

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

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

Presented to the Broward County Bond Oversight Committee
June 15, 2020



Senator Pat Neal
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear Fellow Taxpayer,

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

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

The District continues to struggle to find a sufficient number of proven roofing companies to replace 17 million square feet of roof on 1,353 buildings at more than 200 schools. Hiring challenges coupled with permitting issues and delays have made some roofing companies reluctant to work on SMART projects.

Perhaps the greatest concern is the issue of financial risk. Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly continue to increase project costs. By how much is unknown, but the most recent risk assessment estimates that the total cost of SMART Program facility improvements could increase by about \$429 million over original budgets. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

I am pleased to present the following report, which includes the Florida TaxWatch review of the SMART Program quarterly report for the quarter ending March 31, 2020. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's June 15, 2020 meeting.

Sincerely,

Dominic M. Calabro
President & CEO

INTRODUCTION

On May 30, 2020, Florida TaxWatch received the Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 2020 (“Quarterly Report”). This single 873-page report provides updated information on the implementation of the District’s SMART Program and the use of general obligation bond funds to purchase and install technology upgrades, purchase music and arts equipment, improve safety, upgrade athletic facilities, and renovate educational facilities.

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

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

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

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

To encourage greater accountability, transparency, public support and confidence in the use of the general obligation bond funds, and to hold the district accountable for spending decisions, Florida TaxWatch has reviewed this report against the most recent SMART Program budget and 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 SBBC schools. The District reports that all planned charter school SMART Program technology projects were completed as of 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.

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 \$10,095,206 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);
- Upgrade systems that support the Student Information System and Data Warehouse (\$385,141);
- Provide additional capacity to support Internet growth and security requirements (\$357,193);
- Replace/upgrade back-up to an enterprise solution (\$314,988); and
- Provide additional hardware to support centralized management tools Local Area Network endpoints (laptops/desktops) (\$265,169).

The District reports that all of the above projects have been completed. The one remaining project is the replacement of Uninterrupted Power Supply (UPS) devices and computer batteries as needed (\$904,794). The UPS project is expected to be completed by the end of Q1 2020 (September 30, 2020).

MUSIC, ART, AND THEATER EQUIPMENT

MUSIC EQUIPMENT

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

Deployment of music equipment is based upon the results of gap analyses and priority lists of needed equipment for each school. The District reports that an additional 899 pieces of music equipment were delivered during Q3 2019-20. Overall, 60,161 pieces of musical equipment have been ordered. Of that total, 59,009 (98 percent) have been delivered (see Table 2). The deployment of music equipment has been completed at 194 of the 195 schools (99.5 percent) with music programs.

TABLE 2.
Q3 2019-20 MUSIC EQUIPMENT ORDERING STATUS

Status	Current Quarter March 31, 2020		Previous Quarter December 31, 2019	
	Ordered	Delivered	Ordered	Delivered
Elementary	47,412	46,493	46,520	45,526
Middle	3,849	3,798	3,849	3,795
High	8,316	8,237	8,316	8,208
Center	584	581	584	581
TOTAL	60,161	59,009	59,269	58,110

Approximately \$17.7 million has been spent or encumbered on music equipment as of March 31, 2020. Music and art equipment has been purchased from 13 vendors. Of the approximately \$17.7 million spent on replacement music and art equipment, approximately \$10.97 million (61.9 percent) has been spent with one vendor, All County Music.

ART EQUIPMENT

The SMART Program allocates \$313,600 for 136 replacement kilns. Kilns are ordered on an “as needed” basis subject to the process for kiln evaluation/repair/orders. The status of the kiln replacement program is unclear. The Chief Academic Officer reports (page 57) that “...125 kilns have been delivered to school sites. 10 kilns are in the warehouse awaiting delivery and installation and 1 kiln is in order status.” The “All Kilns” table (page 61) shows 128 kilns delivered to schools and 7 kilns delivered to the warehouse.

RECOMMENDATION 1

Florida TaxWatch recommends that the Chief Academic Officer clarify the status of the kiln program at the June 15, 2020 Bond Oversight Committee meeting.

THEATER EQUIPMENT

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

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

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

ATHLETICS

TRACK PROJECTS

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

WEIGHT ROOMS

The SMART Program allocates \$3.63 million for new weight rooms at each of the 30 high schools. The District reports that weight room projects have been completed at 29 of the 30 high schools. Of the 1 remaining high school (Northeast High School), the weight room project is currently in the Design Phase.

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

FACILITIES

CONSTRUCTION SCHEDULE

Twice since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The most recent (Fall 2018) revision to the construction schedule was designed to ease the flow of projects moving through the Design phase; avoid an overabundance of projects being initiated simultaneously; and lighten the demand on an oversaturated construction and labor market.

A January 6, 2020 conference call was conducted to discuss schedule delays and explore ways to speed up construction. Participants on this call included Superintendent Runcie and his staff and contractors, Florida TaxWatch, and representatives from the Broward Workshop, a community organization representing Broward County's businesses and professions looking to resolve the County's most critical issues.

