



Joseph M. Centorino, Inspector General

April 21, 2021

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

RE: Inspector General G.O. Bond Quarterly Report
OIG No. 21-23

INTRODUCTION

This report is written in compliance with Section 2-256(j) of the City of Miami Beach Code, which requires the Office of the Inspector General (OIG), on a quarterly basis, to prepare and submit to the City Commission a written report concerning the planning and execution of the General Obligation Bond Program including, but not limited to, progress reports, financial analyses and potential risks. The review is based on official city records, OIG attendance at implementation and oversight committee meetings, interviews with staff and other department personnel as well as regular discussions with the Program Director. This report is intended to provide the Mayor, City Commission and public with useful information and periodic evaluations regarding the implementation of the G.O. Bond projects to date.

PROGRESS REPORT

The Program Director and her team continue to advance Tranche 1 projects with significant savings. Of the 39 projects in Tranche 1, 28 are in an “active posture” and eight have been completed. The program funds have been distributed as follows:

	Parks	Infrastructure	Public Safety	Total
Spent	\$18,112,203	\$7,217,981	\$11,064,635	\$36,394,819
Encumbered	\$11,703,612	\$7,120,190	\$3,986,283	\$22,810,085
Available	\$56,917,138	\$13,661,812	\$21,355,053	\$91,934,003
Future	\$81,167,048	\$168,000,016	\$34,809,029	\$283,976,093
Total	\$167,900,000	\$196,000,000	\$71,215,000	\$435,115,000

The total amount of savings as of this writing is \$3,252,839.

IMPLEMENTATION

The Program Director, Maria Hernandez, continues to manage and innovate in ways that hold staff accountable, improve transparency, and create efficiencies while acknowledging the evolving needs of the City. This quarter, Ms. Hernandez, in concert with the City's Chief Financial Officer, John Woodruff, proposed a revision to the original G.O. Bond implementation plan. Both of them pointed to changes in priorities within the City and lower borrowing costs as providing an opportunity to re-examine all projects and assess those that could be, or should be, achieved faster than originally expected, and those that could not proceed as originally planned. According to Mr. Woodruff, the original interest rates used during community outreach for the G.O. Bond were set at 4.25%. The actual interest rates applied to Tranche 1 project funding were lower at 3.5%, and the best estimate regarding rates for Tranche 2 are currently about 1.7%. The revised G.O. Bond Implementation Plan is estimated to save \$21.2 million in debt service savings over the life of the bonds.

Mr. Woodruff met with department staff tasked with implementing projects within the G.O. Bond. He asked them to conduct new cash flow projections for each of the projects. Based on cash flow analysis, as well as revised expectations regarding interest rates, Mr. Woodruff and Ms. Hernandez created the updated implementation plan which proposes to consolidate the number of tranches from four to three and reprioritize projects that they believe should be advanced sooner than originally planned. Of the 57 projects in the G.O. Bond, the proposed implementation plan will affect thirty-one.

Three notable examples include projects #40, #31 and #36. Project #40, the 41st Street Corridor, is a \$15,000,000 project that originally had been spread across four tranches with an expected completion date in 2027. The first tranche of money, \$1,500,000, is currently being used to design the project and the remaining, \$13,500,000, will be moved to Tranche Two. According to Ms. Hernandez and Mr. Woodruff, this will allow construction to begin sooner and the entire project to be completed in 2023. Similarly, G.O. Bond Projects #31 and #36, the Ocean Drive Improvement Project and Washington Avenue Corridor, not slated for funding until Tranche 2, have become priorities for the City. The revised implementation plan seeks to transfer money from G.O. Bond #39 (seawalls) to provide money for Tranche 1 and advance the remaining funding into Tranche 2.

The revised plan was unanimously approved by the Parks Advisory Committee and G.O. Bond Oversight Committee. When it was presented to the G.O. Bond Oversight Committee, one member questioned whether the City has the capacity to execute on all the projects within the new time frames. Possible disruptions to the community were also raised in the Oversight Committee discussion. Woodruff and Hernandez believe that the City will be able to hire additional staff to take on and complete the expedited work in a timely fashion without undue disruption.

The plan was also referred to the Finance and Economic Resiliency Committee for further review before final approval by the City Commission. While the Committee approved the proposed plan, Commissioner Arriola was concerned with the re-shuffling of priorities that were of concern to voters. Mr. Woodruff explained that the City must spend 80%-85% of the money in Tranche 1 in order to go back to the bond market for additional funds. Arriola cautioned that the City, in meeting the spending threshold of 80%-85%, could delay projects important to the voters. Arriola will be looking for changes in projects that suggest the administration is moving projects for reasons in addition to those stated by Ms. Hernandez and Mr. Woodruff. Commissioner Richardson asked

staff to continuously revisit the plan and financing options. Mr. Woodruff agreed that they can revisit as the City moves closer to Tranche Two. The Commission will consider the proposed plan at its April meeting.

