



NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY

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MEMORANDUM

TO: Members of the Authority

FROM: Larry Hanover, Senior Public Information Manager

DATE: June 30, 2008

SUBJECT: New Jersey Schools Development Authority (SDA)
June Progress Report

Introduction:

On June 23, 2008, the Legislature approved the authorization of \$3.9 billion in additional funding for New Jersey's school construction program. Governor Jon S. Corzine fully supports the bill and has said he will sign it shortly.

The bill calls for \$2.9 billion in funding for the 31 SDA Districts (formerly Abbott districts). The additional \$1 billion would leverage construction in Regular Operating Districts (RODs) and includes \$50 million for vocational schools.

The legislation fulfills a pledge made in a January 22, 2008 letter from the State Attorney General to the New Jersey Supreme Court. The letter stated the Corzine administration's intent to seek passage of legislation to fund school construction in SDA Districts. Consistent with the Attorney General's letter, the legislation will dedicate a portion of existing state income tax proceeds to fund the debt service on the additional borrowing.

"The Legislature's support for Governor Corzine's commitment to the infusion of additional funding will provide much-needed safe, healthy and modern school facilities for students throughout New Jersey," said SDA CEO Scott Weiner. "We are gratified by the adoption of the funding legislation as it underscores the confidence that the Governor and legislators have in the capabilities of the revitalized SDA to manage school construction projects in the effective, cost-efficient manner that New Jersey taxpayers have the right to expect."

The Authority will be able to advance 27 SDA District projects that were deferred for construction in April 2007 due to a funding shortfall. Also, the N.J. Department of Education is completing a statewide plan prioritizing SDA District schools based on educational need. The SDA will build the top 20 to 25 schools on that list, sequencing them based on various logistical considerations. The state funds 100 percent of project costs in SDA Districts.

Funding for RODs will be provided through grants, with a minimum state share of 40 percent. DOE will establish an application process and districts will have 90 days to provide submissions. The Commissioner then will have 90 days to rule on the applications and will allocate funding according to a similar prioritization process.

The New Jersey Economic Development Authority will float bonds to provide the additional funding for the SDA. The bill also directs the SDA, in consultation with the State Comptroller, to cause an audit to be conducted of any school facilities project that has a state share exceeding \$10 million.

Another key requirement of the bill is a study focusing on the potential for cost savings to the school construction program – in both SDA Districts and other school districts – through the use of standardized design elements, components, and construction materials. The study must be submitted to the Governor and Legislature by April 1, 2009.

Other SDA News:

- The agency's second **Biannual Report on the School Facilities Construction Program** was submitted to the Legislature on June 12, as required every six months under the August 2007 legislation establishing the SDA. Among the key issues discussed in the report are:
 - Progress on the Project Charter initiative. Before this initiative, the SDA Board's approval of projects was sporadic at times – generally limited to land acquisition and when awarding construction contracts. Now, before the start of land acquisition and the procurement of architects and contractors, the Board reviews and approves charters that provide a detailed project schedule and scope of work, and an all-inclusive budget. The SDA Board receives monthly reports on deviations in these data that may occur as a project progresses. All reports presented to the Board are available to the public prior to all Board meetings. The report presented baseline project charter data on forecasts for project budgets and completion dates.
 - Cost-saving initiatives. The SDA achieved overall savings of \$35.2 million in areas including improvements to project management, in-sourcing information technology purchasing, in-sourcing safety services, proactive initiation of cost recovery actions, and claims mitigation.
 - Ongoing development of regulations that will allow for delegating the management of projects to SDA Districts (formerly known as Abbott Districts), as authorized by the Program and Governance Reform legislation of August 2007. Also under development are standards for assessing and building district capacity.

- Development of an initial draft of a Real Estate Practices Manual. When completed, the manual will serve as a comprehensive guide of best practices in evaluating, selecting and remediating school facilities project sites. Publication is anticipated in the third quarter of 2008.
- The SDA filed suit June 17 against Gilbane Building Company of Providence, R.I., to recover costs for errors that contributed to the widespread development of mold in the **Midtown Community Elementary School** project in Neptune. The suit was filed in New Jersey Superior Court in Monmouth County. The SDA is seeking compensatory and other damages from Gilbane, which was terminated from the Midtown Community Elementary School and 22 other SDA projects in February 2008. The SDA terminated Gilbane from all Authority-managed projects upon determining that there was a fundamental disagreement with the company concerning the responsibilities and duties required of a Project Management Firm (PMF). Due substantially to Gilbane's failures in managing the project, the school's exterior walls became infested with mold in late 2006. The school's exterior walls had to be demolished and replaced, delaying the school's opening by one year. The school will open in September 2008.

SDA Events:

- May 30: A groundbreaking ceremony was held for the new **Thomas H. Dudley Elementary School** in **Camden**, which will provide 21st century educational opportunities for 539 students in pre-kindergarten through 6th grades. The 91,853-square-foot, two-story new Dudley Elementary School is being built at Marlton Avenue and Federal Street in the city's East Camden neighborhood. The school will help ease overcrowding and provide much-needed early childhood educational programs for 3- and 4-year-old children.
- June 12: A ribbon-cutting celebrated the opening of the **Daylight/Twilight High School** in **Trenton**. The 21st century facility, providing alternative educational programs tailored to adult students, is designed to help spur revitalization efforts in the downtown Canal Banks redevelopment area known as the "Old Trenton Neighborhood." The school is part of an urban campus with such community-based learning institutions as Mercer County Community College, the Public Library and YWCA around a central open space. The opening marked the completion of the third of six state-designated demonstration projects – an initiative where new schools incorporate community components. The Daylight/Twilight High School at East Hanover and Montgomery streets includes 40,000 square feet of new construction linked to 61,000 square feet of renovated space in two five-story buildings and a one-story building.

- June 18: The SDA, **Camden** School District, along with city officials, community leaders and residents joined students at a beam-signing ceremony to mark a construction milestone for the new **H.B. Wilson Elementary School**. They signed a structural steel beam, which has been placed atop the 89,332-square-foot, two-story school that will accommodate 539 students in pre-kindergarten through 6th grade. The new facility at 8th and Woodland streets will be a community-based school with such features as a gym, media center and playground accessible to students and neighborhood residents alike.

Construction Update:

The SDA currently has **25** active construction projects in SDA (formerly Abbott) Districts, **4** active Demonstration Projects and **8** ongoing projects in Regular Operating Districts (ROD). Overall the SDA has completed **39** new schools; **39** extensive additions, renovations and/or rehabilitations; **20** other rehabilitation projects; **354** health and safety projects; and **3** demonstration projects in SDA Districts. In addition, **14** ROD projects managed by the SDA have been completed. The program also has distributed \$2.2 billion in grants, impacting more than **1,400** suburban ROD schools statewide.

The SDA is forecasting the opening of **12** schools and the completion of **4** school rehabilitations in September 2008.

Contractor Procurement:

Construction bids were advertised in June for school projects in Egg Harbor City and Egg Harbor Township. (Exhibit A)

Construction Contracts:

As of June 30, 2008, the authority has entered into construction contracts totaling \$3,413,643,059.79 since the inception of the school construction program in 2002.


Larry Hanover

