



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

*SMART Program Quarterly Report Review
for the Quarter Ended March 31, 2019*

Presented to the Broward County Bond Oversight Committee
June 10, 2019

Q3
2018-19



Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

The end of the 2018-19 school year marks the end of Year 5 of the SMART Program. This is significant considering the District's original commitment that every planned facility renovation project would begin within five years and be completed within seven --- a commitment that is no longer realistic. It is going to take longer than expected to complete the planned renovations and the costs are projected to be significantly higher. This is not in dispute.

Still, significant improvements have been made as a result of SMART Program funding. All planned computer devices have been ordered and received, all traditional schools now comply with the District's standard of 1 computer for every 3.5 students, and all technology projects planned for charter schools have been completed.

The replacement of music, arts, and theater equipment continues, with all planned projects accelerated and underway, and more than 57,000 pieces of musical equipment have been delivered to Broward public schools. More than 120 kilns have been ordered and theater equipment has been ordered and is being delivered to the 37 schools with theater programs.

All 15 planned track resurfacing projects have been completed and 29 of the 30 weight room projects have been completed. The District continues its efforts to ensure participation in the SMART Program by Minority/Women Business Enterprises, ethnic-owned business enterprises, and small business enterprises that provide commodities (supplies), construction, professional services, and business services to District schools. Almost \$100 million has been committed to these historically underutilized businesses.

Of paramount importance to school safety are the Single Point-of-Entry projects, which limit access to the schools through one entrance point during school hours. The District has stepped up its commitment to completing these projects and expects to complete all remaining Single Point-of-Entry projects before students return to school in the Fall.

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, 2019. TaxWatch staff will be available to present our findings and recommendations at the Committee's June 10, 2019 meeting.

Sincerely,

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

Dominic M. Calabro

President & CEO

INTRODUCTION

On May 28, 2019, Florida TaxWatch received the *Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 2019* (“Quarterly Report”). This single 714-page report provides updated information on the implementation of the District’s SMART Program and the use of general obligation bond funds to purchase and install technology upgrades, purchase music and arts equipment, improve safety, upgrade athletic facilities, and renovate educational facilities..

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

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

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

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

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

TECHNOLOGY

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

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

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

TABLE 1.
FINAL SMART PROGRAM TECHNOLOGY UPGRADE SUMMARY

	SBBC Schools	Charter Schools	Total
Student Laptops	64,455	5,086	69,541
Teacher Laptops	13,333	1,417	14,750
Desktops	5,051	1,712	6,763
Tablets	523	3,099	3,622
Computer Carts Trays	1,066	316	1,382
Wireless Access Points	13,166	0	13,166
Category 6 Cable Drops	12,738	0	12,738
Digital Classrooms	0	1,347	1,347
Accessories & Peripherals	0	3,394	3,394

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) SBBC 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 - SBBC SCHOOLS

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 \$9.52 million to:

- Implement a new “Next Generation Firewall” at the District’s Internet perimeter (\$1,519,323);
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution (\$564,591);
- Upgrade the application-specific load balancing system (\$31,497);
- Improve the reliability of critical network services and systems (\$905,556);
- Improve the speed and capacity of the core network (\$806,481);
- Replace the out-of-service tape back-up system with a virtual back-up tape solution (\$393,593);
- Replace the existing automatic call distribution system with one that will be integrated into the District’s current voice application system (\$386,313);
- Relocate and build storage for offsite disaster recovery (\$221,488);
- Replace disk storage that supports the Enterprise Resource Planning (ERP) system (\$212,881);
- Implement enhanced content filters (\$1,354,141);
- Build firewall internet capacity (\$1,395,356);
- Update data network infrastructure (\$385,070);
- Address the immediate need for additional storage space (\$596,425);

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- Upgrade systems that support the Student Information System and Data Warehouse (\$334,372); and
 - Provide additional capacity to support Internet growth and security requirements (\$357,193).

The District reports that all of the above projects have been completed. The District reports that the remaining \$1.48 million will be used for projects that:

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

To meet this demand, the District identified four projects totaling \$1.48 million. None of these projects has begun.

RECOMMENDATION 1

TaxWatch recommends that, beginning with the Q4 2018-19 Report, the Chief Information Officer provide a schedule for the implementation of the Server Blade Growth, Network Security/Capacity Upgrades, Enterprise Back-up, and UPS/Support projects.

