWatch reviewed the School Spotlight for each school at which schedule delays in the Design Phase were reported. As shown in Figure 5, for projects that are experiencing delays in the Design Phase, the Design Phase is more than 90 percent complete for the overwhelming majority of these projects.

FIG. 5 - DESIGN PHASE COMPLETION STATUS: Q1 2018-19
NUMBER OF PROJECTS



PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q1 2018-19:

- Authorized the advertisement of 1 Design Professional Services Agreement;
- Authorized 9 schools to advertise for bids; and
- Approved 4 construction bid recommendations.

In addition, the School Board took the following actions:

- Amendment #1 to the PSA for Falcon Cove Middle School increases total original fees from \$740,000 to \$1,179,879, an increase of \$439,879;
- Alternative scope options were approved for Northeast High School;
- Amendment #1 to the Construction Services Agreement with Core Construction Services of Florida, LLC, deletes all references to the Construction Manager's obligations during the Design Phase;
- Amendment # 1 to the construction agreement for Anabel Perry Pre-K-8 modifies the construction duration from 420 days to 330 days;
- Change Order #1 for the Single Point of Entry project at Miramar High School amended the scope of work to delete work required by a general contractor, which generates a credit of \$17,585;
- Change Order #1 for the Single Point of Entry project at Cross Creek Elementary School amended the scope of work to correct differences in slab elevations. This will add \$2,030 to the budget and 38 days to the construction schedule;
- Change Order #1 for the Single Point of Entry project at Village Elementary School amended the scope of work to address changes in fence standards and unforeseen construction conditions. This will add \$4,600 to the budget and 38 days to the construction schedule;
- Change Order #1 for the Single Point of Entry project at Lauderhill 6-12 School amended the scope of work to address unforeseen construction conditions. This will add \$12,252 to the budget and 30 days to the construction schedule;
- Change Order #1 for the Single Point of Entry project at William Dandy Middle School amended the scope of work to raise the existing sidewalk. This will add \$7,508 to the budget and 14 days to the construction schedule;
- Change Order #1 for the Single Point of Entry project at Westpine Middle School amended the scope of work to raise the existing sidewalk and provide new flooring. This will add \$8,871 to the budget and 14 days to the construction schedule;
- Change Order #2 for the Single Point of Entry project at Tequesta Trace Middle School amended the scope of work to relocate the fire alarm pull station and add a required horn strobe. This will add \$3,157 to the budget;

-
- Professional Services Contracts for Roofing Consulting Services were awarded to various consultants, authorizing up to \$3 million per consultant over the life of the agreement;
 - PSA for Sheridan Technical High School and Deerfield Beach High School was terminated for convenience;
 - Final Change Order for the Single Point of Entry project at Stranahan High School resulted in a credit of \$39,740;
 - Amendment #1 to the PSA for Miramar High School increased consultant’s basic services fees to provide complete fire sprinkler and other services. This will add \$74,075 to the budget;
 - Amendment #3 to the agreement with CBRE / Heery, Inc., bifurcates the first one-year renewal period;
 - All bids for fire sprinkler services at Pompano Beach Elementary School were rejected after the District’s Chief Fire Official requested scope changes after bids were received;
 - Amendment #2 to the PSA for Pompano Beach Elementary School amends the scope of work to remove fire sprinklers at Buildings 1, 3, 4, 5, 6, and 8 and to install fire sprinklers in Building 2;
 - Amendment #2 to the PSA for the Single Point of Entry project at Sawgrass Springs Middle School increases fees in the amount of \$24,995 to develop a separate bid package to accelerate the schedule;
 - Amendment #2 to the PSA for the Single Point of Entry project at Margate Middle School increases fees in the amount of \$20,159 to develop a separate bid package to accelerate the schedule;
 - Amendment #3 to the PSA for the Single Point of Entry project at Piper High School increases fees in the amount of \$28,374 to develop a separate bid package to accelerate the schedule; and
 - Amendment #1 to the agreement with Atkins North America, Inc., bifurcates the first one-year renewal period.

THE “BIG 3” SCHOOLS

At the May 22, 2017 BOC meeting, Chairman Rabinowitz requested that the District provide an update on the status of construction activities at Blanche Ely High School, Northeast High School, and Stranahan High School at every BOC meeting. As previously recommended by TaxWatch, the District has included a brief update on the status of construction activities at Blanche Ely High School, Northeast High School, and Stranahan High School.

