



**Joseph M. Centorino**, Inspector General

August 13, 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. 21-29

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## 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 the general public with useful information and periodic evaluations regarding the implementation of the G.O. Bond projects to date.

## PROGRESS REPORT

As of this writing, the program has progressed as follows:

	Parks	Infrastructure	Public Safety	Total
Spent	\$19,054,950	\$8,714,591	411,736,579	\$39,506,120
Encumbered	\$11,802,086	\$6,459,816	\$3,480,370	\$21,742,272
Available	\$55,875,918	\$12,825,574	\$21,189,019	\$89,890,511
Future	\$81,167,048	\$168,000,019	\$34,809,032	\$283,976,097
Total	\$167,900,000	\$196,000,000	\$71,215,000	\$435,115,000

The total amount of savings is \$3,233,639.00. Approximately two million dollars of savings will be utilized to fill budget gaps on other projects.

For the most part, this quarter has focused on the budget process, schedule delays and finding solutions for the large budget gaps in the largest Tranche 1 projects. Material/labor shortages,

scope changes without concomitant budget adjustments and the regulatory process have been identified as the main causes of these challenges. These pressures have affected the following projects:

1. 72nd Street Complex.
2. Bayshore Park (Par 3)
3. Fire Station #1
4. Police Headquarters
5. Maurice Gibb Park

On April 29th, the new City Manager addressed the G.O. Bond Oversight Committee and expressed her concern that projects were coming in over budget and not moving quickly enough. Subsequently, the G.O Bond Oversight Committee inquired from staff regarding the budget gaps and schedule delays in an effort to understand why the biggest and most transformational projects were facing obstacles. At the G.O. Bond Oversight Committee's request, the Program Director created a "Project Challenges Tracker" which identifies the projects that pose scheduling and/or budgeting challenges. The tracker details the action that the administration will take to overcome the obstacles and includes a target date for resolution. This plan was discussed with the implementation team in May.

The 72nd Street Complex is the clearest illustration of the consequences of adding desired enhancements to project scope without concomitantly increasing budget. This project was referred to the Finance and Economic Resiliency Committee, which has been working with the City's CFO to find funding for the budget gap. As 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. The RFP process, which included design criteria well beyond the voter-approved project scope, resulted in three shortlisted proposals. The Haskell Company, with which the City is currently negotiating, assured a guaranteed maximum price of \$94,200,25.00. The other proposals were \$80,202,724 (PCL Construction Services, Inc.) and \$79,976,000 (Kaufman Lynn Construction, Inc.)

At the July 30th Finance and Economic Resiliency Committee Meeting, the Administration reported that the initial funding shortfall was between \$24 million and \$49 million. CFO John Woodruff proposed closing the funding gap by issuing parking bonds for \$19.4 million. Other possible sources of funding include \$1 million set aside from the Ocean Terrace legal settlement and an additional \$1.6 million from the same settlement that is currently uncommitted. These additional funds would bring the overall gap down to approximately \$17 million.

The Finance and Economic Resiliency Committee and CFO Woodruff have also discussed the potential sale of five parcels of land that surround and include the North Shore Branch Library. Two of the lots abut Collins Avenue. The remaining three lots are oceanfront. The oceanfront lots cannot be sold without a voter referendum. It was assumed that the two front lots would provide enough funding for the project; however, these properties were recently appraised and the two front parcels came in at \$10.5 million by CBRE and \$7.3 million by Cushman Wakefield. During the Finance and Economic Resiliency Committee on July 30th, it was reported that the five parcels were valued at \$75 million as calculated by CBRE (Caldwell Banker Richard Ellis). The second appraisal for all 5 parcels was performed by Cushman Wakefield, which valued the properties at 49.5 million. The City is preparing an RFP for their sale.

It is unclear whether the administration has other ideas for closing the budget gap at this time. Nevertheless, the Administration has identified three options in an effort to move the project forward:

1. Continue to negotiate with Haskell and while identifying ways to close the funding gap, with the caveat that the funds be identified prior to entering into a contractual relationship with Haskell.
2. Terminate negotiations with Haskell and enter into negotiations with the second proposer.
3. Change the scope of the design criteria package, which is the reason for the cost increase, and begin the procurement process again.

