



Joseph M. Centorino, Inspector General

April 20, 2020

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

RE: Inspector General G.O. Bond Quarterly Report
OIG No. 20-11

BACKGROUND

In November, 2018, Miami Beach residents voted to approve a \$439 million General Obligation Bond Program. Planning for the ballot measure began in February and March of 2018. An initial project list was produced to reflect information collected from various community stakeholders, research studies, master plans and neighborhood assessments. The cost estimate for the project list produced totaled \$1.1 billion. In April 2018, the City Commission held a workshop during which the Mayor and Commissioners reviewed and prioritized the list of projects. The program cost estimate was reduced from \$1.1 billion to \$700 million.

In May, 2018, the Mayor created a G.O. Bond Advisory Panel. The panel comprised 11 Miami Beach residents who were appointed to serve through the November 30, 2018 referendum election. The advisory panel recommended a further reduction of projects and costs. A series of community meetings was held across various areas of the city. Residents discussed opportunities and challenges associated with the proposed municipal bond program. City staff and elected officials were present to answer questions, offer input and review ideas.

In July, 2018, the City Commission held a public workshop to refine projects and cost details, taking recommendations from the Mayor's G.O. Bond Advisory Panel into account. A final list of 57 projects was approved and the final cost estimate totaled \$439 million. The costs were broken into three distinct categories. The ballot measure sought \$169 million for parks, recreational and cultural facilities, \$198 million for neighborhoods and infrastructure and \$72 million for public safety. Voters approved all three G.O. BOND referendum ballot items with an overwhelming support rate of 70%.

Concomitantly, the city's voters also approved an amendment to the City Charter, creating Article IX, which established the City of Miami Beach Office of the Inspector General. The Inspector General functions as an independent body to perform investigations, audits, reviews, and oversight of municipal matters, including city contracts, programs, projects and expenditures, in order to identify inefficiencies and to detect and prevent waste, fraud, mismanagement, misconduct and abuse of power. The Inspector General has the power to report and/or recommend to the City Commission and/or City Manager whether a particular project or program is necessary and whether the method used for implementation is efficient both financially and operationally. Monitoring of an existing project or program may include reporting whether the project is on time, within budget, and in conformity with plans, specifications and applicable law.

Miami Beach Code Section 2-256, which establishes the Office of the Inspector General, mandates that the Inspector General shall review, audit, inspect, and investigate City contracts, programs, projects, procurements and expenditures associated with the City's General Obligation Bond Program, and issue periodic reports to the City Commission. The Inspector General for Miami Beach began his service in November, 2019.

Between January and March, 2019, a G.O. BOND working group convened to evaluate and prioritize the 57 projects and create an implementation plan. The priorities were based on five criteria:

1. Quick wins
2. Shovel ready projects
3. Big impact projects
4. Asset preservation
5. Interdependency with other non- G.O. BOND projects

All 57 projects were organized in alignment with the stated criteria and on March 13, 2019 the Commission approved them. The projects were then organized into tranches. Tranche 1, the subject of this report, has 38 projects, costing approximately \$151,000,000. Most of the projects have different components which are considered distinct subprojects and are tracked separately. They have separate budgets, procurement and implementation schedules. All projects are evaluated on a bi-monthly basis by an implementation team made up of representatives from each department. A program manager drives the implementation team.

On a monthly basis, the implementation team reports to the G.O. BOND Oversight Committee regarding the status of each of the projects in Tranche 1 and advises on the likelihood of finishing the projects on time and within budget. If impediments arise, they are discussed and vetted for solutions.

The Inspector General has attended the implementation meetings and has been present in person, or through a designee from his office, at every oversight committee meeting. All oversight committee meetings are open to the community. A report is generated after

each meeting and posted to the G.O. BOND dashboard. Each project and all of the sub-projects are updated every day and similarly posted to the G.O. BOND dashboard for the public to scrutinize.

PROGRESS REPORT

As of this writing, four of the Tranche 1 projects have been completed, 32 are in the active stage and two are being planned. All quick win projects (21) remain on budget and on schedule to be completed by June 2020. Of the sub-projects, 20 of 70 have been completed, 14 are under construction, 11 are in the design phase, 17 are in a planning phase and eight are pending.

The city is currently facing challenges as a result of the COVID-19 pandemic; however, an Inspector General Investigator attended both the implementation committee meeting on 04/01/2020 and the oversight committee meeting on 04/16/2020 and in both instances, the project managers and/or department heads stated that the projects in Tranche 1 were moving forward in spite of small interruptions in the supply chain and workforce as a consequence of “shelter at home” orders. Some projects may be negatively affected and not achieve on-time delivery, but none of the projects have been seriously interrupted at this point. The expectation is that the Tranche 1 projects will all be completed. For example, both the Scott Rakow and North Shore Youth Centers have ongoing sub-projects which include the installation of generators. The generators are currently unavailable, and it is anticipated that this will cause a 30-day delay. There are a few challenges with street paving projects because citizens are sheltered at home and their cars are parked. Nevertheless, the projects continue in the areas that are accessible. On the positive side, a number of projects that had been facing challenges are now complete. For example, the roofs on cultural arts facilities, which had been delayed because of events that had been scheduled, are now done. Similarly, Collins Park which had faced delays for the same reason will be completed within two weeks.