Blanche Ely High School

The District reports that the Primary Renovations project has moved from the Design Phase into the Hire Contractor Phase, which is 80 percent complete. Implementation of the Single Point

of Entry project is nearing completion (99 percent complete). The School Choice Enhancement project has moved into the Implementation Phase and is 10 percent complete. The weight room project is 100 percent completed and in use by students.

Northeast High School

The District reports that the Primary Renovations project is 100 percent complete; however, this is contrary to the "School Spotlight," which shows the Design Phase of the Primary Renovations project to be 90 percent complete. An amended scope of Phase 2 of the Primary Renovations project (the Hire Designer Phase of which is 25 percent complete) has been approved by the School Board.

Implementation (construction) of the Single Point of Entry project is 99 percent complete and is awaiting installation of hurricane shutters. Implementation of the School Choice Enhancement project is 93 percent complete. The weight room project is in the Design Phase, which is 80 percent complete.

Stranahan High School

The District reports that the Primary Renovations project has moved into the Construction Phase, which is 3 percent complete. Implementation (construction) of the Single Point of Entry project is complete and closing inspection has occurred. Implementation of the School Choice Enhancement project is in the Implementation Phase, which is 85 percent complete. The cafeteria renovation project is in the Design Phase, which is 15 percent complete. The weight room and track projects are complete and in use by students.

The District continues to portray progress at the Big 3 schools in a most favorable light. In its Q4 2017-18 report to the BOC, TaxWatch reported that the planned completion dates for the Primary Renovation projects at Blanche Ely and Stranahan high schools had been pushed back by one calendar year or more, and that budget for the Primary Renovation projects at Stranahan High School had increased by \$13.7 million. TaxWatch shared this information with District staff in an August 17, 2018 conference call and in an August 20, 2018 follow-up e-mail. There is no acknowledgement of these additional delays and costs in the District's update on the status of the Big 3 schools.

SAFETY AND SECURITY

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. In response, the District's Facilities Report highlights the District's efforts to ensure the safety and security of Broward County students, including the acceleration of all Single Point of Entry projects (which limit access to the school through one entrance point during school hours). The

School Board is to be commended for accelerating the release of funds so Single Point of Entry projects can be initiated ahead of schedule. Additional safety improvements include fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware.

The District has changed the way it reports the status of Single Point of Entry projects. Since the end of the last quarter, a new reporting category “Meets Standards” has been introduced, which makes comparing Q1 2018-19 status to Q4 2017-18 status impractical. Nonetheless, the status of Single Point of Entry projects is shown in Table 8.

TABLE 8.
SINGLE POINT OF ENTRY PROJECT STATUS (Q1 2018-19)

	Number	Percentage
Not started	0	0.0%
Planning	0	0.0%
Hire Design Team	0	0.0%
Design project	43	18.1%
Hire contractor/vendor	6	2.5%
Implement improvements	19	8.0%
Complete	28	11.8%
Meets Standards	142	59.6%
Total	238	100.0%

As shown in Table 7, none of the 199 projects flagged for schedule issues (delays) is a Single Point of Entry project. As discussed above, TaxWatch identified 45 Single Point of Entry projects flagged for schedule issues and 1 Single Point of Entry project flagged for budget reasons in the Q4 2017-18 report. TaxWatch’s review of the “School Spotlights” failed to identify any Single Point of Entry projects. As a result, TaxWatch is unable to determine how many Single Point of Entry projects are behind schedule or over budget.

Over the life of the SMART Program, the School Board has currently budgeted \$130.5 million for safety and security improvements. For years 1-5 of the SMART Program, the School Board has currently budgeted \$133.8 million for safety and security improvements. This includes \$87.8 million in General Obligation Bond (GOB) funds and another \$21.9 million in non-GOB funds.

During Q1 2018-19, the District spent a total of \$13.41 million on safety and security projects, an increase of \$2.57 million over Q4 2017-18. Table 9 provides a summary of expenditures for safety and security projects since SMART Program inception.

TABLE 9.
SMART PROGRAM SAFETY AND SECURITY PROJECT EXPENDITURES (THROUGH SEPT. 30, 2018)

	Prior Year Expenditures	Commitments	Current Year Expenditures	Total
Financially Active				
GOB Funds	\$8,021,533	\$10,454,231	\$1,835,643	\$20,311,407
Non-GOB Funds	\$1,992,656	\$5,075,357	\$15,721	\$7,083,734
Completed/Meets Standards				
GOB Funds	\$892,409	\$81,679	\$150,095	\$1,124,183
Non-GOB Funds	\$-	\$-	\$-	\$-
Total	\$10,906,598	\$15,611,267	\$2,001,459	\$28,519,324

As shown in Table 9, the District has spent or committed more than \$28.5 million for school safety improvements.