Additionally, this quarter Ms. Hernandez implemented a new practice of providing the G.O. Bond Oversight Committee, with a list of Commission, Committee, Board and community meetings during which G.O. Bond projects will be discussed. These notices will be sent to members on a regular basis for their participation. The intent is to provide Oversight Committee members with current information as G.O. Bond projects move through committees and boards between their monthly meetings. This practice was established as a result of staff attending various meetings, but not communicating impacts to the rest of the implementation team. In some instances, committee members asked staff to perform tasks that were not conveyed to Ms. Hernandez. In an effort to keep track of these activities, improve communication among the different departments, and provide opportunity for G.O. Bond Oversight Committee members to contribute to the discussions at City meetings, the communications team will compile all items related to the G.O. Bond projects and disseminate them to G.O. Bond Oversight Committee members. The OIG will receive notifications as well and attend meetings when possible.

URBAN FORESTRY MASTER PLAN AND POTENTIAL IMPACT ON PROJECTS

In October 2020, the City Commission adopted the Urban Forestry Master Plan, a 30-year plan to improve the tree canopy in the City and mitigate the impact of climate change. Part of the plan includes the removal of palm trees, a topic of concern with Commission members and the community. The Program Director, along with department staff, has been analyzing how the Urban Forestry Master Plan may impact G.O. Bond projects and has identified seven projects which could be delayed, in part, because new design plans may be required. These projects could potentially be impacted by a moratorium of palm removals extended beyond 90-days or any changes to the City Code related to canopy and palm requirements. The projects are:

1. Brittany Bay Park
2. 72nd Street Complex
3. Bayshore Park
4. Maurice Gibb Park
5. Fire Station 1
6. 41st Street Projects
7. Lummus Park

In a presentation to the Oversight Committee, it was suggested that projects in design/planning all have tree relocation or mitigation components. The 72 Street Complex, Bayshore Park and Maurice Gibb Park are already experiencing delays due to the regulatory process. The potential for additional delay is possible if new designs have to be created. It was also suggested that Fire Station #1 could become unbuildable because of the tree plan.

The Oversight Committee made a motion to expeditiously execute the planning, design, and construction of any voter-approved G.O. Bond project, and, as required by City Code and consistent with the City's Urban Forestry Master Plan, proceed to remove, relocate, or reestablish any palm or other tree while making every effort, consonant with those projects, the Code and the Master Plan, to preserve palms which are iconic to Miami Beach's culture and history. The Commission will consider the motion at its April meeting.

PROJECT UPDATES

The OIG continues to monitor the larger projects in Tranche 1. Some of those projects facing delays are mentioned below:

72nd Street Complex: As previously reported in prior OIG quarterly reports, this project has a budget of nearly \$65 million. A total of \$53.8 million comes from general obligation bonds and the remaining \$10 million from other sources. On January 29, 2021, an evaluation committee was convened to rank proposals from three Design-Build firms. The top ranked bidder submitted a price of \$90 million dollars and the second and third bidders submitted bids closer to \$80 million. The evaluation committee did not know about pricing when making their selection. This process has raised some doubt about the City's ability to build this project within the time frame and budget.

In his Commission Memorandum dated March 17, 2021, the Acting City Manager explained the \$30 million difference. He stated that, "The Project programming as described in the Design Criteria Package includes a multi-level mixed-use parking garage requiring the program components of a 500 space parking structure, 50-meter competition pool with support amenities, 25-meter multi-purpose pool, 7,500 SF Miami-Dade County library, 5,000 SF commercial/retail, 700 SF fitness center, 5,000 SF community center, 60,000SF active green space and a jogging path." He also noted that "the Design Criteria Package included Project Enhancement components that could be considered by the proposers as desired (but not required) project elements with the intent to be included within the proposed project budget." It was these enhancements that contributed to the \$30 million differential between budget and proposals. According to the acting City Manager, the top ranked technical proposer, the Haskell Corporation, was selected not only based on the firm's experience but also having the largest footprint and least overbearing design. The design envisioned a complex oriented to enhance the well-being of the community. The City has now hired a cost estimator to assist them with revisions.

At the February G.O. Bond Oversight Committee meeting, the Directors of Procurement and Capital Improvement Projects explained the status of the procurement process and the work moving forward to negotiate with the bidders. The Commission, at its March 17th meeting, authorized the administration to begin negotiations with the top ranked proposer and referred the matter to the Finance and Economic Resiliency Committee to look for options to increase the budget.