Another noteworthy positive outcome is the Scott Rakow Youth Center. The roof work was completed on time with a \$1.1 million in savings. The project manager has asked the oversight committee for permission to use that savings and begin working on the gym floors, which is a Tranche 2 item. This request is unusual in that it is seeking to use money from one Tranche and move it into a subsequent Tranche. Typically, staff makes the decision, when there is a savings, to use that money within the same Tranche. For example, the money saved on the Scott Rakow roof could be used for the roofs on the cultural arts centers without authorization from the City. Since those roofs have been completed, this money is available for another purpose. If the savings is used now for a Tranche 2 project, there will be additional money available later on when Tranche 2 projects begin. It is clear that a change in scope of a project requires Commission approval, but less clear how this scenario should be handled. The Committee approved the request and the program manager will seek the City Manager’s approval. The Oversight Committee will evaluate a report by the program manager on best practices moving forward at the next meeting.

Positive progress has also been made on public safety issues. The Police have received 700 radios which will allow first responders to communicate throughout the city. License plate readers for the Julia Tuttle Causeway are ready and the final permit from FDOT is expected by the end of April. The staging area in Lummus Park has been created and the electrical permit for installation of security cameras is expected soon.

As the projects continue, the City is doing its best to communicate with residents and accommodate them when possible. To that end, the City Manager has created the Neighborhood Affairs Division with the stated goal of increasing the consistency of departments. The City has designated a staff member for each area and that staff member is tasked with continuing relationships with Neighborhood Associations, Homeowner Associations and community groups and reporting to City departments. The Inspector General representative has reached out to the Citywide Neighborhood Affairs Manager to receive notices of meetings and will attend when possible.

INSPECTOR GENERAL REVIEW

Within Tranche 1, the Inspector General has more closely scrutinized G.O. BOND #1, the 72nd Street Community Complex. This project actually began in fiscal year 2013-2014 when the City began a feasibility study for the creation of a multi-use parking facility on the property. It was estimated that the original feasibility study would cost \$211,344.00. However, the scope of the project changed numerous times. The first scope change expanded the project to include a parking garage, a City park, and an all-wheels park, and space for civic purposes. Subsequently, the project scope was expanded to include the ability to convert the parking garage to a non-parking use in the future, a rooftop community pool with all support facilities, bulkheads and movable floor, a civic/commercial space inclusive of an active liner, a roof-top meeting room and fitness center with running track. In its final iteration, the scope was expanded again to include a maximum 500 parking spaces, civic and commercial space at ground level, a recreational park, a roof-top 50-meter competition pool, 25-meter warm-up pool and supporting facilities, a 5,000-10,000 sq. ft. library/media center and 7,500 sq. ft. upscale fitness gym with a running track, resilient storm water retention and reuse system, solar electric power, energy efficient lighting and green roofing system. The cost of the feasibility study was increased by \$272,924.00. The final service order for the design criteria added \$843,250.00 to the cost for a total of \$1,327,518.00.

City residents voted to approve \$53.8 million for this project. The total cost is now estimated between \$60 and \$64 million. The \$10.6 million shortfall was expected to come, in part, from the Parking budget. In light of COVID-19, it is unclear how the shortfall will be managed. It is possible that the scope will once again have to be changed. At the G.O. BOND Oversight Committee meeting on April 16, 2020, Assistant City Manager Eric Carpenter advised that the Finance Committee would be reviewing a plan to get the City through the fiscal year and, if approved, the shortfall would not be an issue. The Inspector General will continue to monitor this aspect of the project.

An Inspector General auditor conducted a review of this project and reconciled the invoices with the service orders. With every scope change, costs increased and the percentage of project completion decreased, thereby delaying the timeline. The Inspector General auditor met with the senior project manager, who stated that the design criteria package is now 98% complete. The next step is to go back to the community and the City Commission for final approval. The staff assigned to the North Beach neighborhood, through the City's Neighborhood Affairs Division, will work with Capital Improvements to put together a presentation to educate the public so they can be heard when the Commission meets for final approval. However, the design criteria package reflects what the voters approved and should not be changed unless the scope must be reduced as a result of the \$10.6 million shortfall previously mentioned.

The review further revealed a number of errors in the budget documents found on E-builder. For example, the cost summary showed a forecasted overage in the amount of \$164,160.00. The auditor spoke with Mrs. Aida Rodriguez, Capital Projects Administrator, who stated that this was a clerical error and it has since been fixed. Additionally, there was an error in E-builder regarding the total amount of money spent to date. The discrepancy was in the amount of \$4,492.00. Ms. Rodriguez explained that this was an allocation for program management that had not been updated on E-builder. Based on the available records, the auditor confirmed the current commitments totaling \$1,648,263.03, actuals approved totaling \$1,054,350.40 and actual cost to complete totaling \$593,912.63. In this project, the City of Miami Beach has expended \$604,220.03 from City funds and \$521,484.00 from G.O. Bond funds, totaling \$1,125,704.00 to create the design criteria package. The design criteria package is not complete. The updated budget in E-builder accurately reflects the status of the project. Their current commitments show the amount of \$997,430.00 and an unallocated reserve of \$8,936,410.00. At this time, all the payments related to this project are consistent with the contracts, service orders and budget commitments.

