



Joseph M. Centorino, Inspector General

October 7, 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. 21-35

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 analysis 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.

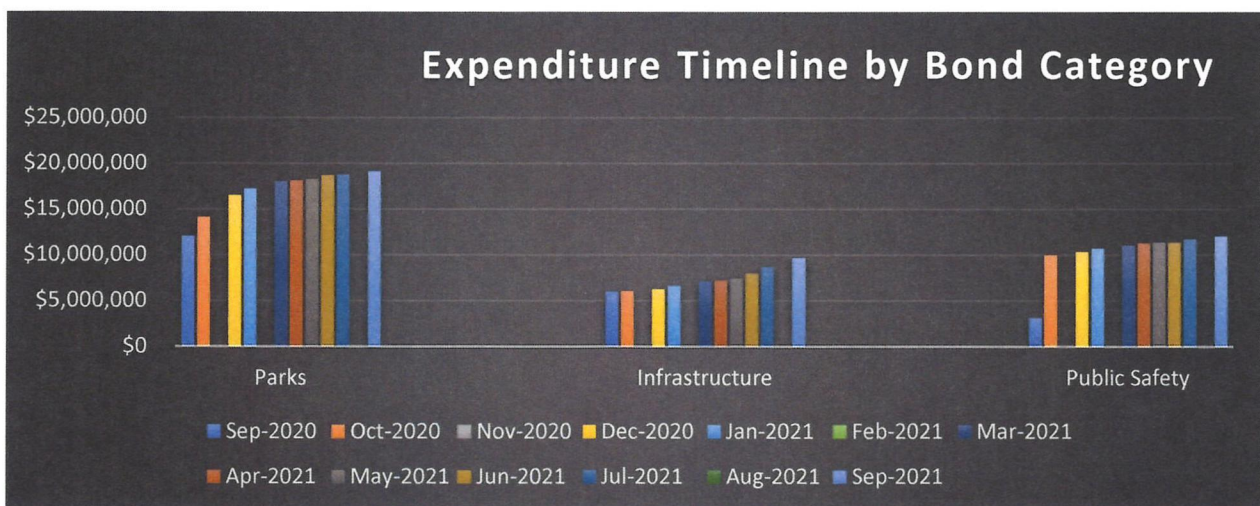
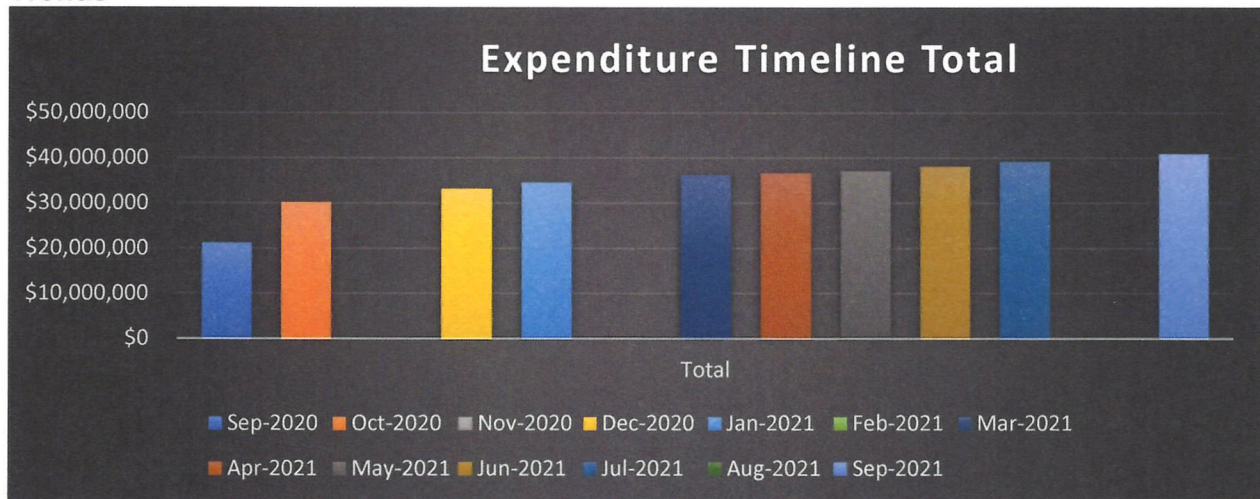
UPDATE:

The charts below reflect the cumulative program expenditures to date and an overview of spending trends during the last year. Last quarter, the City Manager expressed her concern to the Oversight Committee that projects are not moving quickly enough. The Program Director regularly reminds staff during the G.O. Bond implementation meetings that the City must meet the spending threshold of 80%-85% in order to return to the bond market for more funds. However, the trend reflected below shows that spending is slowing. Many possible reasons for the slowdown include supply chain disruptions, cost escalations for goods, labor and transportation, worker shortages, inability to commit to delivery schedules, and regulatory delays.

Current Status

	Parks	Infrastructure	Public Safety	Total
Spent	\$19,129,350	\$9,812,569	\$12,062,608	\$41,004,527
Encumbered	\$12,066,534	\$5,987,786	\$3,141,054	\$21,195,374
Available	\$55,537,066	\$12,199,625	\$21,202,306	\$88,938,997
Future	\$81,167,050	\$168,000,020	\$34,809,032	\$283,976,102
Total	\$167,900,000	\$196,000,000	\$71,215,000	\$435,115,000

Trends



The total savings to date is \$3,233,639 from which \$1.2 million was transferred to the Maurice Gibb Park project to fill the funding gap during the capital budget process. The savings came from the following projects:

