Florida TaxWatch

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

SMART Program Quarterly Report Review for the Quarter Ended March 31, 2021

Q3
2020-21

Presented to the Broward County Bond Oversight Committee
June 14, 2021

Florida TaxWatch

106 North Bronough Street, Tallahassee, FL 32301 floridataxwatch.org o: 850.222.5052 f: 850.222.7476

Senator George S. LeMieux
Chairman of the Board of Trustees

Dominic M. Calabro
President & Chief Executive Officer

Dear fellow taxpayer,

As the end of the 2020-21 school year approaches, the SMART Program nears the end of Year 7. This is significant in that the planned facilities construction projects at Broward public schools were to have been completed by the end of Year 7. This is not going to happen, and we now know that it is going to take several years beyond the planned completion date to complete the renovations.

The School Board has adopted a new schedule that reflects completion of most planned construction projects by the end of calendar year 2025. That schedule has been incorporated into the District's report to the Bond Oversight Committee and will serve as the basis for measuring future construction progress.

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. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District at this point as SMART Program implementation moves forward.

The District will face additional challenges that accompany changes in leadership. The 2021-22 school year will usher in a new administration as a new Superintendent and General Counsel will be appointed. The new leadership team will have to address the recurring schedule delays, the ever-increasing SMART Program costs, and the expectations of Broward County taxpayers. It is critical to maintain oversight and transparency, as well as effective communications, to ensure public trust and support.

I am pleased to present the following report, which includes the Florida TaxWatch review of the District's Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 2021. Florida TaxWatch staff will be available to present our findings and recommendations at the Committee's June 14, 2021 meeting.

Sincerely,

Dominic M. Calabro

Dominic M. Calabro
President & CEO

INTRODUCTION

On May 28, 2021, Florida TaxWatch received the Bond Oversight Committee Quarterly Report for the Quarter Ended March 31, 2021 ("Quarterly Report"). This 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 school 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, and Theater Equipment;
- Section 4 --- Athletics;
- Section 5 --- Facilities;
- Section 6 --- Budget Activity;
- Section 7 --- Supplier Diversity Outreach Program; and
- Section 8 --- Communications.

The SBBC has provided guidance to the Bond Oversight Committee ("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 SBBC;
- Ensuring that bond revenues are expended for the purpose set forth in the bond programs as approved by the SBBC;
- Ensuring that any deferred proposals or changes of plans are executed after appropriate approval of the SBBC;
- 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 SBBC.

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 the District's Quarterly Report against the most recent SMART Program schedule and budget and is pleased to present the following report and recommendations.

SCHOOL SAFETY & SECURITY

The tragic and senseless shootings at Marjory Stoneman Douglas High School in February 2018 have focused attention on school safety and security. A statewide grand jury was impaneled and tasked with examining and reviewing: (1) school safety measures in Broward County and across the state; and (2) the responses of public entities to laws designed to protect schools (such as the Marjory Stoneman Douglas High School Public Safety Act).

After the shootings, the SBBC accelerated the release of funds so all remaining Single Point-of-Entry projects could be initiated ahead of schedule. All remaining Single Point-of-Entry projects were complete and operational before students returned to school in the Fall of 2019, bringing the total number of Single Point-of-Entry projects to 238. Additional safety improvements include such things as fire sprinklers, fire alarms, emergency exit signage/lighting improvements, fencing, and door hardware. These safety improvements are, in many cases, bundled together as part of the planned Primary Renovations projects. Florida TaxWatch reviewed the School Spotlights (reference pages 145 through 381) for each school to determine the status of these additional safety and security improvements (see Table 1).

TABLE 1. STATUS OF ADDITIONAL SCHOOL SAFETY AND SECURITY PROJECTS (Q3 2020-21)

Project	On Schedule	Delayed	Complete	Total
Fire alarms	90	0	5	95
Fire sprinklers	99	0	6	105
Safety/security upgrades	37	1	2	40
ADA renovations	8	0	0	8
Lead-Based Paint Abatement	1	0	0	1
Ventilation	1	0	0	1
Total	**236**	**1**	**13**	**250**

Table 2 identifies the planned completion dates for the Primary Renovations projects that include the additional safety and security improvements, as reflected in the School Spotlights. It should be noted that the safety and security improvements may be completed before any given Primary Renovations project is deemed to be completed.

TABLE 2. PLANNED COMPLETION DATES FOR ADDITIONAL SAFETY & SECURITY PROJECTS

	Fire Alarms	Sprinklers	Safety/Security Upgrades	Other
Q2 2021	3	5	1	0
Q3 2021	2	5	1	0
Q4 2021	3	4	3	0
Q1 2022	4	5	1	2
Q2 2022	7	6	2	1
Q3 2022	3	4	1	1
Q4 2022	5	3	5	0
Q1 2023	3	4	3	0
Q2 2023	10	9	5	1
Q3 2023	7	5	0	2
Q4 2023	6	8	4	2
Q1 2024	6	4	3	1
Q2 2024	4	6	1	0
Q3 2024	6	7	0	0
Q4 2024	0	0	0	0
Q1 2025	3	7	3	0
Q2 2025	5	8	2	0
Q3 2025	3	4	2	0
Q4 2025	10	5	1	0
Total	**90**	**99**	**38**	**10**

The current SMART Program budget for school safety and security improvements is $159.9 million. A summary of school safety and security budget activity through March 31, 2021 is presented in Table 3.

TABLE 3. SMART PROGRAM SAFETY & SECURITY PROJECT BUDGET ACTIVITY (THROUGH MARCH 31, 2021)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	$91,092,473	$91,092,473	$20,553,406	$22,121,675	$9,256,407	$39,160,985
Non-GOB Funds	$17,133,387	$48,326,379	$9,740,368	$19,235,436	$7,533,786	$11,816,789
Completed/Meets Standards						
GOB Funds	$15,674,592	$17,643,691	$11,513,560	$347,618	$816,040	$4,966,473
Non-GOB Funds	$1,653,673	$2,732,775	$2,538,738	$194,037	$0	$0

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 deployment of music equipment has been completed at all 195 schools with music programs. The District reports (reference page 24) that "…100% of all musical instrument and equipment orders have been delivered to our schools." Overall, more than 60,000 pieces of musical equipment have been ordered and delivered. A summary of the music equipment purchased through the SMART Program is provided in Table 4.