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

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

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

In response to questions regarding the continued viability of the current facilities construction schedule, the Executive Director, Capital Programs, reports (reference page 140) that "The Program Management Team continues to evaluate the multiple factors impacting the schedule. It was presented to the Board at a recent workshop on February 11, 2020 that roofing continues to be the greatest challenge facing the SMART Renovation Program. Once more data from roofing is available, the results, recommendations and mitigating strategies will be shared with the School Board and subsequently included in the BOC Report."

RECOMMENDATION 2

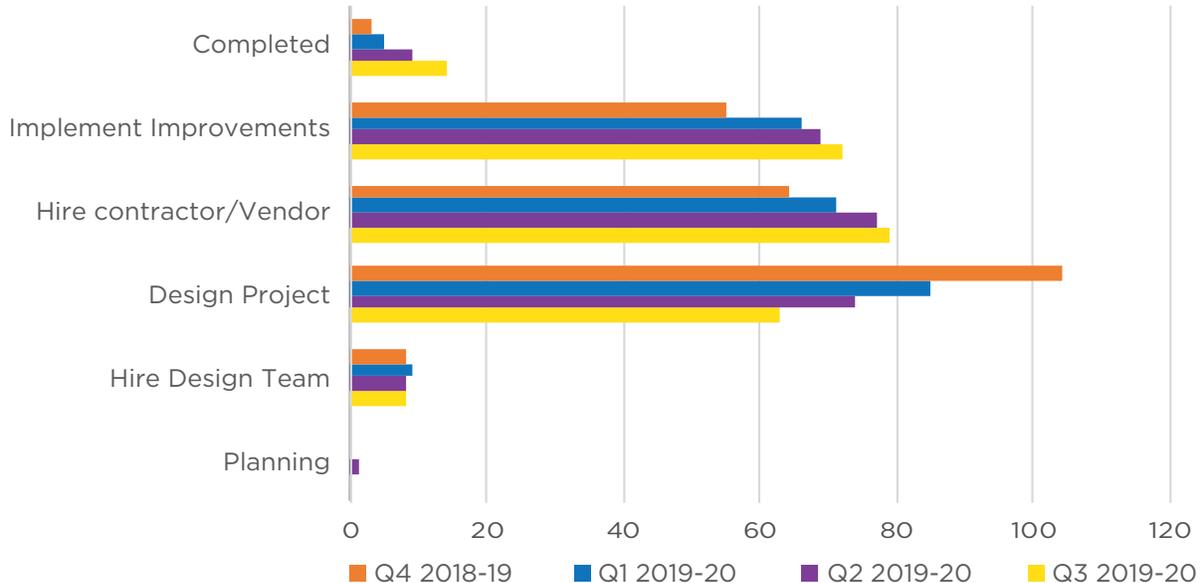
Florida TaxWatch recommends the Executive Director, Capital Programs, brief the Bond Oversight Committee at its June 15, 2020 meeting on the continued viability of the current facilities construction schedule, as well as other likely scenarios and construction schedules.

PRIMARY RENOVATIONS PROJECT STATUS

The District reports that 236 Primary Renovations projects are either underway or complete at Broward County schools. The status of the Primary Renovations projects over the past four quarters is shown in Figure 1.

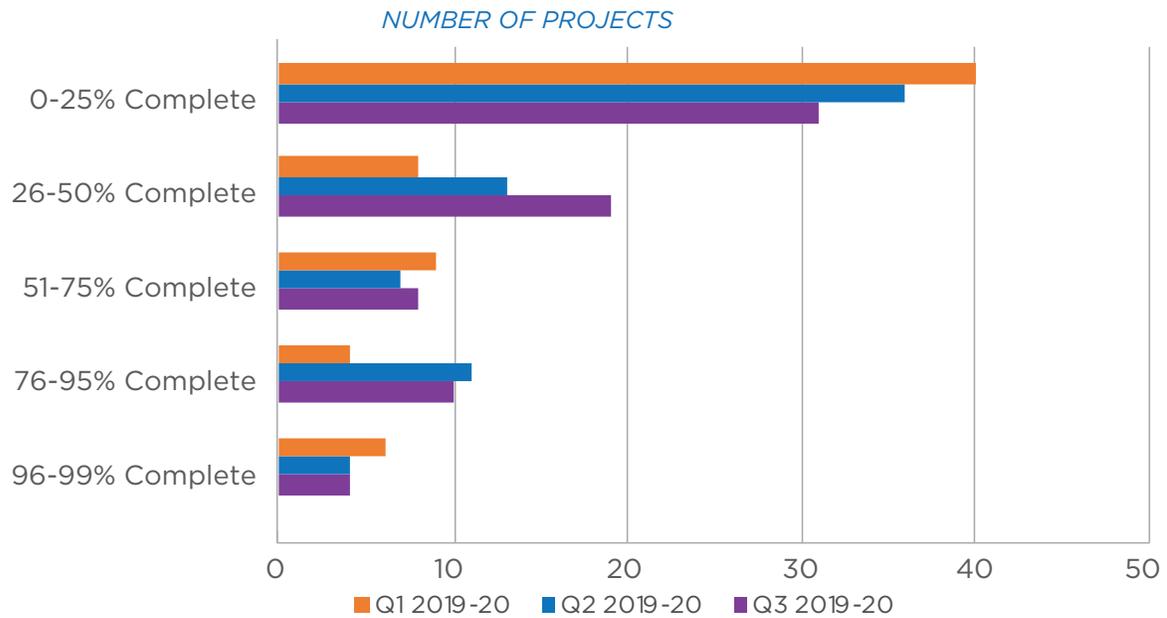
When compared to Q2 2019-20, Figure 1 shows a decrease in the number of active Primary Renovations Projects in the Design Phase (74 to 63) and an increase in the number of active Primary Renovations Projects in the Hire Contractor/Vendor Phase (77 to 79) and in the Implement Improvements Phase (69 to 72). Florida TaxWatch considers this to be a good sign. This trend has continued for the past five reporting quarters. In addition, the number of completed Primary Renovations projects has increased from 9 to 14.