MUSIC, ART, AND THEATRE EQUIPMENT

MUSIC EQUIPMENT

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 an additional 1,672 pieces of music equipment were delivered during Q3 2018-19. Overall, more than 59,000 pieces of musical equipment have been ordered. Of that total, 57,305 (96 percent) have been delivered. The status of music equipment orders is shown in Table 3.

TABLE 3.
MUSIC EQUIPMENT DEPLOYMENT STATUS - SCHOOLS WITH MUSIC PROGRAMS

	Q3 2018-19		Q2 2018-19	
	Number	Percent	Number	Percent
In Process	1	0.5%	1	0.5%
Ordering	0	0.0%	0	0.0%
Closing Out	5	2.3%	12	5.5%
Closed	186	85.3%	179	82.1%
No Program	26	11.9%	26	11.9%
Total	218	100%	218	100%

Approximately \$17.35 million has been spent or encumbered on music equipment as of March 31, 2019. Music and art equipment has been purchased from 13 vendors (see Table 4). Of the approximately \$17.35 million spent on replacement music and art equipment, approximately \$10.78 million (62.2 percent) has been spent with one vendor, All County Music.

TABLE 4.
Q3 2018-19 MUSIC & ART VENDOR PAYMENTS (CUMULATIVE)

Vendor	Amount	Percentage
All County Music	\$10,782,013	62.2%
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	\$3,593,650	20.7%
Music Man	\$1,276,009	7.4%
Romeo Music	\$440,549	2.5%
School Specialty	\$63,231	0.4%
Summer Arts Sessions	\$9,600	0.1%
Summer Hays Music	\$11,964	0.1%
Vista Pan Steel Instruments	\$5,036	0.0%
Wenger	\$1,142,700	6.6%
Total	\$17,346,018	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 18 new kilns were ordered during Q3 2018-19, bringing the total number ordered or delivered to 123 (see Table 5).

TABLE 5.
KILN STATUS (Q3 2018-19)

Location	Number
Ordered	27
Delivered to Warehouse	13
Delivered to School	83
Total	123

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 to 37 schools over the term of the SMART Program:

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

The District reports that all orders have been submitted and equipment is in the process of being delivered to the 37 schools. Approximately \$945,000 of the \$1,008,000 (93.7 percent) has been spent or encumbered.

ATHLETICS

TRACK PROJECTS

The SMART Program allocates \$3.81 million for new tracks at three middle schools and 12 high schools. The District reports that the 15 planned track resurfacing projects at the 3 middle schools and 12 high schools have been completed.

WEIGHT ROOMS

The SMART Program allocates \$3.63 million for new weight rooms at each of the 30 high schools. The District reports that weight room projects have been completed at 29 of the 30 high schools. Of the 1 remaining high school (Northeast High School), the weight room project is currently in the Design Phase. A request for re-design has pushed the planned completion date for the Northeast High School weight room project back to Q3 2019 (September 30, 2019).

FACILITIES

CONSTRUCTION SCHEDULE

For the second time since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The revised construction schedule is designed to ease the flow of projects moving through the Design Phase; avoid an overabundance of projects being initiated simultaneously; and lighten the demand on an oversaturated construction and labor market.

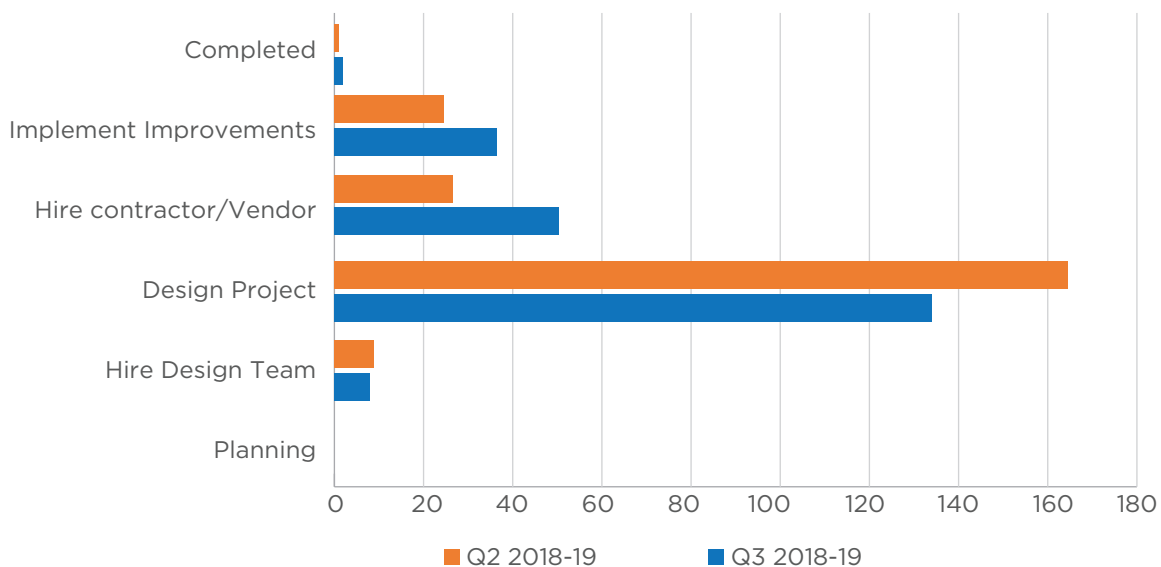
The revised construction schedule reflects a reevaluation based upon market conditions, availability of contractors, school enrollment, cash flow, lead times, end user coordination requirements, and building access. The newly-revised construction schedule:

- Recognizes that the District's original commitment to start every project within 5 years and complete every project within 7 years is no longer realistic;
- Increases the length of the Design Phase for each project by an average of 282 days;
- Increases the length of the Construction Phase for each project by an average of 125 days;
- Recognizes that the market will not support bidding 30-40 construction projects each month, as reflected in the previous schedule;
- Reflects bidding 8-12 construction projects each month;
- Pushes the scheduled completion date for 26 projects back to calendar year 2022; and
- Pushes the scheduled completion date for 3 projects back to the first quarter of calendar year 2023.

PRIMARY RENOVATION PROJECTS

The District reports that Primary Renovation projects are either underway or complete at 234 Broward County schools. This represents an increase of 5 schools from Q2 2018-19. The status of the Primary Renovation projects is shown in Figure 1.

FIG. 1 - PRIMARY RENOVATION PROJECT STATUS: Q3 2018-19
NUMBER OF PROJECTS



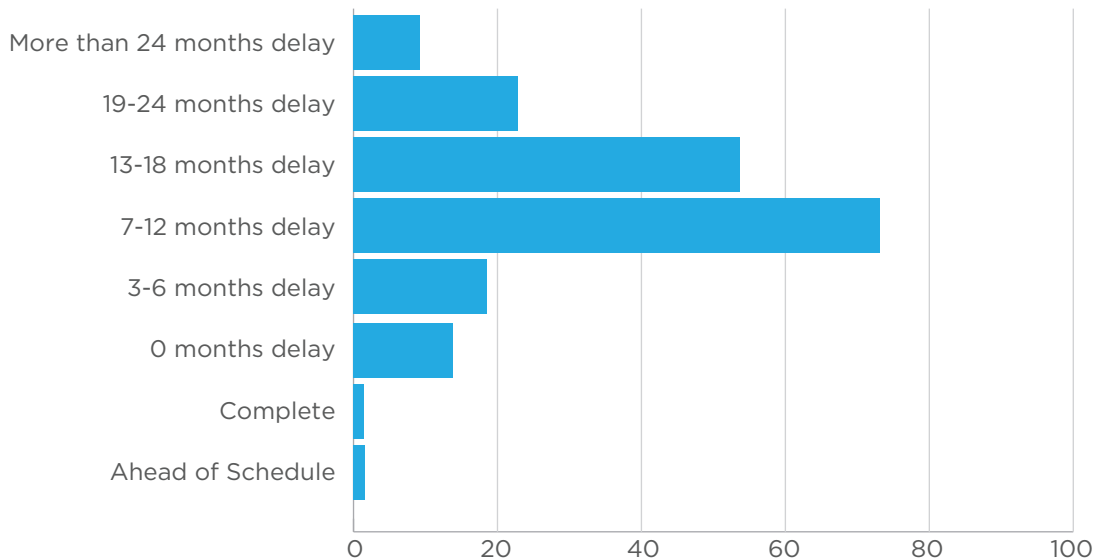
As in previous quarters, the majority (58 percent) of the 234 active Primary Renovation projects are in the Design phase; however, Figure 1 shows a decrease in the number of active Primary Renovation Projects in the Design Phase and an increase in the number of active Primary Renovation Projects in the Hire Contractor/Vendor Phase and in the Implement Improvements Phase. Florida TaxWatch considers this to be a good sign, as it shows projects transitioning out of the Design Phase, where bottlenecks have occurred.