TABLE 4. MUSIC EQUIPMENT ORDERED AND DELIVERED (AS OF MARCH 31, 2021)

	Ordered	Delivered
Elementary	47,342	47,342
Middle	3,847	3,847
High	8,303	8,303
Center	584	584
Total	**60,076**	**60,076**

Table 5 provides a breakdown of music equipment orders by vendor. Almost two-thirds (62 percent) of all music equipment was purchased from one vendor (All County Music).

TABLE 5. Q3 2020-21 MUSIC VENDOR PAYMENTS (CUMULATIVE)

Vendor	Amount	Percent
All County Music	$10,954,769	62.0%
Cascio Interstate Music	$3,228	0.0%
Enabling Devices	$8,284	0.1%
JW Pepper	$3,383	0.0%
Malmark	$6,372	0.0%
Music Arts Enterprises	$3,726,930	21.1%
Music Man	$1,261,330	7.1%
Romeo Music	$440,549	2.5%
School Specialty	$60,662	0.3%
Summer Arts Sessions	$9,600	0.1%
Summer Hays Music	$11,964	0.1%
Vista Pan Steel Instruments	$5,036	0.0%
Wenger	$1,188,152	6.7%
Total	**$17,680,259**	**100.0%**

ART EQUIPMENT

The SMART Program allocates $392,000 for 136 replacement kilns. Kilns are ordered on an "as needed" basis subject to the process for kiln evaluation/repair/orders. The District reports that all 136 kilns have been purchased and 135 have been installed. The one remaining site is awaiting completion of a kiln room renovation/construction.

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 million is 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 planned theater upgrades have been completed at 38 of the 39 schools with full or part-time theater programs. The one remaining upgrade is awaiting a building power modification that "is in the works and is to be completed shortly." This is the same language that was included in the District's Q2 2020-21 Report.

RECOMMENDATION 1

Florida TaxWatch recommends the District establish a date by which the remaining planned theater upgrade will be completed.

The current SMART Program budget for music, art, and theater equipment is $44.4 million. A summary of SMART Program budget activity through March 31, 2021, is provided in Table 6.

TABLE 6. SMART PROGRAM MUSIC & ARTS PROJECT BUDGET ACTIVITY (THROUGH MARCH 31, 2021)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	$16,783,000	$16,783,000	$4,444,790	$3,714,415	$2,111,497	$6,512,298
Non-GOB Funds	$3,394,000	$7,943,532	$803,672	$2,537,028	$1,408,432	$3,194,400
Completed/Meets Standards						
GOB Funds	$709,000	$709,000	$541,434	$9,578	$130,249	$27,739
Non-GOB Funds	$20,179,000	$18,950,269	$18,062,039	$23,340	$20,865	$344,025

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, as of September 30, 2018.

WEIGHT ROOMS

The SMART Program allocates $3.63 million for new weight rooms at each of the 30 high schools. The District report on the status of the weight rooms is contradictory. The District reports (reference page 62) that 30 weight room upgrades have been completed and that the weight room renovations at Northeast High School, which have previously been delayed, "were completed this quarter." Further, the list of completed weight room projects (reference page 64) includes the weight room at Northeast High School. The Northeast High School is featured on page 67, along with the statement that "Northeast High School's weight room renovations are complete, bringing the Athletics component of the SMART Program to a close." Contrary to this (reference page 62) is the statement that "…the single project yet to reach the finish line is the Northeast High School weight room, which has been delayed."

RECOMMENDATION 2

Florida TaxWatch recommends the District clarify the status of the Northeast High School weight room renovations.

The current SMART Program budget for Athletics is $7.4 million. A summary of SMART Program expenditures through March 31, 2021, is provided in Table 7.

TABLE 7. SMART PROGRAM ATHLETICS PROJECT BUDGET ACTIVITY (THROUGH MARCH 31, 2021)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	$47,360	$47,360	$14,345	$21,591	$7,411	$4,013
Non-GOB Funds	$5,640	$31,872	$8,617	$8,122	$7,194	$7,939
Completed/Meets Standards						
GOB Funds	$7,326,000	$7,326,000	$6,307,192	$199,215	$63,541	$756,052
Non-GOB Funds	$121,000	$202,636	$171,923	$0	$1,121	$29,527

RENOVATIONS

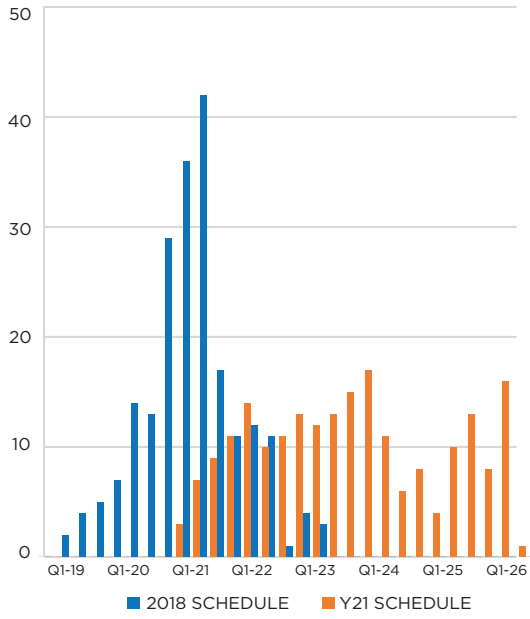
CONSTRUCTION SCHEDULE RESET

Three times since the beginning of construction activities, the District has revised the schedule for the completion of SMART Program construction projects. The most recent (Y21) revision to the construction schedule acknowledges that nearly all projects have been flagged and deemed at risk of schedule delays with potential budget impacts and reflects completion of most planned facility construction projects in late 2025, with remaining projects completed in Spring 2026 (a delay of an additional three years). Going forward, this is the basis upon which future facility construction progress will be measured.

Figure 1, which overlays the new Y21 schedule with the previous (2018) schedule, shows that the Y21 schedule will flatten and extend the facilities construction schedule, extending the completion dates for more than 140 planned Primary Renovations projects by more than two years.