The Finance and Economic Resiliency Committee has elected to pursue option #1. The administration has recommended that should option #1 fail, the negotiations with PCL Construction Services will commence. In the next quarter, results from the RFP for the sale of the North Shore Library site should be available. This project will remain on the G.O. Bond Oversight Committee Tracker sheet so that it can monitor the progress.

The other projects facing large shortfalls are the Fire Station #1 and Police Headquarters projects. As previously reported, the funding shortfall is \$6-10 million for Fire Station #1. The total G.O. Bond budget for this project is \$10 million. The first issuance of \$7 million was scheduled to be spent in Tranche 1 and the remaining \$3 million in Tranche 2. However, the revised implementation plan resulted in \$4 million in Tranche 1 and \$6 million in Tranche 2. This quarter, the Administration worked with the construction manager at risk to value engineer the project. The construction contract is expected to be issued in October 2022. The administration has opined that over the next year the estimated shortfall may be less as COVID cost pressures subside. Once the true project cost is known, the Administration's recommendation to close the project gap is to again apply funds from the sale of the five vacant parcels identified by Property Management and CBRE's asset inventory study.

With respect to the Police Headquarters renovation, the initial budget shortfall is \$4-\$5 million. The expectation is that the project will be phased in over time. Tranche 1 includes \$5.5 million and Tranche 2 contains \$4.5 million. The Administration intends to work with the Police and Property Management Departments to review the scope for potential changes. Tranche 1 funding will be used to complete short term elements and potentially supplement Tranche 2 funds with additional funding in the future.

Funding gaps for Maurice Gibb Park, North Beach Oceanside Park and Bayshore Park/Par 3 have been resolved by utilizing savings from other projects. It should be noted that the Maurice Gibb Park project is almost nine months behind schedule due to delays in the regulatory process. The delays at North Beach Oceanside Park, a non-G.O. Bond project, (due to the Champlain Towers collapse) have been resolved and the Commission has been advised that the City is commencing the improvements with construction of the new North Beach Beachwalk from 79th Street to 87th Street. This addition is the final link in the citywide network. The North Beach Beachwalk is expected to be complete in 10 months.

## **IMPLEMENTATION**

As reported last quarter, the Program Director proposed revising the project implementation plan as a result of changing priorities in the City and the need to spend Tranche 1 money. In April, the Commission approved the plan. The program now has three tranches rather than four. Projects that had been scheduled for later tranches are now in Tranche 1. The following projects have been moved into Tranche 1:

	Project Name	Budget	Tranche 1 Budget	Dept
1	#5 Flamingo Park Masterplan	\$15,150,000	\$15,150,000	CIP
2	#13 North Shore Park – Other Improvements	\$795,000	\$795,000	Parks
3	#18 Scott Rakow - Flooring	\$640,000	\$640,000	Parks
4	#23 Bay Garden Manor Link	\$1,350,000	\$1,350,000	CIP
5	#23 Bayview Terrace Link	\$850,000	\$850,000	CIP
6	#23 South Bay Club Link	\$2,800,000	\$2,800,000	CIP
7	#31 Ocean Drive Corridor	\$20,000,000	\$2,000,000	Econ Dev/CIP
8	#36 Washington Ave Corridor	\$10,000,000	\$1,000,000	Econ Dev/CIP
9	#46 Ocean Rescue North Beach Facility	\$5,000,000	\$1,000,000	CIP
10	#52 LED Lighting in Parks – Flamingo Park	\$2,700,000	\$2,700,000	CIP/Parks?
		<b>\$59,285,000</b>	<b>\$28,285,000</b>	

At its May 20th meeting, the G.O. Bond Committee reviewed the above list and discussed issues with staff regarding current increases in the cost of construction material and labor, and the effects of those escalations on G.O. Bond projects. Oversight Committee members expressed concern that expediting projects without increasing staff could prove detrimental to project schedules. Currently, CIP has advertised three new positions, one of which is a capital projects coordinator. The Director of CIP, David Martinez, does not necessarily agree that additional staff will make a difference in scheduling. The problem, as he sees it, is that projects get significantly slowed down for some of the reasons stated above. Once the delay occurs, project momentum and continuity are disrupted and, according to Martinez, efficient project development and delivery are negatively affected.

