City Auditor's Office

Parks and Recreation General Obligation Bonds - Lake Kennedy Project Audit

Report Issued: September 28, 2021

Audit Report No. 21-03

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TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: September 28, 2021

SUBJECT: Parks and Recreation General Obligation (GO) Bonds - Lake Kennedy Project Audit

The City Auditor's Office completed the audit of Parks and Recreation GO Bonds - Lake Kennedy Project. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to City management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Timothy DiSano at 242-3308.

C: Rob Hernandez, City Manager
Connie Barron, Assistant City Manager
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Kerry Runyon, Parks and Recreation Director
Paul Clinghan, Public Works Director
Michael Ilczyszyn, Assistant Public Works Director
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EXECUTIVE SUMMARY

The City Auditor's Office conducted a performance audit of the Parks and Recreation GO Bonds - Lake Kennedy Project. This audit is included in the City Auditor's FY21 approved Audit Plan.

As part of our testing, we reviewed several different areas of Lake Kennedy Community Park project management; including project timelines, budget estimates, potential grants, required meetings with consultants, and project communications with key stakeholders.

Based on the test work performed, we determined that policies and procedures are in place and controls are operating effectively to meet the stated audit objective; however, in order to administer the program more efficiently the following areas need improvements:

- GO Bond overall project management
- Grant funding for future GO Bond projects

For further details on the findings and recommendations see the Findings and Recommendations section. No material control deficiencies were noted.

BACKGROUND

The Parks and Recreation Department (Parks and Recreation) mission is to provide a wide range of recreational, athletic, and special event programs for individuals of various ages, skill levels, interests, social needs, and economic capabilities that collectively enhance the overall quality of life within the City[1]. Parks and Recreation provides many services for residents and visitors of all ages, such as waterfront parks, playgrounds, athletic complexes, community centers, tennis amenities, youth center, skate park, boat ramps, waterpark, and public golf course. In total, there are over 39 locations covering 1,595 acres that provide these amenities.

Currently, the Lake Kennedy Community Park is comprised of 46 acres, located in the Center of Cape Coral. There are recreational facilities within the park grounds, such as Sun Splash Family Waterpark, which offers 14-acres of water slides and pools, and the Lake Kennedy Senior Center, which offers a wide variety of social programs, recreational, educational and facility rentals opportunities. Private special events can be hosted on the Lake Kennedy property as well. There are also fitness areas, walking trails, park benches, and the Kiwanis gardens Gazebo located on the Park premises.

[1] https://www.capecoral.net/department/parks_and_recreationhome/about_us.php

In December 2016, the City Council (Council) adopted the updated Parks Master Plan (Plan) which was developed to provide guidance on how Parks and Recreation facilities could keep pace with the City's rapid growth. The Plan documents updates to existing and plans for new Parks and Recreation amenities (athletic fields, trails, boat ramps) and programmatic areas which need improvement. The plan also provides a detailed strategic course to address these changes.

To implement aspects of the Plan, on June 18, 2018, City management asked Council to adopt Ordinance 38-18, which called for a bond referendum, to be placed on the November 6th ballot. This referendum was for voters to approve 15-year, GO Bonds not to exceed $60 million to fund major parks and recreation improvements throughout the City. The referendum passed by a vote of 37,494 (53.59%) for Yes versus 32,475 (46.41%) for No[2]. It should be noted that bond funding was not intended to support future recurring operating and maintenance costs, however; according to the Plan, recurring operations and maintenance at the new facilities were estimated to cost five percent of the total improvement value year over year. City management in 2018, estimated this recurring amount to be approximately $3 million upon completion of all projects which represents five percent of $60,000,000.

The Plan describes updates to both community and neighborhood parks and details changes varying in magnitude from small updates; to major improvements at existing parks; to the design and construction of brand-new park and recreation facilities within the City. For GO Bond project phasing strategy, see the City of Cape Coral Parks Master Plan Update – November 2016; see figures 5.3, 5.4, and 5.5 in Appendix A. Project management is administered by collaboration between the Parks and Recreation and Public Works Departments utilizing an assigned city project manager. Projects must follow current City policies and procedures including procurement. Typically, construction projects consist of several phases including: determining the concept of the project; design; pre-construction; procurement; construction, and post-construction. Within each of these categories are a diverse series of steps that must be taken to ensure the construction project adheres to scope, timelines, and budgetary constraints. According to a memo from the City Manager's Office, the objective was to complete all projects within the $60 million bond issue by the end of calendar year 2021[3], excluding any undue external influences.