FIG. 1 - Y21 SCHEDULE FLATTENS AND EXTENDS THE PRIMARY RENOVATIONS SCHEDULE

NUMBER OF PROJECTS



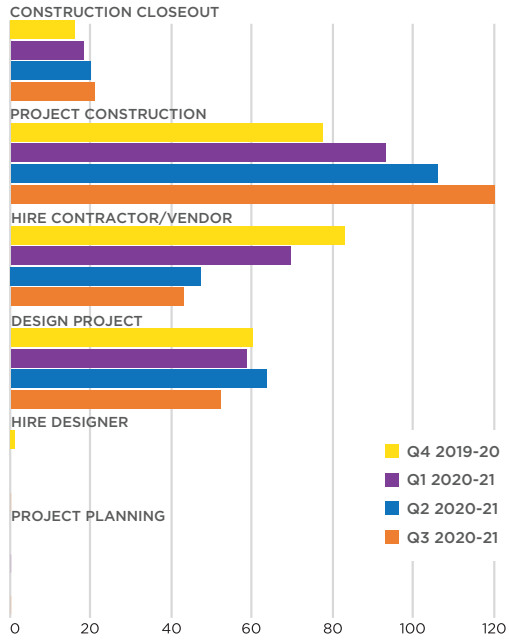
PRIMARY RENOVATIONS PROJECT STATUS

The District reports that 235 Primary Renovations projects are either underway or complete at Broward County schools. Actual project construction has begun or has been completed at 140 schools. The status of the Primary Renovations projects over the past four quarters is shown in Figure 2.

When compared to Q2 2020-21, Figure 2 shows a decrease in the number of active Primary Renovations Projects in the Design Phase (63 to 52); a decrease in the number of active Primary Renovations Projects in the Hire Contractor/Vendor Phase (47 to 43); and an increase in the number of active Primary Renovations Projects in the Project Construction Phase (105 to 119). Florida TaxWatch considers this to be a good sign since project delays have occurred most frequently in the

FIG. 2 - MORE SMART PRIMARY RENOVATIONS PROJECTS ARE MOVING INTO CONSTRUCTION

NUMBER OF PROJECTS



Design phase. This trend has continued for more than two years. In addition, the number of Primary Renovations projects in the Construction Closeout Phase has increased from 20 to 21.

SCHEDULE-RELATED 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. With the adoption of the Y21 schedule, the list of projects flagged for schedule-related issues (i.e., delays) was effectively "wiped clean." Despite resetting the facilities construction schedule, a review of the School Spotlights identifies three Primary Renovations projects that have now been flagged for schedule-related issues:

- Cypress Bay High School (Active Construction Phase);
- North Fork Elementary School (Hire Contractor Phase); and
- Pioneer Middle School (Active Construction Phase).

It should also be noted that construction schedules for Primary Renovations projects have been advanced at the following schools:

- Annabel C. Perry Pre K-8 (by 160 days);
- Blanche Ely High School (by 112 days);
- Boulevard Heights Elementary School (by 671 days);
- Broward Estates Elementary School (by 76 days):
- Castle Hill Elementary School (by 16 days);
- Coconut Creek High School (by 36 days);
- Colbert Museum Magnet (by 146 days);
- Collins Elementary School (by 92 days);
- Country Hills Elementary School (by 273 days);
- Deerfield Beach Elementary School (by 61 days);
- Dillard Elementary School (14 days);
- Everglades Elementary School (by 35 days);
- Everglades High School (by 101 days);
- Forest Hills Elementary School (by 138 days);
- Fox Trail Elementary School (by 209 days);
- Gulfstream Academy of Hallandale Beach K-8 (by 34 days);
- Hawkes Bluff Elementary School (by 63 days);
- Lauderdale Lakes Middle School (by 75 days);
- Margate Middle School (by 17 days);
- McArthur High School (by 56 days);
- McFatter Technical High School & Technical College (by 106 days);
- McNab Elementary School (by 158 days);
- Mirror Lake Elementary School (by 141 days);
- Norcrest Elementary School (by 101 days);
- Panther Run Elementary School (by 450 days);

- Park Lakes Elementary School (by 500 days);
- Park Ridge Elementary School (by 27 days);
- Pines Middle School (by 491 days);
- Pinewood Elementary School (by 44 days);
- Plantation Park Elementary School (by 141 days);
- Pompano Beach Elementary School (by 183 days);
- Quiet Waters Elementary School (by 25 days);
- Riverland Elementary School (by 226 days);
- Rock Island Elementary School (by 29 days);
- Silver Ridge Elementary School (by 116 days);
- Silver Shores Elementary School (by 123 days);
- Stephen Foster Elementary School (by 34 days);
- Stranahan High School (by 360 days);
- Sunrise Middle School (by120 days);
- Thurgood Marshall Elementary School (by 77 days); and
- Watkins Elementary School (by 349 days).

Concerns remain that three months after resetting the facilities construction schedule projects are already being flagged for schedule-related issues. The March 8, 2021 Committee meeting included a lengthy discussion as to why District construction projects experience such frequent and lengthy delays. Several reasons were offered, including the requirement that advertisements for bids have to go to the SBBC for approval even though the project has been approved as part of the District Educational Facilities Plan (DEFP). In addition, the average time from the award of a contract to the issuance of a notice to proceed is more than 70 days.

RECOMMENDATION 3

Florida TaxWatch recommends that the District brief the Committee at its June 14, 2021 meeting on steps taken by the SBBC/District to reduce the frequency and length of construction delays.

It was explained to the Committee that the average time required to navigate the change order process is 192 days. During this time, Requests for Information (RFIs) often become a source of delay and expense, as contractors look for clarification on drawings or specifications. The Architect's Supplemental Instruction (ASI) then spells out the supplemental instructions the architect wants the builder to follow. Every ASI requires approval by the District's building department, and multiple trips to the building department may be required before approval is received.

Change orders undergo review by the Change Order Review Process (CORP) to make sure they are fair and reasonable and to identify the reasons for the changes. Several rounds through CORP may be necessary to gain the necessary approvals. Once CORP approves a change order, it then goes to the SBBC for approval.

"So what and how can we narrow that 192 days? I know if it happened in my city, I wouldn't have a job anymore."