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



The current status (percentage completed) of the 72 Active Primary Renovations (in construction) projects is shown in Figure 2. Although the construction phase of more Primary Renovations projects is underway, 43 percent (31) of Primary Renovations projects are less than 25 percent complete. The greatest movement is in the number of Primary Renovations projects that are between 26 percent and 50 percent complete, which increased from 13 projects to 19 projects during Q3 2019-20.

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



FLAGGED SCHOOLS AND PROJECTS

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

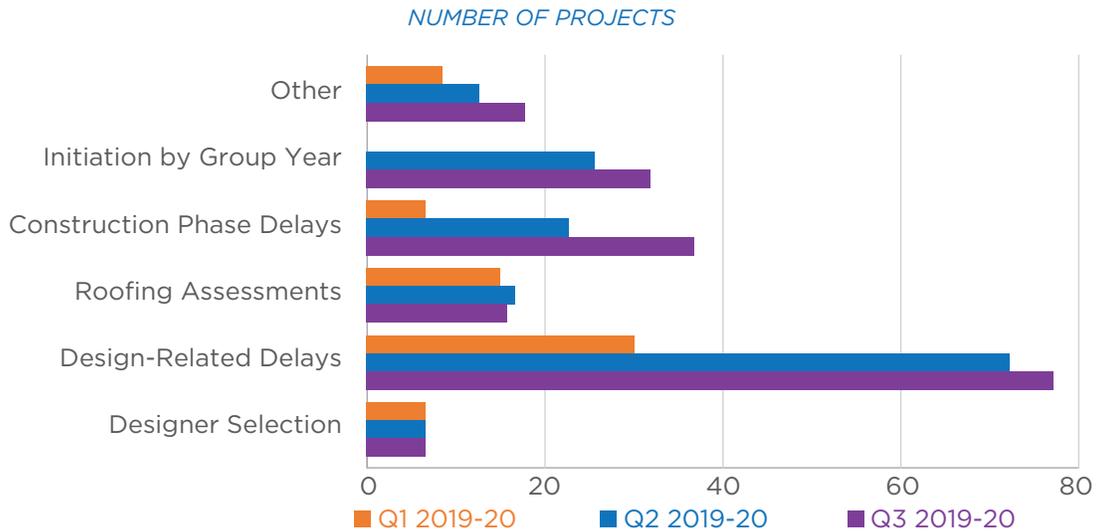
Schedule issues reflect a risk of or inability to meet the planned milestone date for progressing to the next phase in the process. Schedule flags are removed once the project has regained the time and is back on its planned schedule.

Budget issues reflect a need for School Board approval of an increase in funding based on bid and/or change order results. When the School Board approves the necessary budget increase, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s School Spotlight.

SCHEDULE-RELATED ISSUES

The Facilities Construction Report identifies 189 Primary Renovations and 4 Other (weight room, fire alarms, etc.) projects that have been flagged for schedule-related issues during Q3 2019-20. This represents a significant increase over the 162 Primary Renovations and 2 Other projects that were flagged for schedule-related issues during Q2 2019-20 (see Figure 3).

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



The vast majority of schedule-related delays in Q3 2019-20 are design-related (78) and construction-related (38). “Initiation by Group Year” refers to Year 1-3 projects that are being permitted to transition into construction, thereby delaying some Years 4-5 projects.

All eight of the projects that are flagged for “Designer Selection” issues were flagged during Q2 2019-20. These delays are occurring due to additional review of the delivery method and securing School Board approval to perform the project using Construction Manager At-Risk (CMAR) services. Requests for Qualifications (RFQs) have been advertised for these projects.

Sixty-three (63) of the 78 projects that are flagged for “Design-Related Delays” were also flagged during Q2-2019-20. This represents a significant increase when compared to Q2-2019-20 (33 of 73). Reasons for the design-related delays during Q3 2019-20 include:

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

-
- Multiple bids were required to receive a competitive cost;
 - Need to redesign project to comport with the budget;
 - Required roofing reality checks; and
 - Termination of the original design firm.