RECOMMENDATION 2

TaxWatch recommends that, beginning with the Q4 2018-19 Report, the Task Assigned Executive Director, Capital Programs, include the status of all planned Primary Renovation projects, including the number of those that have not yet started.

TaxWatch compared the “new planned” and “planned” schedules on each school’s School Spotlight to better understand the additional delays reflected in the new project schedules. As shown in Figure 2, when compared to the 2017 schedule’s planned completion dates, the completion of Primary Renovation projects has been pushed back by more than one year at almost one-half (45 percent) of the schools.

FIG. 2 - PRIMARY RENOVATION PROJECTS:
COMPARISON OF “PLANNED” AND “NEW PLANNED” SCHEDULES
NUMBER OF PROJECTS



SINGLE POINT-OF-ENTRY PROJECTS

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. In response, the District’s Facilities Report highlights the District’s efforts to ensure the safety and security of Broward County students, including the acceleration of all Single Point-of-Entry projects (which limit access to the school through one entrance point during school hours). The School Board is to be commended for accelerating the release of funds so Single Point-of-Entry projects can be initiated ahead of schedule. Additional safety improvements include fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware.

The District has changed the way it reports the status of Single Point-of-Entry projects. For safety reasons, the District no longer includes details about active Single Point-of-Entry projects on the *School Spotlight* for each school. In the Q2 2018-19 Report, the District reported that, since the last quarter, the number of schools with Single Point-of-Entry projects that have either been completed or meet the District’s standards had increased to 179, leaving 50 schools with active Single Point-of-Entry projects. The District affirmed its commitment to complete the remaining 50 Single Point-of-Entry projects as quickly as possible. More than one-half (26) of these projects are scheduled for completion in the first quarter of calendar year 2019, and all the projects were scheduled for completion by March 31, 2019.

The Q3 2018-19 Report moves up the timing for completing the remaining Single Point-of-Entry projects, committing to complete all of the remaining Single Point-of-Entry projects before students return to school in the Fall. The District has expressed its intent to no longer include details or summary reports about the status of Single Point-of-Entry projects.

Florida TaxWatch understands the sensitive nature of these projects and appreciates the District’s reluctance to include details about the status of Single Point-of-Entry projects; however, the public has a right to know, at a minimum, whether these projects have been completed. No longer including even a summary report of the status of Single Point-of-Entry projects does not serve the public’s right-to-know.

RECOMMENDATION 3

TaxWatch recommends that, beginning with the Q4 2018-19 Report, the Task Assigned Executive Director, Capital Programs, provide (at a minimum) a summary report of the status of the Single Point-of-Entry projects.

Over the life of the SMART Program, the School Board has increased SMART Program funds budgeted for safety and security improvements from \$134.1 million to \$138.2 million, an increase of \$4.1 million. During Q3 2018-19, the District spent a total of \$20.02 million on safety and security projects, an increase of \$3.18 million over Q2 2018-19. Table 6 provides a summary of expenditures for safety and security projects since SMART Program inception.

TABLE 6.
SMART PROGRAM SAFETY AND SECURITY PROJECT EXPENDITURES
(THROUGH MARCH 31, 2019)

	Prior Year Expenditures	Commitments	Current Year Expenditures	Total
Financially Active				
GOB Funds	\$6,955,109	\$12,620,897	\$5,212,397	\$24,788,403
Non-GOB Funds	\$1,787,325	\$9,870,873	\$2,832,571	\$14,490,769
Completed/Meets Standards				
GOB Funds	\$1,958,833	\$259,143	\$928,052	\$3,146,028
Non-GOB Funds	\$205,331	\$2,213	\$143,316	\$350,860
Total	\$10,906,598	\$22,753,126	\$9,116,336	\$42,776,060

As shown in Table 6, the District has spent or committed more than \$42.77 million for school safety improvements since SMART Program inception.