Tommy Demopoulos, Committee Member

March 8, 2021 Committee Meeting

It was explained to the Committee that the SBBC has a policy that permits the Superintendent to approve change orders up to $25,000; however, the SBBC has ostensibly given "verbal direction" to the Superintendent not to approve any change orders. It should be noted that, according to District staff, approximately 85 percent of all change orders are below the $25,000 threshold.

RECOMMENDATION 4

Florida TaxWatch recommends the District brief the Committee at its June 14, 2021 meeting on steps taken to reduce the amount of time it takes to navigate the change order process, including delegating authority to approve change orders below a certain threshold.

In its third interim report, the Twentieth Statewide Grand Jury pointed out how negative and significant the impact of school district-run building departments can be on large-scale construction projects:

> *"Having a building inspection department which is controlled by and answerable to a local school district makes it incredibly easy for school officials to hide deficiencies, spoof timelines and control the flow of information to the public regarding the functionality and safety of our children's taxpayer-funded schools. This kind of conduct leaves these construction projects ripe for fraud and other criminal misconduct."* [1]

The Statewide Grand Jury concluded that county and municipal building departments are "more than capable" of timely and properly inspecting school construction for compliance with local and state safety regulations. The Grand Jury recommended that legislation be enacted to ban district-run building, permitting, and inspection departments, and to mandate that county and municipal agencies be the only issuers of both temporary and permanent Certificates of Occupancy for schools within their geographical boundaries.[2]

ROOFING

Most of the SMART Program roofing projects are bundled with other activities into single Primary Renovations projects, which are awarded to a general contractor. The general contractor then hires a roofing contractor. The District reports that, at present, there are about 20 roofing contractors that have been pre-qualified to do roofing work.

1 In the Supreme Court of Florida Case No. SC19-240, "Third Interim Report of the Twentieth Statewide Grand Jury," December 10, 2020.

2 Ibid.

An August 2020 Roofing Process Analysis Report prepared by RSM US LLP (RSM) looked at a sample of 80 roofing projects and found that, of the 48 roofing sub-permits issued, 26 (54 percent) were obtained by a single contractor. RSM concluded that:

> *"[R]oofers have experienced significant difficulties with the process of obtaining a roofing sub-permit… [I]t often takes multiple rounds of review and re-submissions before a sub-permit binder is approved... [O]nly a small group of roofing subcontractors have been able to consistently obtain a roofing permit."* [3]

RSM selected ten of these 80 projects for further analysis of the plan review process and found that:

- The average number of rounds of Building Department review required before planning/design documents are approved is 3.8;
- The average number of days an Architect/Engineer submittal spends in Building Department review per round of review is 14;
- The average number of days per project in Building Department review is 53;
- The average number of days between Building Department review and Architect/Engineer resubmittal is 63; and
- The average total number of days per project between Building Department review and Architect/Engineer resubmittal is 196.[4]
- RMS then sampled ten of these 80 roofing projects[5] for further analysis and found that:
- The average number of rounds of Building Department review required before roofing binders were approved is 4.8;
- The average number of days a roofing binder spends in Building Department review per round of review is 13;
- The average number of days per project in Building Department review is 60;
- The average number of days between Building Department review and roofer resubmittal is 41; and
- The average total number of days per project between Building Department review and roofer resubmittal is 171.[6]

RECOMMENDATION 5

Florida TaxWatch recommends the District brief the Committee at its June 14, 2021 meeting on steps taken to reduce the number rounds of review and re-submissions before a roofing sub-permit binder is approved, and to increase the number of roofing subcontractors who have been able to consistently obtain a roofing permit.

3 RSM USA LLP, "Roofing Process Analysis, Broward County Public Schools," August 4, 2020.

4 RSM USA LLP, "Roofing Process Analysis, Broward County Public Schools," August 4, 2020.

5 Five of these projects had completed the roofing sub-permitting process and five were currently in the process.

6 RSM USA LLP, "Roofing Process Analysis, Broward County Public Schools," August 4, 2020.

As part of its roofing analysis, RSM looked at the District's payment process to determine the amount of time it takes from the submission of a payment application (detailed invoice) to receipt of payment. Based on a sample of payment applications,[7] RSM found that the processing time for payment ranged from 17 to 145 days, with an average processing time of 59 days.[8] RSM does acknowledge the District's efforts to expedite the payment process (e.g., issuing partial payments for approved costs instead of rejecting the entire payment application).

RECOMMENDATION 6

Florida TaxWatch recommends the District adopt as a standard practice the forwarding of copies of all audits/investigations involving the use of SMART/GOB funds to the Committee and to Florida TaxWatch.

In March 2021, students at James S. Rickards Middle School in Oakland Park were evacuated after a portion of the Media Center roof collapsed. The Media Center was under construction at the time and the portion of the roof that collapsed had been recently replaced. In an abundance of caution, media centers and adjacent classrooms at four schools with similar designs (Apollo Middle School, Lauderdale Lakes Middle School, Lauderhill 6-12, and Plantation Middle School) were shuttered pending the results of an investigation.

RECOMMENDATION 7

Florida TaxWatch recommends the District brief the Committee at its June 14, 2021 meeting on the results of its investigation into the cause of the partial roof collapse at James S. Rickards Middle School and the status of the roofs at the other four schools with similar designs.

BUDGET-RELATED ISSUES

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. A review of the School Spotlights identifies five Primary Renovations projects that have now been flagged for budget-related issues:

- Pembroke Lakes Elementary School;
- Village Elementary School;
- Thurgood Marshall Elementary School;
- Stephen Foster Elementary School; and
- Wingate Oaks Center.

7 RSM analyzed four payment applications from five sampled projects (20 total payment applications).

8 RSM USA LLP, "Roofing Process Analysis, Broward County Public Schools," August 4, 2020.

HOLDING VENDORS ACCOUNTABLE

Florida TaxWatch has included recommendations in previous reports to the Bond Oversight Committee that the District identify actions taken to enforce the terms and conditions of contracts with design firms, vendors, and contractors. The Q3 2020-21 Facilities Report includes a "running list" of financial penalties that have been collected from firms for delays (reference page 103). The District reports that it has recovered $448,950 in penalties from nine architects/engineers who experienced delays in the Design Phase of projects at 21 schools.