This quarter has also seen the opening of the Middle Beach Beachwalk, the procurement for the 41st Street Corridor Improvements (the RFQ has been released and an evaluation committee selected) and continued progress on tree planting in the City. Over 1,61 trees have been planted to date, with upcoming planting in Normandy Shores, Pine Tree Drive, LaGorce Drive, Lakeview, Orchard Park and Nautilus neighborhoods. It is anticipated that 1700 trees will have been planted by the end of September.

## CONCLUSION

As the OIG continues to monitor the G.O. Bond projects, there are policy considerations that the City should consider as it proceeds with the larger construction contracts within the G.O. Bond. These policy considerations have been addressed with the Administration in the context of other historical investigations performed by the OIG on major construction projects. However, the upcoming construction projects mentioned in this report are utilizing design-build or other project delivery methods such as construction manager at risk or design-bid-build contracts, all which require stronger internal controls to reduce the risk of schedule delays, cost escalation, and performance failures.

One of the best practices of the current G.O. Bond program is that the work is not being done in a compartmentalized manner. The internal implementation team meetings allow for a holistic approach to project management as all departments are represented and provide relevant information to the Program Director. This internal control will improve the City Manager's ability to make fully informed decisions and recommendations to the Commission about the technically complex engineering, design, and construction-related issues that arise during design-build projects. However, the OIG believes that additional protections are needed, some of which are

currently under consideration in joint discussions between the OIG and the City Administration. Some of the proposed changes directly applicable to G.O. Bond projects as summarized below.

First, it is recommended that no City official should issue a Request for Proposal for a construction contract until the project manager has received a signed and sealed design criteria package or a basis of design package and notified the responsible City Director in writing that it has been received.

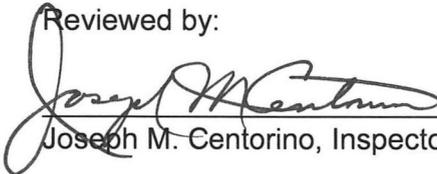
Second, all bids, technical proposals, letters of interest or other submissions by contractors related to any construction contract should include a coordination plan. The coordination plan should demonstrate that the selected firm understands the project's requirements, has identified all critical technical and construction issues and has developed engineering solutions to address each critical issue.

Finally, after the award of a project's construction phase, no major change to a project's design, design criteria package, or a major change to the project's signed and sealed construction plans should occur until the City Manager receives a detailed report identifying the reasons for the change and submits the modification request to the Commission for approval.

The OIG recognizes that making major changes in a design may be in the best interest of the City; however, major changes dramatically increase the risk of schedule delays and cost escalation and is strongly disfavored.

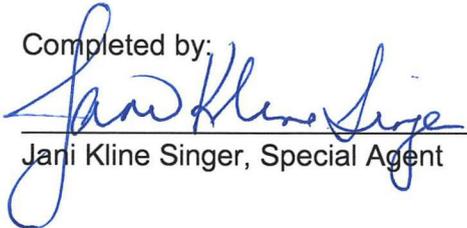
As stated above, the Administration and the OIG have been discussing the internal controls needed to better deliver design-build and other major construction projects. It is the hope that the suggestions contained in this report will assist the Oversight Committee in its efforts and guide the Commission as it is faced with budget shortfalls and schedule delays on the G.O. Bond projects.

Reviewed by:

  
Joseph M. Centorino, Inspector General

08/13/2021  
Date

Completed by:

  
Jani Kline Singer, Special Agent

08/13/2021  
Date

cc: Alina T. Hudak, City Manager