SCHOOL CHOICE ENHANCEMENT PROGRAM

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

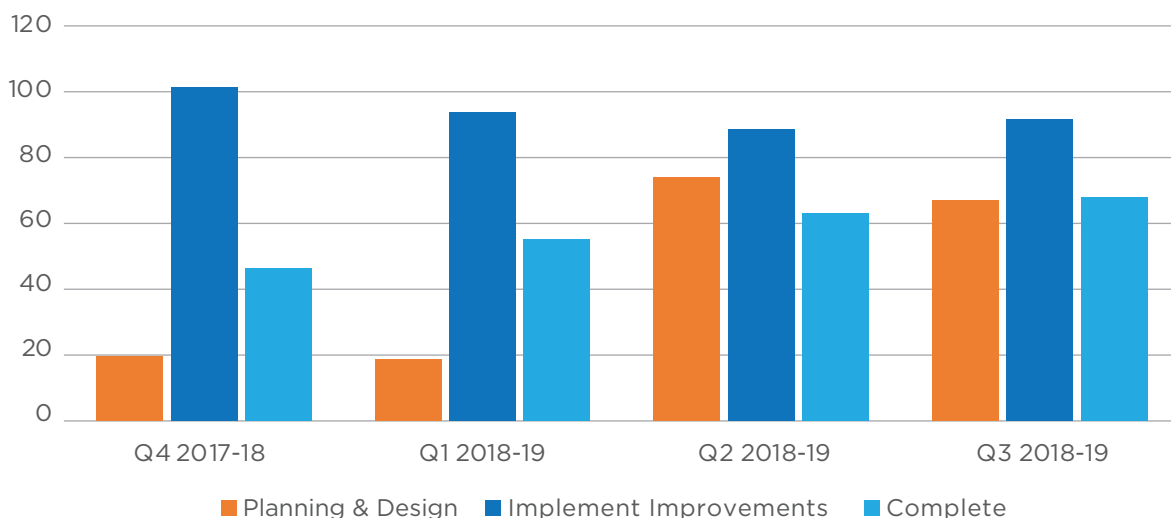
SCEP projects are budgeted at \$100,000; the scope of the capital project (e.g., electronic marquees, shade structures, playgrounds, etc.) is determined by a vote of the teachers, staff, and parents of students at the school. The status of the SCEP projects is shown in Table 7.

TABLE 7.
SCHOOL CHOICE ENHANCEMENT PROJECT (SCEP) STATUS

Project Phase	Q3 2018-19		Q2 2018-19	
	Number	Percentage	Number	Percentage
Planning/Design	68	29.6%	75	32.8%
Implement Improvements	93	40.4%	90	39.3%
Improvements Complete	69	30.0%	64	27.9%
Total	230	100%	229	100%

The District is making considerable progress implementing the SCEP Program projects. As shown in Figure 3, the number of SCEP projects that have begun the Planning and Design Phase and the number of Completed projects have increased over the past four quarters.

FIG. 3 - SCHOOL CHOICE ENHANCEMENT PROJECT STATUS
NUMBER OF PROJECTS



FLAGGED SCHOOLS AND PROJECTS

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

- Schedule issues reflect an actual or potential inability to meet the planned milestone date for progressing to the next phase in the process. Schedule flags are removed once the project has regained the time and is back on its planned schedule.
- Budget issues reflect a need for School Board approval of an increase in funding based on bid and/or change order results. When the School Board approves the necessary budget increase, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s School Spotlight.

Despite resetting the planned completion dates for Primary Renovations and other major projects, the District Facilities Construction Report identifies 98 projects flagged during Q3 2018-19. Of this total, 68 are SCEP projects flagged for Schedule issues. Of those remaining, 1 Fire Alarm project (Forest Hills Elementary School), 1 New Classroom Addition (Cypress bay High School), and 1 Weight Room project (Northeast High School), were flagged for Schedule issues. One Fire Sprinkler project (Nova Middle School) was flagged for Budget issues.

The remaining 26 flagged projects are Primary Renovation projects. Of these 26, 16 were flagged for Schedule issues, 8 were flagged for Budget issues, and 2 were flagged for both Schedule and Budget issues. All but 1 of the flagged Primary Renovations are projected to be delayed by 1 quarter. The Primary Renovations project at Falcon Cove Middle School is projected to be delayed 2 quarters.

The Budget flags represent more than \$32 million in additional funding that will be needed to complete these 10 projects. When the SBBC approves the necessary budget increases for these projects, the Budget flags will be removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s *School Spotlight*. A review of the *School Spotlight* for each school identifies Primary Renovations projects at 34 schools where additional funding totaling more than \$87.3 million has been approved by the SBBC (see Table 8).