PSA AMENDMENTS, BIDS, AND CHANGE ORDERS

The following is a summary of actions taken by the School Board during Q3 2020-21:

- Authorized two schools to advertise for bids;
- Approved change orders for projects at 18 schools;
- Approved final acceptance and release of retainage at one school;
- Approved reductions of retainage at two schools;
- Approved professional services agreements for five schools;
- Approved construction bid recommendations for five schools;
- Approved a contingency use directive for one school; and
- Approved a funding request or partial funding request for two schools.

As projects move from the Design Phase to the Construction Phase, the District tracks change orders as they occur and reports their relative impact. During Q3 2020-21, 45 change orders resulting in a net credit of $164,525 were approved by the SBBC. Of these, 39 were under the $25,000 threshold.

Typically, most change orders are the result of unforeseen conditions; however, only four of these 45 change orders were due to unforeseen conditions. The remaining 41 were due to owner's request (10), consultant omission (21), and consultant error (10). Through March 31, 2021, change orders at 38 schools have required $3.44 million to be transferred from unbudgeted contingencies (reference page 93). The time required to process and approve a change order remains a problem.

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 Renovations and other projects is identified, and key milestones and their target completion dates are identified. The planned dates for "substantial completion" of Primary Renovations projects are as follows:

- **Blanche Ely High School ---** the District reports that the Primary Renovations are in the Active Construction Phase, which is scheduled for completion in Q2 of calendar year 2022. According to the School Spotlight, this project schedule has been advanced 112 days. been completed.
- **Northeast High School ---** the District reports that Phase 1 of the Primary Renovations is in the Active Construction Phase, which is scheduled for completion in Q1 of calendar year 2023. Phase 2 is in the Design Phase. Construction is scheduled for completion in Q4 of calendar year 2023.

- **Stranahan High School ---** the District reports that Phase 1 of the Primary Renovations is in the Active Construction Phase, which is scheduled for completion on Q1 of calendar year 2022. Phase 2 (cafeteria) is in the Design Phase. Construction is scheduled for completion in Q3 of calendar year 2023.

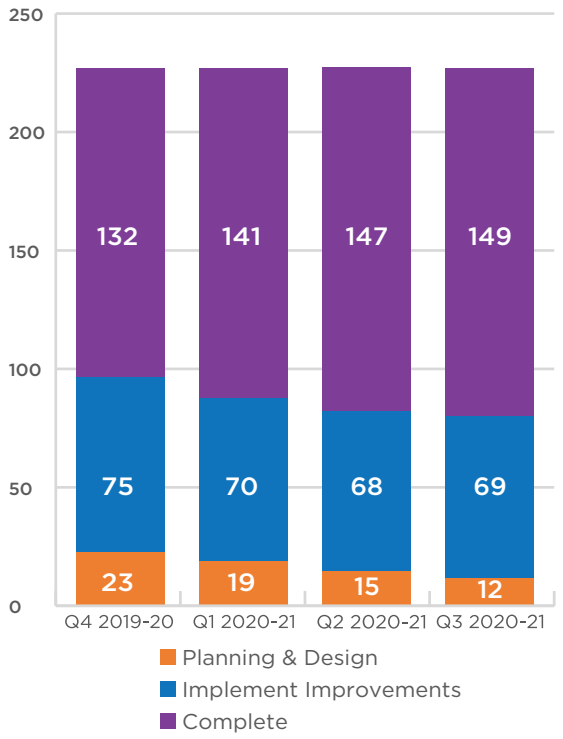
SCHOOL CHOICE ENHANCEMENT PROGRAM

The District reports that School Choice Enhancement Program (SCEP) projects are underway or complete at 230 schools. SCEP projects are budgeted at $100,000, and 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, 2021, the number of SCEP projects in the Planning Phase has decreased from 15 to 12. The second phase (Implementation) includes selection and procurement. There are currently 69 schools in the second phase, up from 68 in Q2 2020-21. The third phase (Completion) occurs when all items have been delivered and installed. There are 149 schools with completed SCEP projects, up from 147 in Q2 2020-21. As shown in Figure 3, 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. 3 - THE DISTRICT CONTINUES TO MAKE PROGRESS IMPLEMENTING SCEP PROJECTS

NUMBER OF PROJECTS



The current SMART Program budget for facility renovations is $1.036 billion. A summary of SMART Program expenditures for facility renovation through March 31, 2021, is provided in Table 8.

TABLE 8. SMART PROGRAM RENOVATIONS PROJECTS BUDGET ACTIVITY (THROUGH MARCH 31, 2021)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	$586,285,575	$585,979,938	$141,139,593	$155,031,348	$78,252,407	$211,556,590
Non-GOB Funds	$71,680,969	$351,669,583	$68,697,262	$123,939,949	$62,397,385	$96,634,987
Completed/Meets Standards						
GOB Funds	$43,193,000	$43,193,000	$37,317,292	$1,177,659	$1,121,045	$3,577,004
Non-GOB Funds	$29,935,867	$47,235,403	$39,573,721	$1,042,730	$1,145,902	$5,473,050

TECHNOLOGY

As of June 30, 2018, the planned SMART technology deployment has been fully completed for all 230 SBBC schools. The planned charter school SMART Program technology projects were completed as of the end of the quarter ended March 31, 2017.

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. A summary of SMART Program Technology purchases for traditional SBBC and charter schools is provided in Table 9.

TABLE 9. SCHOOL TECHNOLOGY PURCHASES

Items	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**

With the replacement of Uninterrupted Power Supply (UPS) devices and computer batteries, the following planned TSSC infrastructure upgrades (to support upgrades for school networks and computer expansion) have been completed:

- Implement a new "Next Generation Firewall" at the District's Internet perimeter;
- Improve the speed and capacity of the systems that manage and balance the Internet traffic pattern and load distribution;
- Upgrade the application-specific load balancing system;
- Improve the reliability of critical network services and systems;
- Improve the speed and capacity of the core network;
- Replace the out-of-service tape back-up system with a virtual back-up tape solution;
- Replace the existing automatic call distribution system with one that will be integrated into the District's current voice application system;
- Relocate and build storage for offsite disaster recovery;
- Replace disk storage that supports the Enterprise Resource Planning (ERP) system;
- Implement enhanced content filters;
- Build firewall internet capacity;
- Update data network infrastructure;
- Address the immediate need for additional storage space;

- Upgrade systems that support the Student Information System and Data Warehouse;
- Provide additional capacity to support Internet growth and security requirements;
- Replace/upgrade back-up to an enterprise solution;
- Provide additional hardware to support centralized management tools Local Area Network endpoints (laptops/desktops); and
- Replace UPS devices and computer batteries at all schools and District sites as needed.