It is important to note that, for 33 of these delayed projects, the remedy identified by the District is to enforce the terms and conditions of the contract. Florida TaxWatch has included recommendations in previous reports to the Bond Oversight Committee that the Executive Director, Capital Programs, identify actions taken by the District to enforce the terms and conditions of contracts with design firms, vendors, and contractors. This should include the name of the vendor, the action(s) taken, and the reason for the action(s).

In response to Florida TaxWatch's recommendations, the Q2 2019-20 Facilities Report (reference page 137) states that "[B]eginning with this FY20 Q2 BOC Report (quarter ending December 31, 2019), Facilities will include a report listing the vendor name, action taken, reason for action, and the amount of the credit." The Q3 2019-20 Facilities Report (reference page 78) states that, since Q2 2019-20, an additional \$27,650 in penalties have been recovered from architects and engineers that completed the Design phase; however, the firm and the amount collected from each firm are not identified. This brings the total amount of penalties recovered from architects and engineers to \$177,250. In addition, one designer (LIMCO Engineering, Inc., was terminated for delays in the preparation of design documents, and one construction manager (Gilbane) was terminated for failure to reach agreement on a guaranteed maximum price.

RECOMMENDATION 3

Florida TaxWatch recommends that the Executive Director, Capital Programs, include in subsequent reports to the Bond Oversight Committee the vendor name, action taken, reason for action, and the amount of any credit recovered from the enforcement of SMART Program contracts.

Sixteen (16) of the 17 projects that are flagged for "Roofing Assessment" delays were flagged during Q2 2019-20. Reasons for the roofing-related delays during Q3 2019-20 include:

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

Twenty-eight (28) of the 33 projects that are flagged for "Initiation by Group Year" delays were flagged during Q2 2019-20. These 23 projects are Years 1-3 projects that are being prioritized for advertisement and bids.

Twenty-three (23) of the 38 projects that are flagged for “Construction Phase” delays were flagged during Q2 2019-20. Reasons for these delays during Q3 2019-20 include:

- Roofing sub-permit problems;
- Original milestone schedule for construction was found to be unrealistic;
- Need to update specifications to comport with District standards;
- Poor contractor performance;
- Contractor did not submit correct documents; and
- Delays in systems testing.

Seventeen (17) of the remaining 19 projects that are flagged for “Other” delays were also flagged during Q2 2019-20. Reasons for these delays during Q3 2019-20 include:

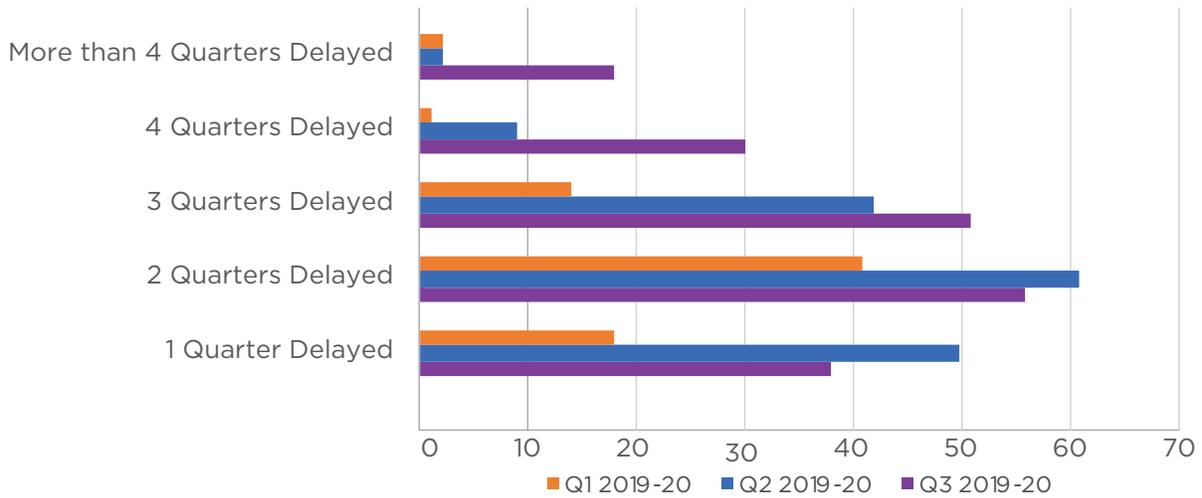
- Need for better pricing and schedule management;
- Delays in negotiating a quality Guaranteed Maximum Price (GMP);
- Difficulties receiving correct quotes from multiple contractors;
- Delays in selecting contractor;
- Construction cost estimates; and
- Decisions related to enrollment and scope of work.

Florida TaxWatch reviewed each school’s School Spotlight (reference pages 189 – 627) to compare the actual/forecast completion dates to the new planned completion dates to better understand how long these projects are delayed. As shown in Figure 4, of the 193 Primary Renovations and Other projects that have been flagged for schedule-related delays as of the end of Q3 2019-20:

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

It is clear in Figure 4 that the number of Primary Renovations and Other construction projects is increasing, and the length of the delay is increasing as well.