TABLE 8
 ADDITIONAL PRIMARY PROJECT FUNDING APPROVED BY SBBC (CUMULATIVE)

School	Additional \$\$\$	Current Status
Anabel C. Perry Pre K-8	\$1,950,037	Construction
Atlantic Technical, Arthur Ashe Jr., Campus	\$1,836,449	Construction
Banyan Elementary School	\$962,979	Construction
Bayview Elementary School	\$946,739	Construction
Blanche Ely High School	\$7,310,000	Construction
Castle Hill Elementary School	\$1,567,030	Construction
Charles W. Flanagan High School	\$6,793,361	Construction
Coconut Creek Elementary School	\$517,143	Construction
Colbert Museum Magnet	\$834,903	Hire Contractor
Cypress Elementary School	\$452,897	Construction
Eagle Ridge Elementary School	\$1,047,383	Construction
Forest Hills Elementary School	\$1,083,601	Construction
Griffin Elementary School	\$1,868,208	Construction
Hollywood Hills High School	\$7,154,351	Hire Contractor
Indin Ridge Middle School	\$945,102	Complete
Lake Forest Elementary School	\$1,202,142	Hire Contractor
Manatee Bay Elementary School	\$625,661	Complete
McNab Elementary School	\$1,915,437	Construction
Miramar Elementary School	\$2,286,935	Construction
Nova High School	\$11,993,745	Hire Contractor
Oakridge Elementary School	\$1,473,860	Construction
Palm Cove Elementary School	\$1,318,659	Construction
Pompano Beach Elementary School	\$1,390,551	Construction
Pompano Beach Middle School	\$4,787,180	Construction
Quiet Waters Elementary School	\$1,576,000	Construction
Ramblewood Elementary School	\$1,353,158	Construction
Rock Island Elementary School	\$1,072,944	Hire Contractor
Sandpiper Elementary School	\$452,942	Construction
Seagull Alternative High School	\$1,131,082	Hire Contractor
Silver Lakes Elementary School	\$1,505,741	Hire Contractor
Silver Shores Elementary School	\$1,231,560	Construction
Silver Trail Middle School	\$1,781,150	Construction
Stranahan High School	\$13,710,000	Construction
West Hollywood Elementary School	\$1,231,160	Construction
TOTAL	\$87,310,090	

The District reports that 90 Primary Renovation projects have successfully transitioned from the Design Phase in to the Hire Contractor, Construction, or Project Complete phases. As shown in Table 8, 34 of these Primary Renovation projects (38 percent) have transitioned from the Design Phase with cost overruns. This is of concern because the District identifies 136 Primary Renovation projects currently in the Design Phase.

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the SBBC during Q3 2018-19:

- Authorized 3 schools to advertise for bids;
- Approved bid recommendations from contractors at 6 schools;
- Approved 1 Construction Manager At-Risk (CMAR) contract for new addition at Northeast High School;
- Approved additional funding in the amount of \$1.93 million at Colbert Museum Magnet and Seagull Alternative High School;
- Approved Guaranteed Maximum Prices for projects at Cypress Bay High School, Hollywood Hills High School, and Nova High School;
- Approved modifications to the original scope and/or fees for Professional Service Agreements (PSAs) at Cypress Bay High School and Stranahan High School; and
- Approved change orders for projects at Plantation High School.

THE “BIG 3” SCHOOLS

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

- Blanche Ely High School Primary Renovation --- Q3 calendar year 2020;
- Northeast High School Primary Renovation (Phases 1 & 2) --- Q3 calendar year 2021; and
- Stranahan High School Primary Renovation --- Q3 calendar year 2021.

BUDGET ACTIVITY

EXPENDITURES

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. The SMART Program total budget for years 1-5 has increased from \$1.032 billion to \$1.065 billion. This includes the \$800 million in general obligation bond (GOB) funding and \$264.8 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$80.8 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

SMART Program expenditures increased from \$214,280,809 to \$230,673,109, an increase of about \$16.4 million during Q3 2018-19. The Chief Financial Officer reports a SMART Program balance of \$666,619,321 at the end of Q3 2018-19. The Chief Financial Officer reports that a second series of the General Obligation Bonds was issued in February 2019 to ensure projects have available funds in line with the projected construction delivery timeframes.

During Q3 2018-19, the SBBC approved the following funding increases:

- Atlantic Technical College, Arthur Ashe, Jr. Campus --- Approved recommendation to award Construction Agreement (\$1,836,449);
- Pompano Beach Elementary School --- Approved recommendation to award Construction Agreement (\$1,390,551);
- Banyan Elementary School --- Approved recommendation to award Construction Agreement (\$962,979);
- Lake Forest Elementary School --- Approved recommendation to award Construction Agreement (\$1,202,142);
- Nova High School --- Approved Guaranteed Maximum Price amendment to Construction Services Agreement (\$11,993,745);
- Oakridge Elementary School --- Approved recommendation to award Construction Agreement (\$1,473,860);
- Colbert Museum Magnet --- Approved additional funds for SMART Program renovations (\$834,903);
- Seagull Alternative High School --- Approved additional funds for SMART Program renovations (\$1,100,000);
- Pompano Beach Middle School --- Lake Forest Elementary School --- Approved recommendation to award Construction Agreement (\$4,787,180);

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- Hollywood Hills High School --- Approved Guaranteed Maximum Price amendment to Construction Services Agreement (\$7,154,351); and
 - Northeast High School --- Approved Professional Services Agreement (\$1,156,000).