SCHOOL CHOICE ENHANCEMENT PROGRAM (SCEP)

The District reports that, because of the early mobilization of 31 Year 3 schools, there are now 170 School Choice Enhancement Program (SCEP) projects initiated, under way, or complete. 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. There are 47 schools with completed SCEP projects. The status of these projects is shown in Table 10.

TABLE 10.
SCHOOL CHOICE ENHANCEMENTS PROJECT STATUS

Project Phase	Q1 2018-19		Q4 2017-18	
	Number	Percentage	Number	Percentage
Planning/Design	19	11.2%	20	11.8%
Implement Improvements	95	55.9%	103	60.6%
Improvements Complete	56	32.9%	47	27.6%
Total	170	100%	170	100%

The District is making considerable progress implementing the SCEP Program projects. Since the end of the last quarter, fewer SCEP projects are in the Planning and Design phase and more have moved into Improvements Completed phases. The number of SCEP projects have been flagged due to schedule delays has decreased from 68 to 58. All of the flagged School Choice Enhancement Projects are currently in the Implementation Phase.

SECTION 6 --- BUDGET ACTIVITY

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. The SMART Program total budget for years 1-5 is \$1.02 billion. This includes the \$800 million in general obligation bond (GOB) funding and \$210 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$34.3 million over the original budget.

The Chief Financial Officer reports that SMART Program expenditures increased from \$182,862,789 to \$195,271,774 (a 6.8 percent increase) during the same period. The Chief Financial Officer reports a SMART Program balance of \$730,976,333 at the end of Q1 2018-19.

ASSESSMENT OF RISK

At the October 8, 2018 BOC meeting, Superintendent Runcie made it clear that the planned renovation projects will cost more than what is currently budgeted. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs. By how much is unknown, but a recent risk assessment conducted by one of the District's vendors shows that projects that have been bid or negotiated to date are approximately 35 percent above the initial budgets. This represents an increase of approximately \$300 million above the original SMART Program budget. District staff have made clear their expectation that a significantly higher amount of additional millage funds will need to be placed in reserve to complete the scope of the SMART Program.

The District set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program. The District began Q1 2018-19 with a reserve balance of \$58.9 million. Approved increases for facility renovation projects at Griffin Elementary (\$1.9 million), Silver Trails Middle School (\$1.8 million), Quiet Waters Elementary School (\$1.6 million), Palm Cove Elementary School (\$1.3 million), and Charles W. Flanagan High School (\$6.8 million) reduced this amount to \$45.6 million. The School Board added \$59.8 million to the reserve for FY 2019-20 and \$69.8 million to the reserve for FY 2020-21, bringing the reserve balance up to \$175.2 million at the end of Q1 2018-19.

RECOMMENDATION 5

TaxWatch recommends that, beginning with the Q2 2018-19 Report, the Chief Financial Officer include an updated assessment of risk and its potential impact on project budgets.

The District reports the School Board approved funding increases totaling \$27.65 million for the following projects during Q1 2018-19:

-
- Griffin Elementary School --- construction agreement increased \$1,868,208;
 - Silver Trail Middle School --- construction agreement increased \$1,781,150;
 - Quiet Waters Elementary School --- construction agreement increased \$1,576,000;
 - Palm Cove Elementary School --- construction agreement increased \$1,318,659; and
 - Charles W. Flanagan High School --- construction services agreement amended to increase guaranteed maximum price by \$6,793,361.

All told, the School Board has approved amendments that have increased the original SMART Program budget by \$34.3 million since program inception.

SECTION 7 --- SUPPLIER DIVERSITY OUTREACH

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

The District reports that, as of September 30, 2018, there were 746 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. Of these 746 E/S/M/WBEs:

- 62 (8.2 percent) are SBE certified companies;
- 322 (43.2 percent) are MBE certified companies;
- 228 (30.6 percent) are M/WBE certified companies; and
- 134 (18.0 percent) are WBE certified companies.

The District reports as part of its Contract Compliance Metrics an E/S/M/WBE commitment of \$15.27 million during Q1 2018-19. This represents 43 percent of the total \$35.41 million in contracts awarded during the quarter.