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



BUDGET-RELATED ISSUES

The District Facilities Construction Report identifies 13 Primary Renovations projects that have been flagged for budget-related issues, none of which was flagged during Q2 2019-20. The Budget flags represent \$28.8 million in additional funding approved by the School Board of Broward County (SBBC) to complete these 13 projects (see Table 3).

When the SBBC approves the necessary budget increases for these projects, the Budget flags are removed and replaced with an “Additional Funding” notation in the project’s scope of work on the school’s School Spotlight. A review of the School Spotlight for each school identifies Primary Renovations projects at 80 schools where additional funding totaling more than \$221 million has been approved by the SBBC.

TABLE 3
 ADDITIONAL PRIMARY RENOVATIONS FUNDING APPROVED BY SBBC
 DURING Q3 2019-20

School	Additional Spending
Country Isles Elementary School	\$681,660
Davie Elementary School	\$2,220,700
Eagle Point Elementary School	\$1,325,450
Endeavour Primary Learning Center	\$1,403,790
Hollywood Park Elementary School	\$2,780,250
Lauderdale Manors EL & R Center	\$3,976,444
New River Middle School	\$2,082,600
Norcrest Elementary School	\$1,072,500
North Lauderdale PreK-8	\$1,093,350
Piper High School	\$5,570,400
Plantation Middle School	\$3,188,300
Ramblewood Middle School	\$2,334,241
Tedder Elementary School	\$1,027,616
Total	\$28,757,301

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q3 2019-20:

- Authorized 10 schools to advertise for bids;
- Approved bid recommendations from contractors at 10 schools;
- Approved additional funding for 3 schools;
- Approved contingency funds for 2 schools;
- Approved CMAR contract amendment for 1 school;
- Approved PSA amendments (scope and/or service fees) to 4 PSAs;
- Terminated 2 vendors; and
- Approved 7 change orders for projects at 5 schools (no fiscal impacts).

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. Most change orders are the result of unforeseen circumstances. The Executive Director, Capital Programs, reports (to date) change orders are tracking at 0.165 percent of the total construction value. Change orders totaling \$820,731 have been approved at 22 schools. Tax savings (dollars returned to projects in the form of credit) totaled \$77,406.

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

SINGLE POINT-OF-ENTRY PROJECTS

The tragic and senseless shootings at Marjory Stoneman Douglas High School have focused attention on school safety and security. The SBBC is to be commended for accelerating the release of funds so Single Point-of-Entry projects could be initiated ahead of schedule. Additional safety improvements include fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware.

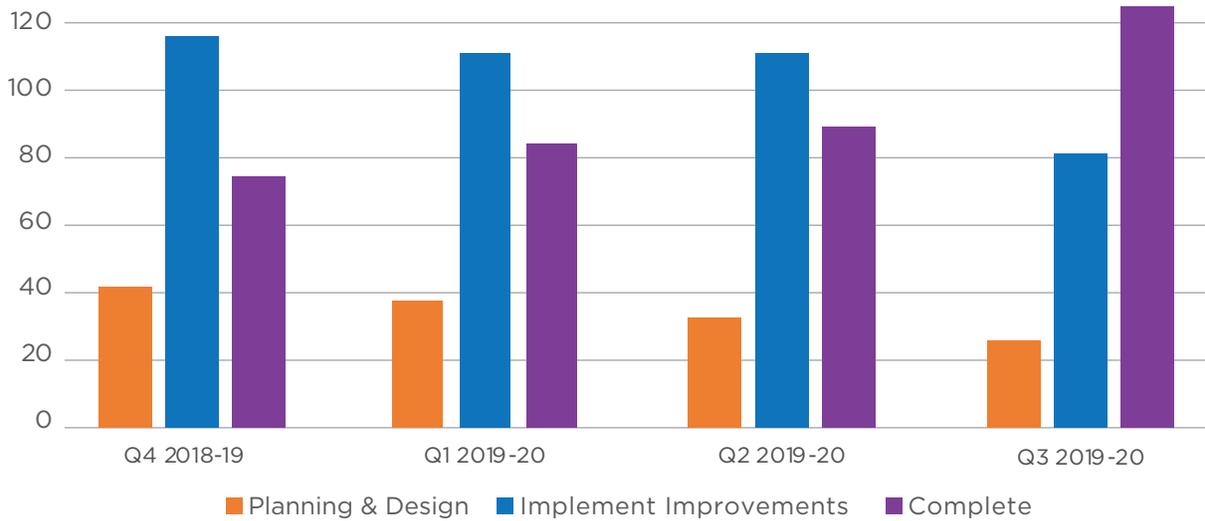
The Q3 2018-19 Report moved up the timing for completing the remaining Single Point-of-Entry projects, committing to complete all of the remaining Single Point-of-Entry projects before students return to school in the Fall. The District reports that all Single Point-of-Entry projects are complete and operational.