Since inception of the SMART Program, the School Board has approved net increases/decreases of \$77,382,297.

ASSESSMENT OF FINANCIAL RISK

At the October 8, 2018 BOC meeting, Superintendent Runcie made it clear that the planned renovation projects will cost more than what is currently budgeted. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs. As previously recommended by Florida TaxWatch, the District's Facilities Report now includes the latest assessment of financial risk.

The latest SMART Program financial risk assessment (issued January 31, 2019) by Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements is expected to increase by 46 percent (\$413 million) over the original budget. This represents an increase of \$111 million (37 percent) since the last (September 2018) financial risk assessment, which estimated \$302 million in additional costs.

This projected \$413 million cost overrun is based on actual pricing data for only 12 percent of SMART Program projects. These actual pricing data on costs-to-date show that projects that have been bid or negotiated (excluding cost increases at the Big 3 high schools) are near 40 percent above the initial budgets. When the budget increases for renovations at Blanche Ely, Northeast, and Stranahan high schools are included, the projected costs exceed the initial budgets by about 50 percent.

Since the September 2018 risk assessment by Atkins, the District has briefed both the SBBC and the Bond Oversight Committee on projected increases for roofing projects. The average cost per square foot for roofing projects that was included in the District's 2014 assessment, upon which initial SMART project budgets were based, was \$6.80 per square foot. Compared to the original estimates, the current cost for roofing projects is about \$19 per square foot, or about 300 percent of the original estimated cost. The District projects a potential impact on SMART Program reserves of up to \$280 million.

The District has set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program. The District began Q1 2018-19 with a reserve balance of \$58.9 million. Approved increases for facility renovation projects reduced this amount to \$45.6 million. The School Board added \$59.8 million to the reserve for FY 2019-20 and \$69.8 million to the reserve for FY 2020-21, bringing the reserve balance up to \$175.2 million at the end of Q1 2018-19. During Q2 2018-19, approved increases for facility renovation

projects (\$27.7 million) reduced the reserve balance to \$147.5 million. Due to approved School Board approvals through the end of Q3 2018-19, the SMART Program reserve balance is currently \$115.3 million. Given the dramatic increase in financial risk, it is unclear whether this reserve will be sufficient to mitigate the projected \$413 million assessed risk.

RECOMMENDATION 4

Florida TaxWatch recommends that the Chief Financial Officer brief the Bond Oversight Committee on the District's contingency plan for additional reserve funds needed to address the potential impacts of the updated \$413 million risk assessment on the current SMART Program budget.

HARD COSTS VERSUS SOFT COSTS

Bond Oversight Committee members have, on more than one occasion, requested a breakdown of "hard costs" versus "soft costs" of SMART projects. "Hard costs" include tangible expenses that are directly related to the physical construction or implementation of the project's scope, and include such costs as materials, equipment, labor and supervision, etc. "Soft costs" include expenses that are indirectly related to the physical construction or implementation of the project's scope, and include such costs as architect and engineering fees, program management fees, furniture and fixtures, general and administrative costs, etc. The District reports (reference June 7 memorandum from Atkins to Bond Oversight Committee members) that typically, hard costs make up 65-75 percent of total budget, and soft costs typically make up 30-35 percent of total budget.

As previously recommended by Florida TaxWatch, the District's Facilities Report includes a breakdown of hard and soft costs; however, information is provided for only the following two fully-complete schools:

- Manatee Bay Elementary School
 - Hard costs --- 88 percent; and
 - Soft costs --- 12 percent.
- Indian Ridge Middle School)
 - Hard costs --- 87 percent; and
 - Soft costs --- 13 percent.

For both of the schools for which a breakdown is provided, the percentage of hard costs is 17 to 23 percent higher than the percentage that typically makes up the total budget. The percentage of soft costs is significantly lower than what one would typically expect. No explanation is provided.

RECOMMENDATION 5

TaxWatch recommends that the Task Assigned Executive Director, Capital Programs, brief the Bond Oversight Committee on the reasons why the hard and soft costs for the two fully-complete schools fall outside the ranges that would typically be expected for these projects.