An Inspector General Investigator met with the Director of Capital Improvement Projects, David Martinez, to explore this further. Material changes or additions to scope during design development, and especially during construction, are the main reasons for delays and cost overruns in his opinion. Mr. Martinez stated that utilizing the design build methodology of procurement allows for lower costs. He noted that revisions to the design criteria package at the front end, even if it delays the project, ensures that there will not be unexpected costs as the project proceeds. In light of other projects in the City which are using the design build model, the Inspector General will continue looking at the advisability of this procurement process.

At the G.O. BOND Oversight Committee meeting in February, program manager Maria Hernandez advised department heads that design criteria for their projects needed to be accurate and final to avoid changes to the plans as the projects moved forward. To encourage this outcome, she is creating a tutorial for her team on the definition and impact of "waste" on the projects and subprojects in the G.O. BOND. Moreover, she has

instructed her team to meet with all of the project heads to continuously update details regarding timeliness and costs and to include this information on the G.O. BOND dashboard for the public to see. The IG commends this initiative but also sees it as a confirmation that the design build methodology may be the cause of cost overruns.

The Inspector General is closely monitoring G.O. BOND #15, the Par 3/Bayshore Park project. The project has been delayed because of contamination in the ground. The designer, Savino Miller Studio, P.A. has hired environmental consultants who are working with DERM to address the issue of arsenic in the ground water. The consultants have different interpretations of the data and are using different models which has led to different solutions. At the G.O. BOND Oversight Committee meeting on April 16, 2020, David Martinez advised that DERM had provided direction for the competing consultants that will likely cause additional services to be needed. The Committee is concerned that this project is not moving forward and is considering whether to bring it to the Commission for guidance as it had been expected that Savino and DERM would reach an agreement by the end of March 2020.

In discussing the G.O. BOND projects with a number of employees across departments, it has become clear that there is no standardized training for project managers and much of the work is being done as “on the job” training. Turnover is high due to the number of projects being simultaneously advanced and the number of projects an individual manager is expected to oversee. Knowing how to anticipate issues that can delay projects, learning how to prioritize, mentoring newer or less experienced project managers, understanding internal processes of the City and facilitating communication through dialog rather than email are all suggestions that have been made.

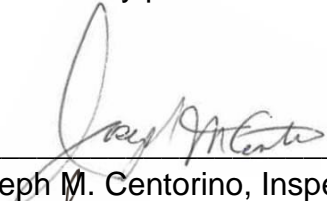
Moreover, it appears that employees working on the projects are not being measured by performance metrics that are tied to efficient, transparent and orderly practices. While the teams do seem to communicate on a regular basis, the lack of standardized practices can lead to unintended results that will, invariably, increase costs. Employees’ performances should be aligned with the department’s objectives and goals. A simple decision tree may allow employees to be consistent on the status of every project. This may help reduce delays and improve schedule adherence on the projects by promoting actions in every phase of the project. Finally, E-Builder, the City’s project management program, is not kept current. As a tool that can be used for tracking the work being done on City projects, the IG believes it should be regularly updated. Senior managers can utilize this tool to measure how their direct reports are performing and whether there are issues that need to be addressed which have not been raised.

An Inspector General Investigator discussed these issues with the Director of Capital Improvement Projects who agreed that training new employees on internal processes would be beneficial. This is a project he started years ago, but has not had the time to complete. Mr. Martinez noted that it is difficult to fill vacant positions and, as a consequence, project managers are carrying heavy loads. He indicated his main problem is having to compete for talent with the private sector. In addition to the heavy work load

they carry, many project managers are frustrated with the continuous changes they are required to implement through the life of a project. Mr. Martinez noted that they spend much of their time defending the City's actions when a constituent is unhappy with a decision.

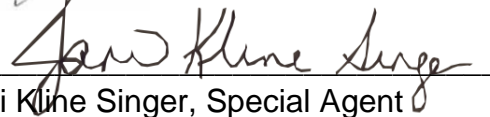
CONCLUSION

The G.O. BOND oversight committee has been thorough in their assessment of the work being done on the Tranche 1 projects to date. Their meetings are open to the public and the meeting records are on the G.O. BOND dashboard for public scrutiny. Additionally, the level of transparency, community engagement, cooperation between program manager and staff, and maintenance of the G.O. BOND dashboard should be highlighted and commended. The Inspector General staff will continue to meet with department heads and project managers, and attend community meetings, in order to address and report on any problems or disruptions in the program.



Joseph M. Centorino, Inspector General

04/20/2020
Date



Jani Kline Singer, Special Agent

04/20/2020
Date

cc: Jimmy L. Morales, City Manager