Documentation detailing use of bond funds includes several categories of improvements, including design and construction of 11 parks. Our audit focused on one new community park, the Lake Kennedy Tennis and Pickleball Complex, due to the project's timeline for completion

[2] https://www.lee.vote/Election-Results/Archived-Election-Results#2018

[3] Letter dated 1/242019 from John Szerlag former City Manager to Public Works director, Interim Assistant City Manager, Parks and Rec Director, Financial Services Director, Business Manager and Senior Public Works Manager.

and status of the project. At the time of our audit, the design phase was scheduled to be nearly complete and therefore enough statistics and data would be available for our office to review.

AUDIT OBJECTIVE

The audit objective was to determine if the City has a monitoring process and controls in place over the Lake Kennedy GO Bonds Project to ensure it is managed in accordance with contract terms and project plans, including scope, schedule, and cost.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

FINDING 2021-01: GO Bonds overall project management needs improvement
Rank: High

Condition:
In 2016, Council approved the City of Cape Coral Parks Master Plan Update. Part of the Plan proposed renovations to existing parks as well as construction of new community and neighborhood parks. To fund the improvements to existing parks and new construction, the City issued a $10.2 million bank note to fund the design and other expenses of the $60 million in GO Bonds approved by the voters in November 2018. In July 2019, City Management began the extensive process of executing GO Bond projects by obtaining professional engineering services for the design of neighborhood and community parks. The contractual project timeline presented by the design firm reflected a start date of August 6, 2019 with anticipated completion of December 31, 2021.

As part of the audit, we discussed current project status and reviewed documentation, such as, timelines and schedules, cost estimates, meeting minutes and general project plans. The Lake Kennedy project is still in the design phase. According to the latest project schedule, construction bids for construction won't be advertised until late 2021. The original design firm schedule for community parks indicated construction was to be completed by December 31, 2021.

This initial schedule changed due to various external and internal influences such as:

- Council directed delays
- numerous design modifications proposed from input by special interest groups, City staff, and constituents
- changes in procurement front-end documentation
- changes in equipment standardization process
- various local code aspects relating to commercial developments

A cost benefit analysis would be beneficial to officials and those involved in the project to assist in making informed decisions on whether proposed changes are feasible; for example, the addition of tennis and pickleball courts, and a larger pro shop/ concession facility proposed by special interest groups. City management communicated the changes via a memo, dated June 17, 2021, that documented all the areas that would need to be changed including landscaping, lighting, parking and other changes to accommodate the additional courts. These changes totaled approximately $2.7 million. No formal cost benefit analysis was completed for the change. The Lake Kennedy full build out project current cost estimates, including the proposed changes, are over $8.6 million in comparison to the original proposal cost of approximately $5 million, this is a 72% increase. The project also appears to be more than 230 days over original schedule and final construction costs estimates are still pending because final design is not yet complete. Finally, there are currently no revised future operating or maintenance cost estimates available.

It is also important to note that there is no cost escalation factor included in the GO Bond authorization. City staff recognizes the need for escalation with each Opinion of Probable Construction Cost. Given the time span of the GO Bond projects (initial plans in 2016, bond issuance 2018), items like a cost escalation factor should be utilized, considering the magnitude of the project even excluding changes and unforeseen events such as the COVID-19 pandemic. In addition, to the length of projects from inception to completion, the collaboration necessary between different departments (Parks and Recreation, Public Works, Utilities) requires organized and distinct project oversight and project management to ensure open, accurate, and timely communication within departments and with the public.

CRITERIA:

- Parks and Recreation Master Plan
- Project management best practices
    - Defined project scope, timeline, objectives
    - Clear documentation of changes
    - Cost benefit analysis for proposed changes
    - Change management process
- Design firm project schedules and estimates
- Inter-departmental collaboration

CAUSE:

- Vague initial defined project, vision, goals, scope
- Reconciliation and refining of initial vision in the Parks Master Plan scope with the wishes of the community
- Multiple significant design/scope changes
- Requests by special interest groups, City staff and constituents
- No cost benefit analysis for changes
- Time span between initial project cost estimating, scope versus costs at time of design and construction

EFFECT:

- Cost overruns
- Scheduling delays/off schedule
- Undetermined future/long-term operating and maintenance cost

RECOMMENDATIONS:

2021-01a. Improve oversight to ensure GO Bond projects stay on schedule and within cost estimates. Oversight should include a formal documented process to thoroughly vet proposed changes to projects and include a cost benefits analysis to allow for informed decisions for the changes.

2021-01b. Complete a formal cost benefits analysis for project modifications with significant (i.e., greater than 5% cost or 90 days schedule) scope design changes.

Management Response and Corrective Action Plan:

2021-01a. Public Works will improve oversight on during this engagement for action items affecting either or both, cost and time, by adding an "Open Action Item" section to the bi-weekly meeting agenda with the consulting engineering firm and in the meeting minutes for each of these meetings. The "Open Action Items" section will include a general description of the open item, whether it affects cost, time, or both, the responsible party, the intended course of action to close the item. These items will be tracked until a resolution for each open is determined and the engineering consulting firm is given direction on how to advance design work.