- Collins Park (\$82,713)
- Crespi Park (\$26,079)
- Polo Park (\$6,325)
- Scott Rakow Generator (\$12,252)
- Scott Rakow HVAC (\$12,697)
- Scott Rakow Paint (\$13,224)
- Scott Rakow Roof (\$996,782)
- Stillwater Park (\$2,559)
- Colony Theater Roof (\$350)
- Fillmore Roof (\$45,844)
- Miami City Ballet Roof (\$1,175)

The transfer of money to the Maurice Gibb Park project occurred without input from the Oversight Committee members. At the June Oversight Committee meeting, staff did advise that their intention was to use \$1.2 million in savings for this project, but there was no formal motion by committee members to recommend this action. The Committee requested that, when the staff makes future recommendations regarding the transfer of money between projects, it be done after a presentation to the Oversight Committee, discussion and a motion for the Commission to consider. (It should be noted that the Program Director informed the OIG at the time of this writing that the City received a \$1.2 million grant from the Florida Inland Navigation District and some of the savings that has been used for this project may be returned to the G.O. Bond fund for other projects).

A similar issue arose in the context of the Par 3/Bayshore Park project. The Program Director previously reported a \$6-\$7 million budget short-fall that the Oversight Committee has been monitoring. However, the Committee was not afforded the opportunity to make a motion that a portion of the savings from the parks category be used for this particular project. It is also unclear why non-G.O. Bond dollars were utilized to close the gap rather than the existing savings. The OIG believes that the transfer of savings to other projects is a material and important issue for the Oversight Committee to examine. Exploring the implications of a particular transfer and the potential unintended consequences gives the Oversight Committee necessary information as it considers the needs of other projects within the program.

Fire Station #1 and the 72nd Street Community Complex remain significantly underfunded and were the focus for the Oversight Committee during its September meeting. The Committee heard a presentation from Jensen Wannemacher Architects, the firm hired to design Fire Station #1. Staff reported that the design is 30% complete and a community meeting has been scheduled for October 5th to present the plan and obtain feedback from the public. Fire Station #1 has an estimated budget gap of \$6-\$10 million and this has raised a number of questions from committee members. The Oversight Committee questions how far forward the City will advance a project when funding is not secured.

The City is utilizing a proven construction process recommended by Design Build Institute of America (DBIA), known as Construction Manager at Risk Methodology, for Fire station #1. The Construction Manager at Risk is a delivery method which entails a commitment by the construction manager to deliver the project within a guaranteed maximum price (GMP) which is based on constructions documents and specifications at the time the GMP is determined. The

GMP should be known to the City prior to bidding the project. In the context of Fire Station #1, David Gomez, Division Director for CIP, assured the Committee that construction on Fire Station #1 will not proceed unless the guaranteed maximum price is secured. Currently, the project is at a 30% design. Mr. Gomez maintained that, because the City is utilizing Construction Manager at Risk Methodology, the design team will provide design, constructability, schedule analysis, cost estimates, and site complications prior to the beginning of construction, in order to alleviate any unexpected budget impact that may delay the project. Construction is not scheduled to begin until 2023, by which time the City expects the cost increases currently being experienced to have subsided. The Commission has given direction that the project's needs should be re-evaluated next summer during the annual budget process.

The same question has arisen with respect to the 72nd Street Community Complex. CIP staff reported this quarter that The Haskell Company, with which the City is currently negotiating, has scaled down their guaranteed maximum price of \$94,200,25.00 to @\$85,000,000. The sale of City parcels to fill the now \$17 million gap has not been resolved. The matter was deferred by the Commission in September. Similarly, the City has assured the Committee that construction will not begin until funding has been secured.

These two projects are examples of opportunities for the City to implement prior suggestions by the OIG which were detailed in the last quarterly report. In particular, the construction manager at risk for the Fire Station #1 project could be asked to provide the Committee with its coordination plan demonstrating that it understands the project's requirements, has identified all critical technical and construction issues and has developed engineering solutions to address each critical issue.

Similarly, with respect to the 72nd Street Community Complex, after the award of the project's construction phase, no major change to the project's design, design criteria package, or 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. This report should be provided to the Oversight Committee for consideration as well.

Finally, a highlight of this quarter is the amount of grant money the City has received to support G.O. Bond projects. During fiscal year 2021, the grants department submitted requests for funds to support the projects covered in this report. Those amounts are:

72 Street Complex-\$4,000,000
Maurice Gibb Park-\$1,203,750
Bayshore Park-\$1,250,000
Fire Station #1-\$8,414,000

Grants Director, Judy Hoanshelt, reported that the City has received a total of \$12.5 million. Her department has prioritized outreach for grants to support G.O. Bond projects specifically. These additional dollars will assist in closing budget gaps, free GOB funds for other projects, pay for increases in scope and cover cost escalations.

CONCLUSION:

The G.O. Bond Oversight Committee continues to assess the work being done on the Tranche 1 projects and raise issues regarding their implementation. The Committee Chair has asked the

Program Director to consider the OIG's prior recommendations regarding internal controls and report to the Committee in November how the controls can be utilized in G.O. Bond projects. As stated above, there are a number of opportunities available to the Program Director to better inform the Committee of the status of the larger projects in the G.O. Bond. This approach will facilitate a more comprehensive review and, perhaps, result in recommendations to the Commission that will assist in their decision-making. The OIG believes that this opportunity should be embraced.

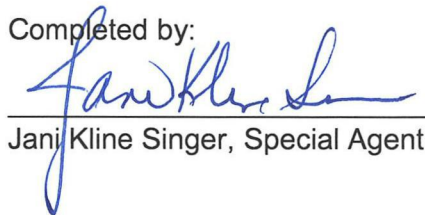
Reviewed by:



Joseph M. Centorino, Inspector General

10/07/2021
Date

Completed by:



Jani Kline Singer, Special Agent

10/07/2021
Date

cc: Alina T. Hudak, City Manager