The renderings were made public on the internet for the community to see. The G.O. Bond Oversight Committee expressed concern that residents, after seeing the proposals, may be disappointed if the proposed budgets and scope of services are reduced. Recently, the City had its first negotiation with the Haskell Corporation. At this time, it is unknown whether progress has been made on the project's expense. The administration wants to discuss the project and the funding issues with the new City Manager. The Procurement Director cannot rule out another Request for Proposal should negotiations with the bidders fail and the project is delayed.

Fire Station #1: The total G.O. Bond budget for this project is \$10 million. The first issuance of \$7 million was to be spent in Tranche 1 and the remaining \$3 million in Tranche 2. However, according to the proposed revised Implementation Plan, the Administration is recommending \$4 million in Tranche 1 and \$6 million in Tranche 2. Regardless of the funding strategy, the design consultant's cost estimator's construction cost estimate far exceeded the project budget during the initial design phase. At the March G.O. Bond Oversight Committee meeting, CIP Director,

David Martinez, explained the budget issue and reported that the 911 call center increased the cost of the project by several million dollars and, therefore, would no longer be part of the plan. Like the 72nd Street Project, the scope had been expanded to include the call center without the budget adjustment needed to accommodate it. Martinez advised that they were working through the 30% design plans and making revisions. The documents have been provided to the Construction Manager at Risk for pricing and additional value engineering suggestions. A new estimate is expected by mid-April. In an effort to avoid delays in the project, Martinez reported to the Oversight Committee that there will be no further design efforts until the historic preservation board reviews the current design plans. Construction is still expected to begin in late 2022.

The OIG conducted a financial analysis of this project and noted a discrepancy between the G.O. Bond project dashboard and e-Builder. e-Builder reflected a total spent to date of \$173,724.83 and the dashboard reflected a total spent of \$185,960. This was discussed with the capital Improvement Projects Office which agreed to perform a review of the transactions in e-Builder. One pending transaction was identified that had not been entered for the G.O. Bond Program management fees in the amount of \$26,600, and another amount of \$7,182 entered as a positive rather than a negative amount. It was corrected and now E-builder and the dashboard are in alignment.

Bayshore Park: On September 1, 2020, the project was reviewed and approved by the Design Review Board. The design drawings were submitted to DERM for permitting. DERM required the installation of additional monitoring wells and water sampling. The City submitted responses to DERM on February 2, 2021. DERM has 90 days to respond. The pending DERM permit, according to David Martinez, is critical because it relates to contamination in the ground. All other permits will follow once this is approved.

The consultant submitted a cost estimate which, once again, exceeded the project budget and has now been directed to value engineer the project. Martinez plans to meet with the new City Manager to discuss ideas for bringing the project within budget.

Finally, during the design phase, it became apparent that conflicts with the underground utilities would need to be resolved during construction. It is expected that the contractor selection process will begin in the summer of 2021. At the April Commission meeting, the administration is recommending the Commission pass a resolution to provide additional funding from the City's resiliency fund for project utility relocation in an estimated amount of \$3.5 million.

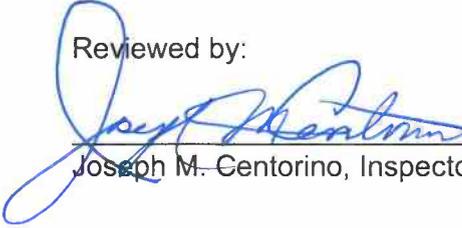
Maurice Gibb Park: This project is also being confronted with delays attributed to the regulatory process. In this case, the Army Corps of Engineers has approved the plans, but the project requires the approval of the National Marine Fish and Wildlife as well, which has not yet happened. If the permitting process is not completed, the selection of the contractor will be delayed. The Chair of the Oversight Committee asked if the Committee could help with the permitting issues. The consensus from staff was that this process must proceed as designed.

CONCLUSION

The G.O. Bond Oversight Committee continues to thoroughly assess the work being done on the Tranche 1 projects and raise issues regarding their implementation. Although not detailed above, the Committee did request and receive a complete briefing regarding the public safety projects contained in the G.O. Bond. The Oversight Committee chairperson and the Program Director are in regular communication with each other and staff remains responsive to questions related to

project progress. This productive working relationship will be needed as the City navigates anticipated challenges to schedules as a result of the delays attributable to permitting, procurement matters, design issues, the urban forestry plan and budget matters tied to changes in project scope.

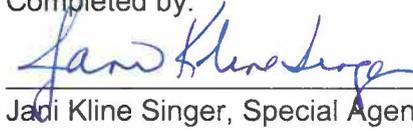
Reviewed by:



Joseph M. Centorino, Inspector General

04/21/2021
Date

Completed by:



Jaci Kline Singer, Special Agent

04/21/2021
Date

cc: Alina T. Hudak, City Manager