A January 2021 independent audit of the SBBC's compliance with its purchasing policies and requirements related to the purchase of technology devices concluded that, although the purchase of technology devices comports with the Technical Advisory Committee's recommendations and specifications and meets budgetary requirements, the reliability of the equipment purchased was called into question:

> *"The SBBC purchase of Lenovo equipment (laptops and tablets) ultimately prove not to hold their initial quality several months after actual usage by students and teachers… The evidence of over 10,000 support tickets adds more credence to the notion of SBBC procuring more robust equipment going forward."*[9]

The current SMART Program budget allocates $68.5 million to purchase computer devices and hardware for SBBC schools and charter schools, and to fund upgrades at the Technology and Support Service Center (TSSC) necessary to support the additional computer devices and hardware. A summary of SMART Program budget activity through March 31, 2021, is provided in Table 10.

TABLE 10. SMART PROGRAM TECHNOLOGY PROJECTS BUDGET ACTIVITY (THROUGH MARCH 31, 2021)

	Original Budget	Current Budget	Prior Year Expenditures	Commitments	Current Year Expenditures	Balance
Financially Active						
GOB Funds	$11,000,000	$11,000,000	$10,111,662	$9,119	$817,114	$12,105
Non-GOB Funds	$0	$0	$0	$0	$0	$0
Completed/Meets Standards						
GOB Funds	$27,489,000	$25,825,538	$25,825,538	$0	$0	$0
Non-GOB Funds	$42,343,000	$37,900,084	$37,898,472	$0	$0	$1,612

9 HCT Certified Public Accountants and Consultants, LLC, "The School Board of Broward County, Florida, Bid #16-059E – IT Technology Devices Agreed-Upon Procedures Report," January 22, 2021.

BUDGET ACTIVITY

BUDGET

The 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). The Y21 facilities construction schedule includes SMART Program activity through the end of calendar year 2025 and possibly into 2026, which necessitates a longer financial outlook.

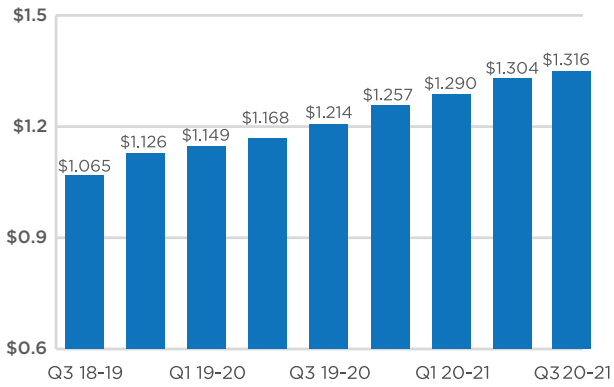
RECOMMENDATION 8

Florida TaxWatch recommends the District include SMART Program budget allocations for years 9 (FY 2022-23) through 12 (FY 2025-26).

The SMART Program total budget has increased from $1.304 billion in Q2 2020-21 to $1.316 billion in Q3 2020-21, an increase of about $12 million (see Figure 4). This includes the $800 million in general obligation bond (GOB) funding and $504.0 million in non-GOB capital project funding (capital millage and impact fees). This represents an increase of about $328.5 million over the original budget of $987.4 million ($800 million GOB funds plus $187.4 million in existing capital resources).

FIG. 4 - SMART PROGRAM BUDGET CONTINUES TO INCREASE

BILLIONS OF DOLLARS



EXPENDITURES

SMART Program expenditures increased from $535,824,787 in Q2 2020-21 to $600,854,020 in Q3 2020-21, an increase of about $65.03 million. The District reports a SMART Program balance (current budget minus commitments and expenditures) of $385,375,588 at the end of Q3 2020-21.

Over the past four quarters the District has spent $209.7 million, which equates to approximately $53.4 million per quarter or $17.5 million per month. The last two quarters reflect the highest quarterly expenditures since inception of the SMART Program. With an unspent balance (current budget minus expenditures) of $715.0 million, if the District continues to spend at the current rate of $17.5 million per month, the District will exhaust the remaining unspent SMART Program funds in about 41 months, or near the end of Q3 of calendar year 2024.

This is of concern because the Y21 Schedule does not envision the completion of most of the Primary Renovations projects until the end of calendar year 2025. The possibility exists that, at the current spend/burn rate, the District may exhaust the remaining unspent SMART Program funds well before

the planned facilities construction projects have been completed. If the spend rate increases, as it did during Q3 2020-21, the District may exhaust the remaining unspent SMART Program funds sooner.

In its Q2 2020-21 report, Florida TaxWatch raised this issue and recommended that the District calculate the lifespan of remaining unexpended SMART Program funds and evaluate the possibility that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed. If it appears that the District may in fact exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed, then TaxWatch recommended the District's Q3 2020-21 Report to the Bond Oversight Committee outline the District's plan to make up the shortfall.

District staff acknowledged that the SMART Program would need more money[10]; however, TaxWatch could not find any response in the District's Q3 2020-21 report to address this recommendation. As a result, TaxWatch repeats its previous recommendation.

RECOMMENDATION 9

Florida TaxWatch recommends the District calculate the lifespan of remaining unexpended SMART Program funds and evaluate the possibility that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed.

RECOMMENDATION 10

Florida TaxWatch recommends that, if it appears that the District may exhaust the remaining unspent SMART Program funds before the planned facilities construction projects have been completed, District staff should be prepared to present to the Committee at its June 14, 2021 meeting the District's plan to make up the shortfall.