2021-01a. Responsible Person: Professional Compliance Officer

2021-01a. Anticipated Completion Date: January 4, 2022

2021-01b. Cost Benefit Analysis are a financial tool available to decision makers to utilize when making a decision involving capital expenditures. Cost benefit analysis require a great deal of financial forecasting and understanding of costs involved. Often subject matter experts are hired to perform such financial analysis. If assumptions utilized created the analysis prove wrong or are skewed the cost benefit analysis may prove to be wrong or skewed. Additionally, in some cases financial considerations are not the determining factor in the decision. Other factors such as quality of life, competitive advantage over other competition, employee

morale, user experience, and availability of product sometimes are the deciding factors. Public Works will suspend design on the specific item open for consideration and hire a subject matter expert for any financial consideration exceeding 10% of the initial project cost, provided a revenue steam is associated with the decision and cost is the determining factor involved with the decision.

2021-01b. Responsible People: Professional Compliance Officer
2021-01b. **Anticipated Completion Date:** January 4, 2022

FINDING 2021-02: Pursue grant funding for future GO Bond projects
Rank: Medium

CONDITION:
The Plan, completed in November 2016, identified issues, needs, and opportunities for improving and expanding the City's recreation, parks, and open space to keep up with continued substantial economic growth, development and increasing population. Since funding the updates and expansion on a pay as you go basis could take decades to complete, in accordance with the Plan, the City decided to issue GO Bonds as a main source of funding and investigate opportunities for grant funding to supplement project costs when possible.

Figure 5.9 "Potential Funding Sources for the Proposed Lake Kennedy Community Park Venue" from the Plan, lists potential alternative sources of grant funding totaling approximately $1.8 million from the following grants:

- Great Urban Parks Campaign Grant
- Land and Water Conservation Grant
- Florida Recreation Development Assistance Program
- Urban & Community Forestry
- USTA Public Facilities Grant
- American Academy of Dermatology
- Recreational Trail Program

Grants are important not only to supplement funding for increased costs of construction and design, but also to provide support for community development projects; provide assistance with acquisition or development of land; improve the opportunity to leverage local dollars; and improve visibility of the City. One goal discussed for the Lake Kennedy Community Park venue was to provide a facility that could host tournaments. A local tournament could bring increased visibility and revenue to the City for vendors, participants, and players; however, additions to the original plans for a tournament venue now will be solely the responsibility of the City since no further inquiries into grant funding have been performed at this time.

The City currently utilizes an outside consultant for grant research and writing. Grants often have stringent requirements for document submission as well as time frames that would make it difficult to adhere to without a dedicated grant writer like those on staff with Police and Fire.

Changes to plans from public and special interest groups as well as unforeseen cost increases have limited what can be accomplished with GO Bond funding alone. Given the lists of “wants” and “needs” for GO Bond projects and the time span from conception to completion, supplemental funding would assist the City to better be able to accomplish as much as possible given limited resources.

CRITERIA:

- Parks Master Plan Update completed November 2016
- Input from special interest groups, City, and Council
- Proposed changes

CAUSE:

- Failure to further investigate and obtain potential grant funding
- Changes to Lake Kennedy plans
- Increased costs
- No dedicated grant writer for City (Parks and Recreation)

EFFECT:

- Loss of supplemental funding
- Potential unfunded cost overruns

RECOMMENDATION:
2021-02. Develop a plan to pursue alternative funding, such as grants and/or partnerships for other future GO Bonds Projects.

Management Response and Corrective Action Plan:

2021-02: Since November of 2019, the City has been working with a grant writing firm, The Ferguson Group (TFG), to pursue multiple grants to assist with funding of the GO Bond Parks projects. In early 2020, TFG prepared a breakdown of applicable grants along with a summary of each grant's requirements, funding availability, and anticipated submittal deadlines. Meetings with City staff were held to discuss the park projects and the various grants to determine which projects would be the most competitive for grant funding and to ensure that there was no overlap of project elements between grants. This established a timeline to assist with tracking and efficiently working on grant packages. Staff meets monthly with TFG to review grant opportunities and evaluate applicability and competitiveness.

In addition to working directly with TFG, the City Manager's office sends the Department a monthly Smart Grants report from another grant writing agency, The Langston Group. Parks & Recreation is also a member of eCivis, a grants management system with numerous funding opportunities compiled for review. Staff reviews these opportunities for applicability and discussion with TFG.