SCHOOL CHOICE ENHANCEMENT PROGRAM

The District reports that School Choice Enhancement Program (SCEP) projects are underway or complete at 230 schools. SCEP projects are budgeted at \$100,000; the scope of the capital project (e.g., electronic marquees, shade structures, playgrounds, etc.) is determined by a vote of the teachers, staff, and parents of students at the school.

As of March 31, 2020, the number of SCEP projects in the Planning Phase has decreased from 32 to 25. The second phase, Implementation, includes selection and procurement. There are currently 81 schools in the second phase, down from 110 in Q2 2019-20. The third phase, Completion, occurs when all items have been delivered and installed. There are 124 schools with completed SCEP projects, up from 88 in Q2 2019-20. As shown in Figure 5, the number of SCEP projects that are in the Planning and Design Phase have decreased over the past four quarters and the number of Completed projects has increased.

FIG. 5 - THE DISTRICT IS MAKING PROGRESS IMPLEMENTING SCEP PROJECTS
NUMBER OF PROJECTS



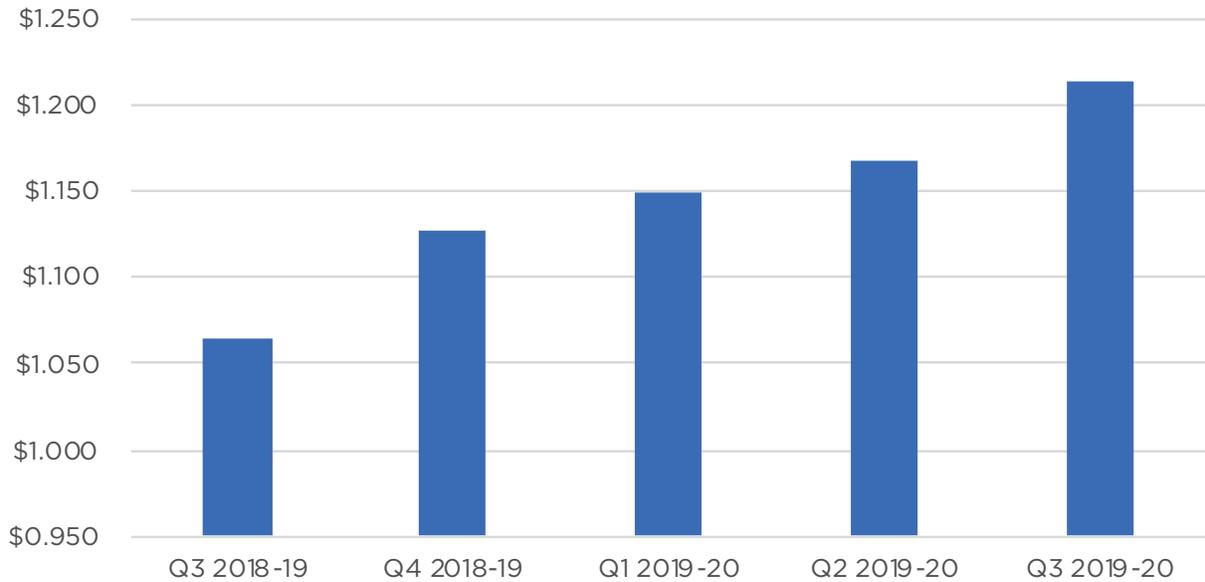
BUDGET ACTIVITY

EXPENDITURES

The SMART Program Budget Activity Quarterly Report provides expenditure information for financially active projects as well as projects that have been completed. As previously recommended by Florida TaxWatch, the District has included SMART Program budget allocations for years 6 (FY 2019-20) through 8 (FY 2021-22).

With the inclusion of budget allocations for years 6-8, the SMART Program total budget has increased from \$1.149 billion to 1.214 billion, an increase of about \$65 million (see Figure 6). This includes the \$800 million in general obligation bond (GOB) funding and \$414 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about \$227 million over the original budget of \$987.4 million (\$800 million GOB funds plus \$187.4 million in existing capital resources).

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



SMART Program expenditures increased from \$340,391,852 to \$391,014,636, an increase of about \$50.6 million during Q3 2019-20. The Chief Financial Officer reports a SMART Program balance of \$538,009,978 at the end of Q3 2019-20.

During Q3 2019-20, the SBBC approved the following funding increases:

- Norcrest Elementary School --- Approved recommendation to award Construction Agreement (\$1,072,500);
- Country Isles Elementary School --- Approved request for additional funding for SMART Program renovations (\$681,660);
- North Lauderdale Elementary School --- Approved request for additional funding for SMART Program renovations (\$1,093,350);
- Endeavour Elementary School --- Approved request for additional funding for SMART Program renovations (\$1,403,790);
- Eagle Point Elementary School --- Approved recommendation to award Construction Agreement (\$1,325,450);
- Piper High School --- Approved recommendation to award Construction Agreement (\$5,570,400);
- New River Middle School --- Approved recommendation to award Construction Agreement (\$2,082,600);
- Hollywood Park Elementary School --- Approved recommendation to award Construction Agreement (\$2,780,250);