During Q3 2020-21, the SBBC approved the following funding increases:

- Pembroke Lakes Elementary School --- Approved recommendation to award Construction Agreement ($2,307,900);
- Village Elementary School --- Approved recommendation to award Construction Agreement ($333,189);
- Sunset Lakes Elementary School --- Approved final change order ($27,375);
- Thurgood Marshall Elementary School --- Approved recommendation to award Construction Agreement ($2,426,697);
- Stephen Foster Elementary School --- Approved recommendation to award Construction Agreement ($3,178,497);

10 The Director, Capital Budgets stated at the March 8, 2021 Committee meeting that "…we definitely need to add money to the program…"

- Wingate Oaks --- Approved recommendation to award Construction Agreement ($3,500,217); and
- Bright Horizons Center --- Approved change order adding 182 days to the contract ($131,744).

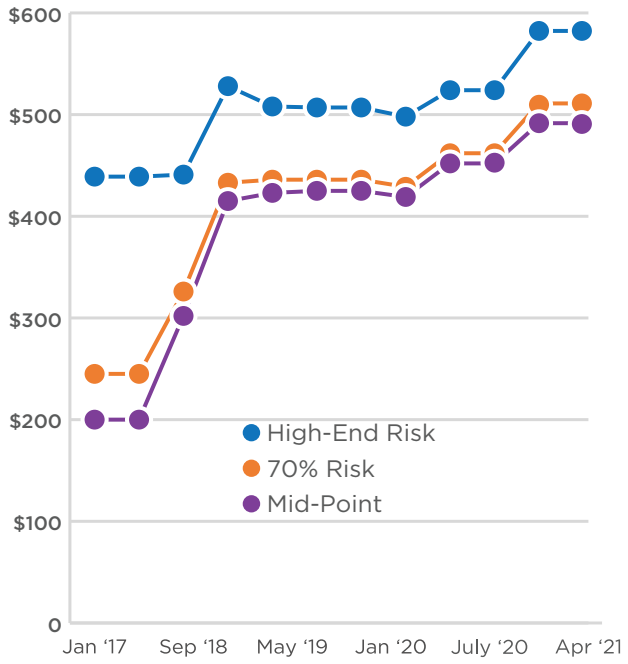
These increases total $11.85 million. Since inception of the SMART Program, the School Board has approved net increases/decreases of $328.55 million.

ASSESSMENT OF FINANCIAL RISK

It has been previously understood that higher rates of inflation, higher roofing and mechanical/electrical/fire protection costs, and items that were excluded from the original scopes of work would increase the costs of SMART Program construction projects. The most recent (April 2021) assessment of financial risk is consistent with the January 2021 assessment. As shown in Figure 5, the potential risk outcomes range from a low (mid-point risk) of $497 million to a high (high end risk) of $575 million, with a most likely estimate (70 percent risk) near $508 million. Atkins attributes this increase to inflation ($10 million); increased PMOR costs ($33 million); and extended CPCM, building department support and builder's risk insurance ($3 million).

FIG. 5 - SMART PROGRAM FINANCIAL RISK REMAINS UNCHANGED FROM JAN. 2021 ASSESSMENT

MILLIONS OF DOLLARS



RESERVE FUNDING

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

In March 2020, the District authorized the issuance of $250 million in Certificates of Participation to provide supplemental funding for SMART Program risk, $211 million of which was placed into the SMART Program reserve. In July 2020, the SBBC approved a new SMART Program PMOR contract which had a budget impact of $47.2 million. This amount was added to the District's reserve, increasing the total SMART Program reserve to $483.2 million. Under any of the January 2021 financial risk scenarios presented by Atkins, the potential financial risk exceeds the amount of funds in reserve.

In its Q2 2020-21 report to the Committee, Florida TaxWatch recommended the District brief the Bond Oversight Committee on its plans to make sure there is sufficient supplemental funding for potential SMART Program risk. The District Report (reference page 387) states that "[T]he upcoming DEFP update for FY 2021-22 will include sufficient capital reserves for the District to continue to mitigate these cost risks."

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 2020-21 Facilities Report included a breakdown of hard and soft costs for 14 schools at which construction activities had reached substantial/final completion. Although hard costs typically make up 65-70 percent of a project's total budget, the hard costs for the 14 schools identified (reference page 138) range from 69 percent to 86 percent. Although soft costs typically make up 30-35 percent of a project's total budget, the soft costs for the 14 schools identified range from 14 percent to 31 percent.

In previous reports, Florida TaxWatch has questioned why the hard and soft costs for the schools at which construction activities had reached substantial/final completion are outside the identified cost percentage ranges. The District reports that while the project budgets were developed with approximately 30 percent of the costs being soft costs, funds that remain unspent at the project's completion are then swept back to the SMART Program Reserve, which lowers the soft cost percentage.

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 District reports an E/S/M/WBE commitment of $7.1 million during Q3 2020-21. This represents about 47 percent of the total $15.2 million in contracts awarded during the quarter. Through March 31, 2021, the District has issued purchase orders to E/S/M/WBEs totaling $277.2 million. This represents a cumulative E/S/M/WBE commitment of 30 percent of the $928.5 million total cumulative spend. Of this $277.2 million E/S/M/WBE commitment:

- $7.99 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;
- $12,699 has been awarded to E/S/M/WBE firms for Athletics projects;
- $269.24 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.

The District reports that, as of the end of Q3 2020-21, there were 536 active E/S/M/WBE certified companies that provide commodities (supplies), construction, professional services, and business services to District schools. The 536 E/S/M/WBE certified companies are evenly divided by gender, with 264 (49 percent) female-owned companies and 272 (51 percent) male-owned companies.

Table 11 compares the cumulative SMART Program spend with E/S/M/WBE certified companies to the 2015 Disparity Study and the aspirational Target Goals outlined in the District's Policy 3330. Compared to Q2 2020-21, the cumulative percentage of contracts awarded to or purchases made from Hispanic-American owned companies decreased dramatically and the cumulative percentage of contracts awarded to or purchases made from Women-owned companies increased dramatically. The cumulative percentages for these E/S/M/WBE certified companies are now much more aligned with the disparity study and target goals.