RECOMMENDATION 6

Beginning with the Q4 2018-19 Report, the Task Assigned Executive Director, Capital Programs, should include an updated and more inclusive report of actual hard and soft costs for SMART Program facility construction projects.

SUPPLIER DIVERSITY & OUTREACH

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

The Chief Strategy & Operations Officer reports that, as of the end of Q3 2018-19, there were 731 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools, 12 more than were reported in Q2 2018-19.

Of these 731 E/S/M/WBEs:

- 67 (9.2 percent) are SBE certified companies;
- 312 (42.7 percent) are MBE certified companies;
- 227 (31.0 percent) are M/WBE certified companies; and
- 125 (17.1 percent) are WBE certified companies.

Procurement activity increased significantly during Q3 2018-19, from \$5.2 million to \$70.2 million. The Chief Strategy & Operations Officer reports as part of its Contract Compliance Metrics an E/S/M/WBE commitment of \$31.8 million during Q3 2018-19. This represents about 45 percent of the total \$70.2 million in contracts awarded during the quarter.

Through March 31, 2019, the District has issued purchase orders to E/S/M/WBEs totaling \$99.3 million. This represents a cumulative E/S/M/WBE prime commitment of 26.8 percent. Of this \$99.3 million E/S/M/WBE commitment:

- \$5.96 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;
- \$93.3 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 Q3 2018-19 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 16.0 percent has been awarded to African American-owned companies;
- 65.3 percent has been awarded to Hispanic American-owned companies;
- 7.7 percent has been awarded to Asian American-owned companies; and
- 11.0 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 (21.8 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q3 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 Q3 2018-19, 10 of these principal letters were distributed.

Other outreach efforts include:

- 44 public meetings were held to promote transparency between all involved parties and stakeholders;
- 19 outreach events were conducted at schools, community, and business forums;
- 25 project charter meetings to communicate and build relationships with community members; and
- Continued use of Twitter and social media to "spotlight" SMART Program accomplishments.

LOOKING AHEAD

The District continues to make progress in implementing the \$1.065 billion SMART Program. SMART Program expenditures and commitments now exceed \$398.1 million. All planned computer devices have been ordered and received, all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students, and all technology projects planned for charter schools have been completed.

The replacement of music, arts, and theater equipment continues, with all planned projects accelerated and underway, and more than 57,000 pieces of musical equipment have been delivered to Broward public schools. More than 120 kilns have been ordered, with 96 delivered, and theater equipment has been ordered and is being delivered to the 37 schools with theater programs.

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

For safety reasons, the District no longer includes summaries or details regarding Single Point of Entry Projects. The District has affirmed its commitment to complete the remaining Single Point of Entry projects before students return to school. Florida TaxWatch understands the sensitive nature of these projects and appreciates the District's reluctance to include details about the status of Single Point-of-Entry projects; however, the public has a right to know, at a minimum, whether these projects have been completed. No longer including even a summary report of the status of Single Point-of-Entry projects does not serve the public's right-to-know.

For the second time since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The new construction schedule pushes the planned completion date for 26 projects back to calendar year 2022 and pushes the scheduled completion date for 3 projects back to the first quarter of calendar year 2023. The planned completion dates for Primary Renovations projects at more than 100 schools have been pushed back by more than one year. Despite the additional time built into the new construction schedule, TaxWatch finds the fact that Primary Renovations projects at 18 schools have already been flagged for Schedule issues of great concern.

Of greater concern is the issue of financial risk. Primary Renovations projects at 10 schools were flagged for Budget issues during Q3 2018-19. More than \$32 million in additional funding is required to complete

these projects. Since inception, the School Board has approved more than \$77.3 million in additional funds for SMART construction projects.

Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but Atkins North America, Inc., estimates that the total cost of SMART Program facility improvements could now increase by about \$413 million. This represents a significant increase over the last (September 2018) financial risk assessment, which projected SMART Program cost increases of \$302 million.

This projected \$413 million cost overrun is based on actual pricing data for only 12 percent of SMART Program projects. These actual pricing data on costs-to-date show that projects that have been bid or negotiated exceed the initial budgets by more than 50 percent. The projected cost overruns (300 percent) for roofing projects could add an additional \$280 million in financial risk. TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

In this report, Florida TaxWatch has offered recommendations to help guide the Bond Oversight Committee in its oversight of the implementation of the SMART Program, and to ensure that 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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