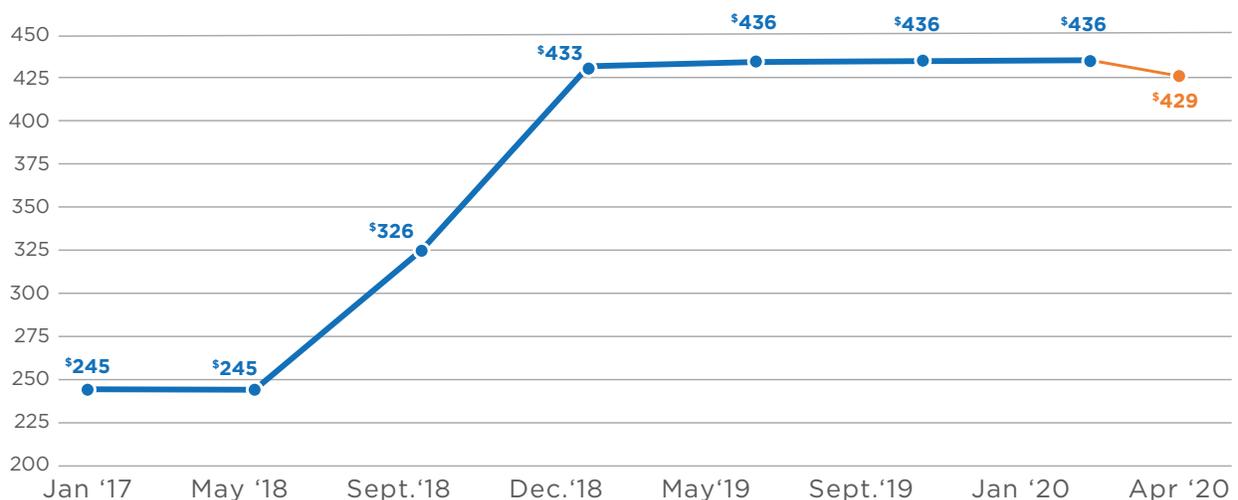
- Ramblewood Middle School --- Approved recommendation to award Construction Agreement (\$2,334,241);
- Plantation Middle School --- Approved recommendation to award Construction Agreement (\$3,188,300);
- Davie Elementary School --- Approved recommendation to award Construction Agreement (\$2,220,700);
- Lauderdale Manors Early Learning & Resource Center --- Approved recommendation to award Construction Agreement (\$3,976,444); and
- Tedder Elementary School --- Approved recommendation to award Construction Agreement (\$1,027,616).

These increases total almost \$28.8 million. Since inception of the SMART Program, the School Board has approved net increases/decreases of \$226,654,290.

ASSESSMENT OF FINANCIAL RISK

Higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work will undoubtedly increase the costs of SMART Program construction projects; however, the most recent financial risk assessment prepared by Atkins North America points out that “the COVID-19 virus impact is already apparent on the SMART Program, as there are additional bidders and lower pricing on projects bid. The slowdown in private development and residential is freeing up contractors to work on public construction.” The most recent financial risk assessment prepared by Atkins shows a slight decrease from the risk assessments prepared in January 2020 and September 2019 (see Figure 6) and concludes that the SBBC should have sufficient funds in reserve to adequately address the \$429 million (70 percent risk assessment level) risk.

FIG. 7 - PROJECTED SMART PROGRAM FINANCIAL RISK HAS REMAINED STABLE OVER THE PAST 16 MONTHS
(\$ MILLIONS)



RESERVE FUNDING

Florida TaxWatch considers the issue of financial risk to be the greatest concern and controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward. The District has set aside \$225 million (reserve) to mitigate potential funding risks in the SMART Program.

To mitigate the projected \$429 million financial risk, the SBBC approved the issuance of up to \$250 million in Certificates of Participation (CPOs). These CPOs will provide supplemental funding for the additional costs for the SMART Program. The District has added \$211 million in CPO funding to the reserve, bringing the total amount of reserve funding to \$436 million. Due to approved School Board approvals through the end of Q3 2019-20, the SMART Program reserve balance is currently \$209.3 million.

HARD COSTS VERSUS SOFT COSTS

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

As previously recommended by Florida TaxWatch, the District’s Q3 2019-20 Facilities Report included a breakdown of hard and soft costs for five schools (Manatee Bay Elementary School, Indian Ridge Middle School, McNicol Middle School, Palm Cove Elementary School, and Silver Shores Elementary School) at which construction activities had been completed. The hard costs for these projects range from 70 percent (McNicol Middle School) to 86 percent (Manatee Bay Elementary School). Soft costs range from 14 percent (Manatee Bay Elementary School and Silver Shores Elementary School) to 30 percent (McNicol Middle School). These are the same 5 schools that were included in the Q2 2019-20 District report.

SUPPLIER DIVERSITY & OUTREACH

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

The Chief Strategy & Operations Officer reports that, as of the end of Q3 2019-20, there were 716 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools.