To date, we have not applied for any grant funding opportunities directly associated with the Lake Kennedy Racquet Center. Due to the start date on the Lake Kennedy Racquet Center, there were no grants that we were able to apply

for at the time. We are continuing to look at grants available for the facility but have not seen any that apply and in the correct time frame. We have utilized the USTA Facility Assistance program in association with initial planning and design of the facility. That program provides technical review and assistance when designing a new tennis facility. Due to the pandemic USTA indicated funding opportunities were curtailed. If funded in future cycles prior to construction, we would again look at the USTA Public Facilities Grant. Parks & Recreation staff will provide quarterly grant applications status updates on Go Bond projects to City management.

2021-02. Responsible Person: Parks Recreation Superintendent
2021-02. Anticipated Update Date: April 1, 2022[4]

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, we determined the audit would cover the process for the GO Bonds - Lake Kennedy Project design phase from November 1, 2018 to August 31, 2021. To evaluate the processes and controls in place over the GO Bonds - Lake Kennedy Project design phase, we reviewed policies and procedures; applicable laws, regulations, agreements and/or policies; project timelines; budgets; plans; contract terms; and other supporting documentation as deemed appropriate.

To achieve the audit objective, we conducted interviews with key project staff to gain an understanding of the processes and assess project status in comparison to project schedules; reviewed supporting documentation; and evaluated processes for the following areas:

- Project timelines
- Budget estimates
- Potential grants
- Bi-weekly/monthly meetings with consultants
- Communications with project stakeholders

Sample size and selection were based on the City Auditor's Office sample methodology. We used judgmental sampling methodology for sample selections.

To achieve the audit objective, we relied on information from the City's accounting system. The accounting system data was deemed reliable by external audits previously performed and no reliability testing was conducted.

[4] This is being referred to as an Anticipated Update Date rather than Completion date because this recommendation is for future GO Bond Projects and will be an on-going process.

APPENDIX A

Source: City of Cape Coral Parks Master Plan Update – November 2016

Phasing Strategy

Based on funding projections for both capital and operations, following is a preliminary 10-year, approximately $57-million program of improvements. As stated above, estimated costs are very preliminary, based on comparable projects and typical costs. The City will need to develop more detailed planning, design, and/or feasibility studies in order to establish actual construction budgets for any of these projects.

Figure 5.3 Phase I (FY 2016-2018) Projects

Project	Est. Costs	Notes	O&M
1. Develop master plans for 7 parks	$210k (Average $35k each)	Sands Park, Tropicana Park, Cultural Park, Lake Mead, Gator Circle, Oasis Woods, Crystal Lake	N/A
2. Initiate master plans for key venues	$450k (Average $150k each, including conceptual architecture and engineering)	Yacht Club, Festival Park and Sports Complex, Lake Kennedy Community Park (including Sun Splash Family Waterpark)	N/A
3. Initiate remaining land acquisition for Festival Park, Lake Mead Park, park land in the northeast, and other sites	$5M	It is very important to inform the Utilities Dept. of intent to acquire City-owned parcels for park use	N/A
4. Develop citywide park design standards for amenities and improvements	$50k	To guide the design and construction of future improvements	N/A
5. Improve aesthetics, add amenities to existing parks, based on new design standards	$5M	Specific improvements to be determined based on community priorities	N/A
SUBTOTAL	**$10.71M**		

Figure 5.4 Phase II (FY 2018-2020) Projects

Project	Est. Costs	Notes	O&M
1. Develop permitting and construction documents for 6 parks	$1.2M (8% of estimated construction costs)	Sands Park, Tropicana Park, Cultural Park, Lake Mead, Gator Circle, Oasis Woods, Crystal Lake	N/A
2. Develop permitting and construction documents for key venues	$2.4M (10% of estimated construction costs)	Yacht Club, Festival Park and Sports Complex, Lake Kennedy Community Park (including Sun Splash Family Waterpark)	N/A
3. Develop permitting and construction documents for Yellow Fever Creek Park, based on existing master plan	$400K (8% of estimated construction costs)		N/A
SUBTOTAL	**$4M**		

Figure 5.5 Phase III (FY 2020-2025) Projects

Project	Estimated Costs	Notes	O&M
1. Construct 7 parks	$17.5M (average $2.5M each)	Sands Park, Tropicana Park, Cultural Park, Lake Mead, Gator Circle, Oasis Woods, Crystal Lake (priorities and phasing TBD)	$1M
2. Construct key venues	$17.5M $1M (ph. 1) $2.5M	Yacht Club Festival Park amphitheater Lake Kennedy Community Park tennis and pickleball complex, Sun Splash Family Water Park (priorities and phasing TBD)	Net $650K Net $300K Net $150K
3. Construct improvements to Yellow Fever Creek Park	$3.5M		$900K
SUBTOTAL	**$42M**		**Net $3M**
PHASE I-III GRAND TOTAL	**$56.71M**		**NET $3M**

APPENDIX B

Finding Classification
Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.