

A COMMUNICATION FROM CITY AUDITOR AMANDA NOBLE SUBMITTING AN AUDIT REPORT REGARDING THE RENEW ATLANTA AND TSPLOST REVIEW OF EXPENDITURES.

☛ VOTE RECORD - COMMUNICATION 19-C-0001							
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			YES/AYE	NO/NAY	ABSTAIN	ABSENT	
	MICHAEL JULIAN BOND	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	MATT WESTMORELAND	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	ANDRE DICKENS	MOVER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	CARLA SMITH	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	AMIR R FAROKHI	SECONDER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	CLETA WINSLOW	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	NATALYN MOSBY ARCHIBONG	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	JENNIFER N IDE	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	HOWARD SHOOK	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	JP MATZIGKEIT	VOTER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	AWAY
	DUSTIN HILLIS	VOTER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	AWAY
	ANDREA L BOONE	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	MARCI COLLIER OVERSTREET	VOTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	JOYCE M SHEPERD	VOTER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

[Unanimous]

Certified by Presiding Officer	Certified by Clerk

**A COMMUNICATION FROM CITY AUDITOR AMANDA NOBLE
SUBMITTING AN AUDIT REPORT REGARDING THE RENEW ATLANTA
AND TSPLOST REVIEW OF EXPENDITURES.**

TO: Honorable Mayor, City Council President, and members of the City Council

FROM: Amanda Noble

DATE: December 20, 2018

SUBJECT: Audit: Renew Atlanta and TSPLOST-Review of Expenditures

The purpose of this memo is to communicate the results of our audit of the Renew Atlanta Bond and TSPLOST expenditures, pursuant to City Council's request in resolution 18-R-3297. Our objectives were to answer the following questions:

- What Renew Atlanta & TSPLOST projects have been completed or are currently in progress and how much has been spent on them, including projects paid for with the Renew Atlanta bond premium?
- What are the total expenditures to date and remaining balances in the Renew Atlanta bond, TSPLOST, and Renew Atlanta bond premium funds?
- Do project lists and expenditures match across Renew Atlanta/TSPLOST internal documentation, Oracle, and the public website?
- How do current project lists differ from the legislated project lists in resolutions 15-R- 3527 and 16-R-3712?
- Do projects not on the legislated lists, including projects paid from the Renew Atlanta bond premium, qualify for bond and/or TSPLOST funding?

We used several sources of data to complete our work. The Renew Atlanta/TSPLOST scheduler provided us with a report listing completed and currently active Renew Atlanta and TSPLOST projects with their statuses. We downloaded records from Oracle, the city's financial system of record, and used Renew Atlanta/TSPLOST's internal financial documentation. Both Oracle and

the internal financial activity summaries show amounts spent and encumbered on each project. An encumbrance represents a commitment to pay a contractor for work on a project once that work has been performed.

This is our fifth report on Renew Atlanta. The first report, released June 2016, focused on contract terms. Contracts provide the framework for holding contractors accountable for performance and cost. The second report, released July 2016, assessed the design of internal controls in the Renew Atlanta program against 17 control principles described in *Standards for Internal Control in the Federal Government*. The third report, released November 2017, assessed the city's management of roadway resurfacing contracts and the contractors' compliance with contract terms. The fourth report, released September 2018, assessed fire station renovation projects, including controls over payments to architectural and engineering consultants and reasons why renovations were delayed and overbudget. We have procured a firm to perform a closeout construction audit of the Martin Luther King, Jr. Recreation and Aquatic Center, which is under way. We are also procuring a firm to perform a closeout construction audit of the Northside Pedestrian Bridge.

Background

The city identified a more than \$1 billion backlog of transportation and facility projects as of January 2015. To begin to address this backlog, the city held a vote to authorize bonds to fund about a quarter of the work. Citizens voted in favor of the \$250 million Renew Atlanta Infrastructure Bond on March 17, 2015. Transportation projects, including bridge and sidewalk repair and reconstruction, account for \$186.5 million (75%) of the \$250 million. Facility projects, such as renovation and repair of municipal facilities and recreation centers, account for \$63.5 million (25%) of bond funds. The city supplemented the \$250 million with state grants and other funding sources to partially address the remaining backlog.