Through September 30, 2018, the District has issued purchase orders to E/S/M/WBEs totaling \$76.3 million. This represents a cumulative E/S/M/WBE prime commitment of 32.3 percent. Of this \$76.3 million E/S/M/WBE commitment:

- \$4.64 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;
- \$71.7 million has been awarded to E/S/M/WBE firms for Renovation projects; and
- \$0 has been awarded to E/S/M/WBE firms for Technology projects.

As previously recommended by TaxWatch, the Q1 2018-19 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 18.3 percent has been awarded to African American-owned companies;
- 58.4 percent has been awarded to Hispanic American-owned companies;
- 10.0 percent has been awarded to Asian American-owned companies; and
- 13.3 percent has been awarded to White Female-owned companies.

As previously recommended by TaxWatch, the District has stepped up its efforts to award SMART Program purchase orders to women-owned companies. Almost one-fourth (24.45 percent) of the total minority spend was awarded to women-owned companies.

SECTION 8 --- COMMUNICATIONS

The Q1 2018-19 Report highlights the District’s continued efforts to promote the SMART Program. When the School Board approves a new phase of a SMART project, the Office of Facilities and Construction sends a memo to the principal of the school explaining the Board’s decision and the timetable for going forward. This is designed to help school administrators speak more knowledgeably about ongoing improvements that affect their facilities. During Q1 2018-19, 14 of these principal letters were distributed.

Other outreach efforts include:

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

The District reports that the 31 public meetings were held “to continue promoting clarity and understanding between all involved parties and stakeholders – keeping parents, administrators, and the districts at large up to date with the SMART storyline.” It is unclear whether the “District at a Glance” pamphlets, the “Board Milestones” online, the “SMART Update” online newsletters, or any other materials prepared by the District during Q1 2018-19 address the apparent one- to two- year delay in completing the facilities renovations projects.

RECOMMENDATION 6

TaxWatch recommends that the District provide the Bond Oversight Committee its proposed messaging strategy for informing the taxpayers of the additional delays in completing the planned facilities renovation projects.

LOOKING AHEAD

The District continues to make progress in implementing the \$1.02 billion SMART Program. SMART Program expenditures and commitments now exceed \$290 million, and there are more than 1,500 financially active projects. 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. All planned track resurfacing projects have been completed and 26 of the 30 weight room projects have been completed.

Facility renovation and construction activities have begun, and in some cases completed, at numerous SBBC schools. Most importantly, however, is the acknowledgement by the District that beginning every planned facility renovation project within five years and completing every facility renovation project within seven years is no longer realistic, that an additional one to two years may be required to complete all the planned improvements.

In his transmittal letter for the Q1 2017-18 Report, Superintendent Runcie states that the updated construction schedules will be presented to the School Board for review at a December 11, 2018 workshop. The District's next report to the Bond Oversight Committee, for the quarter ending December 31, 2018, will include both the updated construction schedules and the original baseline schedules.

Florida TaxWatch acknowledges and appreciates the District's continued efforts to increase transparency in SMART Program reporting. In response to previous Florida TaxWatch recommendations, the District's quarterly SMART Program reports:

- Include a revised School Spotlight template now includes more project-specific information on construction activities at SBBC schools;
- Include summary information that makes it much easier to monitor the District's progress in upgrading music and art equipment;
- Include summary information that makes it much easier to monitor the District's progress in upgrading athletic facilities;
- Identify construction projects that are experiencing budget and scheduling issues;
- Include information on contracts awarded to and purchase orders issued to E/S/M/WBE firms for all SMART Program categories; and
- Include a section in the Budget Activity Report that identifies projects that have been completed and that meet standards.

As a result, the District now does a much better job explaining to the taxpayer actions that have been taken and how SMART Program funds are being spent. TaxWatch acknowledges the District's efforts in the Q1 2018-19 Report to provide the taxpayer a better explanation of why these actions are necessary. It is important that the taxpayers know whether the scopes of the projects are being revised, whether funding levels for the projects have changed, or whether the schedules for the projects are being pushed back. It is incumbent upon the District to help taxpayers understand how and why their tax dollars are being spent.

The tragedy at Marjory Stoneman Douglas High School has placed school safety and security under the microscope and it is unlikely that this focus will diminish going forward. More than 200 Single Point of Entry projects will, when completed, limit entry to the schools during normal school hours. Since the District has removed the Single Point of Entry projects from the "School Spotlights," TaxWatch is unable to assess the District's progress implementing the Single Point of Entry projects.

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

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

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