TABLE 11. SUPPLIER DIVERSITY CUMULATIVE SPEND ANALYSIS

Ethnicity & Gender	Disparity Study	Target Goals	SMART Program	
			Q2 2020-21	Q3 2020-21
African-American	7.54%	19.00%	7.21%	7.74%
Hispanic-American	59.89%	54.00%	78.17%	51.92%
Native-American	0.00%	0.00%	0.00%	0.00%
Asian-Pacific American	2.40%	5.00%	3.44%	3.16%
Women Business Enterprise	30.17%	17.00%	8.69%	34.91%
Small Business Enterprise	0.00%	5.00%	2.48%	2.27%

RECOMMENDATION 11

Florida TaxWatch recommends the District brief the Committee on the dramatic changes in the cumulative percentage of contracts awarded to or purchases made from Hispanic-American owned companies and Women-owned companies from Q2 2020-21 to Q3 2020-21.

Table 12 shows the total cumulative spend by ethnicity and gender. African-American-owned companies make up 33.2 percent of the E/S/M/WBE certified companies and have been awarded 7.74 percent of the contracts. Hispanic-American-owned companies make up 36.0 percent of the E/S/M/WBE certified companies and have been awarded 78.49 percent of the contracts.

TABLE 12. E/S/M/WBE COMMITMENT BY ETHNICITY AND GENDER

Ethnicity & Gender	% of E/S/W/MBEs	% of Work Awarded
African-American	33.2%	7.74
Hispanic-American	36.0%	78.49
Native-American	0.0%	0.00
Asian-Pacific American	0.5%	3.17
Women Business Enterprise	11.2%	8.34

RECOMMENDATION 12

Florida TaxWatch recommends the District brief the Committee on its plan to address the over-representation of Hispanic-American owned businesses and under-representation of African-American owned businesses.

COMMUNICATIONS

The Q3 2020-21 Report highlights the District's continued efforts to promote the SMART Program. At the January 25, 2021 BOC meeting, Chair Rabinowitz expressed concerns that the District was not doing enough to communicate to the taxpayers the construction delays and the reasons for the delays. Concern was expressed that the District had not done a good job in particular educating Broward taxpayers on the enormity of the roofing effort --- more than 13 million square feet (the equivalent of 300 football fields). The District acknowledged the Chair's concern and committed to address it.

> *"… once the schedule has been reset and finalized it is our intent to put out and to help educate, communicate that to the public, and to help them understand what has happened and to reset expectations where they are concerned district-wide as well as individually at each school."*
>
> Yvonne Garth, President & CEO
> Garth Communications

In its Q2 2020-21 report to the Committee, Florida TaxWatch recommended the District make good on its commitment to begin communicating the Y21 schedule delays to Broward County taxpayers and to begin to reset their expectations regarding the completion of the SMART Program facility renovations. In response to this recommendation, the District reported (reference page 106) that:

> *"The SMART team is working with the District's Office of Communications to develop and implement a comprehensive messaging/communication campaign to re-educate taxpayers about the SMART program overall as well as to introduce the new 2020 Reset Schedule. The campaign will be multi-faceted and reflected through all communication channels, including SMART Program website, school-based and community update presentations, social media, collateral materials and all initiatives."*

RECOMMENDATION 13

Florida TaxWatch recommends the District present its schedule for implementing this comprehensive messaging/communication campaign to the Committee at its June 14, 2021 meeting.

LOOKING AHEAD

The District continues to make progress in implementing the SMART Program. Despite this progress, the District will have to face several challenges going forward. Florida TaxWatch considers controlling project costs and mitigating the additional financial risk to be the greatest challenge facing the District as SMART Program implementation moves forward. When we talk about "risk" we are talking about the potential for increases to the SMART Program budget and projected costs.

The SMART Program budget has increased from $987.4 million to $1.316 billion, an increase of about $328.6 million over the original budget. Every dollar above the $987.4 million originally allocated to the SMART Program represents a dollar of additional risk, and comes from capital millage, impact fees, state funds (e.g., Public Education Capital Outlay), and other sources, which have specific restrictions and spending limitations, or which were intended to be spent on other projects.

After a period of relative stability, the potential financial risk has increased, with outcomes ranging from a low (mid-point risk) of $497 million to a high (high end risk) of $575 million, with a most likely estimate (70 percent risk) near $508 million. The District has set aside $483.2 million in reserve to mitigate the SMART Program's financial risk; however, under any of the most recent financial risk scenarios, the potential risk exceeds the amount of funds in reserve.

The 2020 schedule reset (Y21) included in the District's Q3 2020-21 Facilities Report reflects the completion of the planned facilities construction projects near the end of calendar year 2025, approximately three years after the planned completion milestones in the 2018 schedule. The fact that, less than three months after adoption of the Y21 schedule, Primary Renovations projects (3) are experiencing schedule delays should give Broward taxpayers continued cause for concern.

The reasons for these continued delays are fairly well-documented. TaxWatch thinks it is unrealistic to think the planned facilities construction projects will remain on schedule absent immediate actions by the SBBC to reduce the amount of time between contract award and authorization to proceed; reduce the multiple trips to the building department required before approval is received; and reduce the amount of time required to approve change orders.

There is also the question of whether the unexpended balance of the SMART Program funds ($715 million) is sufficient to permit the completion of the planned construction projects. If the District continues to spend at the current rate, the District will exhaust the remaining unspent SMART Program funds in about 41 months, or near the end of Q3 of calendar year 2024. The possibility exists that, at the current spend/burn rate, the District may exhaust the remaining unspent SMART Program funds well before the planned facilities construction 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. Hispanic-American owned businesses are over-represented and Women-owned and African-American owned businesses are under-represented. More effort will be required to address these inequities.

The 2021-22 school year will usher in a new administration and with it the challenges and uncertainty that will accompany the appointment of a new Superintendent and General Counsel. It is critical to maintain oversight and transparency, as well as effective communications, to ensure public trust and support.

The final challenge is resetting the expectations of Broward County taxpayers, who will now learn that, with the adoption of the Y21 schedule, the completion dates for many of the Primary Renovations projects at schools where they work or where their children attend school will be pushed back several years. The District has acknowledged the need to communicate the Y21 schedule to the public and to help them understand what has happened and to reset their expectations going 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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RESEARCH PROJECT TEAM

Tony Carvajal	Executive Vice President	
Robert G. Nave	Sr. Vice President of Research	*Lead Researcher & Author*
Chris Barry	Vice President of Communications	*Design, Layout, Publication*

All Florida TaxWatch research done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

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Florida TaxWatch
106 N. Bronough St.
Tallahassee, FL 32301

o: 850.222.5052
f: 850.222.7476

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