The projects are split into citywide projects and local projects for council districts. Citywide projects total nearly \$182.4 million (73%); local projects account for the remaining \$67.6 million (27%), with approximately \$5.6 million allocated to each council district. Renew Atlanta broke ground on its first project in late July 2015.

The city sold the Renew Atlanta bonds at a premium, earning an additional \$36.5 million beyond the \$250 million face value. This bond premium, like the rest of the bond proceeds, was split into two components—\$27.2 million for horizontal projects and \$9.3 million for vertical projects. City Council allocated \$500,000 of the bond premium to the City Auditor's Office to fund resolution 15-R-3343, which requires the city auditor to establish a capital project and construction audit function to monitor the Renew Atlanta Infrastructure Bond program over its

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five-year lifespan with the aim of identifying cost savings, compliance and performance risks, and opportunities for improvement.

To fund additional transportation infrastructure projects, the city held a vote to authorize a transportation special purpose local option sales and use tax (TSPLOST) of 0.4 percent. Citizens voted in favor of this sales tax in November 2016, and collection began in April 2017. The sales tax will continue for five years or until \$380 million is collected.

Summary

Through July 31, 2018, the city had spent or committed 65% of the Renew Atlanta bond proceeds, including the premium, and had spent or committed 9% of possible TSPLOST funds. All but two of 506 Renew Atlanta projects identified in city systems have started, although 16 projects are on-hold and we cannot confirm the status of 17 of the projects. Just over half of the projects were under construction or in the close out process. Of 24 active TSPLOST projects, 15 were in construction procurement. In addition to these 24 projects, TSPLOST funds were also used to purchase land adjacent to Piedmont Park. The portion of the bond premium earmarked for horizontal projects has supplemented funding on three projects: the Northside Drive pedestrian bridge, public improvements around the High Performance Computing Center at Georgia Tech and the NCR Corporation World Headquarters, and the construction of a parking deck at Grant Park. The portion of the bond premium allocated for vertical projects funded a portion of the purchase of City Plaza and the remainder was spent in more than 350 payments to 72 different vendors for a variety of purposes. While the current project lists differ from the initial proposed lists, the projects and spending appear to be consistent with requirements laid out in the bond issue and in legislation.

Of the \$250 million bond proceeds, soft costs were 24% of construction cost and design costs were 21% of construction costs through July 31, 2018. These ratios are high compared to program goals but should decrease as the program finishes. Also, to the extent that the bond funding leveraged outside funding for construction, the ratios could be overstated.

Plurality of Renew Atlanta Projects in Close Out; Most TSPLOST Projects Are in Construction Procurement Phase as of July 31, 2018

Renew Atlanta and TSPLOST projects proceed through various phases:

- Activation - the project is defined and set-up in the city's systems,
- Design - the city procures a firm to perform architectural and engineering work for projects

requiring design, usually by negotiating a task order under one of the existing citywide contracts,

- Construction - After the design is completed, the city can procure a contractor to construct the project, either through the bid process or through another method, such as negotiation of a task order under an existing citywide contract,
- Close out - Once construction is substantially complete, the project manager validates that all contractual obligations have been performed and documented, the city makes final payment to the contractor, and any leftover money budgeted for the project is released.

Fifty-four percent of Renew Atlanta projects were under construction or closing out. As of July 31, 2018, there were 506 projects under Renew Atlanta (see Exhibit 1). According to a report from Renew Atlanta/TSPLOST's scheduler, 173 projects were in close out, with another 102 under construction. Ninety-five projects were in design. We were unable to determine the status of 17 projects that were not on the report we received from Renew Atlanta's scheduler. Exhibits 11 and 12 at the end of the report provide complete lists of citywide and local Renew Atlanta projects and their statuses.