Of these 716 E/S/M/WBEs:

- 74 (10.3 percent) are Non-minority (SBE) certified companies;
- 254 (35.6 percent) are African-American certified companies;
- 30 (4.2 percent) are Asian-American certified companies;
- 245 (34.3 percent) are Hispanic-American certified companies;
- 1 (0 percent) is a Native-American certified company; and
- 112 (15.6 percent) are Caucasian-American certified companies.

The Chief Strategy & Operations Officer reports an E/S/M/WBE commitment of \$14.5 million during Q3 2019-20. This represents about 27 percent of the total \$53.2 million in contracts awarded during the quarter.

Through March 31, 2020, the District has issued purchase orders to E/S/M/WBEs totaling \$185.2 million. This represents a cumulative E/S/M/WBE prime commitment of 28 percent. Of this \$185.2 million E/S/M/WBE commitment:

- \$6.7 million has been awarded to E/S/M/WBE firms for Safety projects;
- \$0 has been awarded to E/S/M/WBE firms for Music and Arts projects;
- \$10,700 has been awarded to E/S/M/WBE firms for Athletics projects;
- \$178.5 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 2019-20 Supplier Diversity Outreach Program Report includes information on contracts awarded to or purchases made from E/S/M/WBEs and historically underutilized businesses for safety projects, music and arts equipment, athletics projects, and technology upgrades. This permits the extent to which the District is utilizing M/WBEs and historically underutilized businesses for technology upgrades, replacement musical equipment, and replacement kilns to be determined. No E/S/M/WBEs have received any of the bond money for Music and Art equipment or for Technology improvements.

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

- 9.6 percent has been awarded to African American-owned companies;
- 72.0 percent has been awarded to Hispanic American-owned companies;
- 0 percent has been awarded to Native American-owned companies;
- 3.3 percent has been awarded to small business enterprises;
- 4.3 percent has been awarded to Asian American-owned companies; and
- 10.8 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. Approximately one-third (35.1 percent) of the total minority spend was awarded to women-owned companies.

COMMUNICATIONS

The Q3 2019-20 Report highlights the District's continued efforts to promote the SMART Program. The closure of all Broward public schools as a result of the COVID-19 pandemic presented an opportunity to change how the Communications team gathered and shared information on the SMART Program.

During Q3 2019-20, outreach efforts include:

- SMART Update newsletter (February);
- SMART website soft launch;
- SMART presentation;
- SMART program video;
- Principal satisfaction surveys; and
- Post-occupancy customer satisfaction surveys.

Staff mentions their efforts to increase the quality of content and highlighting the message of the SMART Program. What has not been clearly communicated or understood until now is the magnitude of the roofing effort. More than 1,300 buildings at more than 200 schools have planned roofing projects, totaling more than 17 million square feet. This equates to more than 300 football fields (including the end zones), more than 400 acres.

LOOKING AHEAD

The District continues to make progress in implementing the \$1.214 billion SMART Program. SMART Program expenditures and commitments now total \$676 million. All planned computer devices have been ordered and received, all SBBC schools now comply with the District's standard of 1 computer for every 3.5 students, and all technology projects planned for charter schools have been completed.

The replacement of music, arts, and theater equipment continues, with all planned projects accelerated and underway, and more than 59,000 pieces of musical equipment have been delivered to Broward public schools. More than 130 kilns have been delivered, and theater equipment has been ordered and is being delivered to the 39 schools with theater programs.

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

During Q3 2019-20, the number of active Primary Renovation Projects in the Design Phase decreased and the number of active Primary Renovation Projects in the Hire Contractor/Vendor Phase and in the Implement Improvements Phase increased. Florida TaxWatch considers this to be a good sign and reflects a continuing trend over the past five quarters.

Despite additional time built into the new construction schedule, the number of Primary Renovations projects flagged for schedule related delays during Q3 2019-20 increased from 162 to 189. Not only is the number of Primary Renovations projects flagged for schedule delays increasing, so too is the length of these delays. Almost one-fourth of the Primary Renovations projects are experiencing delays of one year or longer, and there is nothing to suggest that this trend will be reversed. Florida TaxWatch finds this extremely concerning. The trajectory of the completion of these projects should be accelerating in a positive direction with a realistic timetable that will be successfully completed. Anything less is unacceptable.

It has become increasingly apparent that the current facilities construction schedule is no longer realistic. Under the “best-case scenario,” as discussed on the January 6, 2020 conference call with Florida TaxWatch and the Broward Workshop, all Primary Renovations projects would be completed by the end of calendar year 2023, an additional delay of nine months. Under the “worst-case scenario,” as discussed at the February 11, 2020 School Board workshop, delays in completing the planned Primary Renovations projects could take years, not months.

Also of great concern is the issue of financial risk. Primary Renovations projects at 13 schools were flagged for Budget issues during Q3 2019-20. More than \$28 million in additional funding is required to complete these projects. Since inception, the School Board has approved more than \$221 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 \$429 million. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART project implementation moves forward.

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

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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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