



MEMORANDUM

TO: Directors of the Corporation

FROM: Larry Hanover, Public Information Officer

DATE: May 18, 2007

SUBJECT: New Jersey Schools Construction Corporation (SCC)
April Progress Report

Mission Statement

Create a brighter future for our children by renovating, building and funding cost-effective and efficient state-of-the-art community schools that support high quality learning environments to better prepare students for successful careers and leadership in the 21st Century in New Jersey and beyond.

Partner with communities and leaders in business, education and government to support our programs, policies and projects to create greater opportunities for our children, businesses and workforce.

Introduction

In April, the SCC Board of Directors approved a plan to defer construction of 27 projects in the Capital Plan, known as the "List of 59," adopted in July 2005. Deferral was necessary due to an estimated \$600 million shortfall to fund the plan in its entirety. The shortfall primarily stems from the lack of accurate cost projections at the time the plan was adopted and inflation. The deferral plan will allow 32 projects to be funded through completion, including 23 projects that are either complete, under construction or have construction contracts already awarded. The SCC set a goal to fund as many projects as possible through completion while providing enough money for work to continue on the remaining projects through the design phase, up to the point of bid documentation.

In litigation filed in April on behalf of New Jersey's Abbott students, the Education Law Center asked the New Jersey Supreme Court to order the State and the Legislature to act on providing new funding for the school construction program. CEO Weiner said the ELC filing clearly will draw increased attention to this important issue for the children of New Jersey. Weiner stated, "The Governor's Interagency Working Group on School Construction, which I led, last fall recommended an additional \$3.25 billion in funding in Abbott and Regular Operating Districts. The Governor is working diligently with the Legislature to address this and other critical capital needs of the state. There is general agreement that new, modernized school facilities are needed throughout the state."

Also in April, the SCC Board awarded a construction contract for the expansion of an elementary school in Orange.

SCC Board Defers Construction for 27 Capital Plan Projects

The SCC Board of Directors approved a plan April 25 to defer construction of 27 projects included in the Capital Plan adopted in July 2005. The deferral of construction for projects in the Capital Plan, known as the "List of 59," is necessary due to an estimated \$600 million shortfall to fund the plan in its entirety. The shortfall primarily stems from the lack of accurate cost projections at the time the plan was adopted and inflation.

"We are committed to total transparency and accountability, and we are committed to dealing in real numbers," said Barry Zubrow, Chairman of the SCC Board of Directors. "None of us are happy to have to address this issue. But this plan allows us to deal with educational needs and provide the facilities that we can in a responsible manner."

"The unfortunate reality is that the Capital Plan had a shortfall of over \$400 million the day it was adopted," said Scott Weiner, the corporation's Chief Executive Officer. "This occurred due to a lack of complete project budgets and accurate cost projections. The unfortunate fact remains we simply don't have the money to complete all of the schools that were selected in 2005 for funding by prior management. It's a terrible situation that even more students will have to wait for desperately needed schools. This is in addition to the hundreds of school projects that were abandoned in 2005."

The SCC set a goal to fund as many projects as possible through completion while providing enough money for work to continue on the remaining projects through the design phase, up to the point of bid documentation. The plan will fund 32 projects through completion. The total includes 23 projects that are either complete, under construction or where construction contracts are already awarded.

Construction funding will be deferred for 27 other projects. That includes 11 that had been slated to proceed to construction by the end of 2007. The remaining deferred projects would be impacted only if funding is not authorized by year's end.

For deferred projects, funds will permit the completion of land acquisition, demolition of structures on acquired properties, relocation of property owners and tenants, environmental remediation and design. Projects will be ready for construction bid upon legislative authorization of new funds.

The list of affected projects is the result of work by the Division of Program Management, in cooperation with the Department of Education, using the new prioritization methodology. Educational needs, such as health and safety projects, early childhood centers and the addressing of overcrowding, are top priorities.

Secondary priorities include logistical considerations, such as the status of land, design and the bidding schedule, as well as whether the project is a linchpin in a district's Long Range Facilities Plan.

The SCC allowed for intra-district substitutions in cases where the replacement project was a higher educational priority, less expensive and was agreed upon by the district.

In Passaic, funds will be provided to acquire and demolish an adult theater and adjacent hotel to clear the way for construction of an elementary school at Henry and Howe streets. The projects newly designated for the site of the theater and hotel, an early childhood center on Dayton Avenue and an early childhood center/board office on Henry Street, will be deferred. In Newark, Elliott Street Elementary School is replacing West Side High School.

The New Brunswick High School demonstration project, which received a grant commitment in 2003, will proceed. Deferring the project would have meant further increases in the \$185 million project's cost due to inflation. The high school is the linchpin of district facilities plans.

The SCC has \$515 million in funds to commit to the revised Capital Plan, with a goal of \$150 million of the pool available in reserve.



SCC Awards Contract to Expand Park Avenue School in Orange

SCC Board of Directors awarded a \$23.5 million construction contract to Hall Building Corp. of Farmingdale for an addition and renovations to Park Avenue Elementary School in Orange. The expansion will help ease overcrowding and provide 21st Century educational opportunities for 434 students in kindergarten through 8th grades.

The board approved the construction contract award at its April 25 meeting.

The project calls for constructing a 68,527-square-foot, two- and three-story addition to the existing 32,829-square-foot, two-story Park Avenue School, which will be renovated. The new addition will consist of eight classrooms, a cafeteria, a library/media center, a gymnasium and an administrative office. The work also will include two playgrounds and a parking lot. The Mount Carmel School will be used as swing space during the Park Avenue School expansion, which is scheduled to be completed in spring 2009.

Yezzi Associates of Toms River is the design firm. The SCC will select a Construction Management Firm to concentrate on the day-to-day construction and building-related aspects that impact the cost, schedule and successful completion of the project. Those duties include contractor and design invoices, change-order submissions and payments.

Construction Update

Construction Status

From its inception in 2002 through April 30, 2007, SCC has completed 32 new schools and 25 major additions/renovations. There are currently 29 projects under construction.

Construction Contracts

As of April 30, 2007, SCC has entered into construction contracts totaling \$3,019,975,263 since its inception in 2002.

School District Grants

From its inception in 2002 through April 30, 2007, the SCC has executed 2,564 Section 15 grant agreements in all 21 counties with districts that receive less than 55% of their budget in state aid. To date, 1,430 schools in 473 districts have been impacted by the Section 15 grant program. Total project costs amount to \$7,111,613,571, for which the state share totals \$2,205,704,976.

Office of Contractor And Workforce Compliance

The SCC Office of Contractor and Workforce Compliance is dedicated to increasing the availability and accessibility of construction opportunities for small, women, and minority-owned businesses, and to individuals and their families in New Jersey.

In some instances this means working with other State agencies and departments to serve the SCC's target population. In others, it is working with SCC project management firms (PMF) and other internal SCC divisions to encourage business opportunities and equal employment



opportunities in the school construction program. The Office encourages firms that do business with the SCC to support diversity within their ranks and in their hiring. At every opportunity, the Office endeavors to promote the use of New Jersey's diverse business and workforce communities on SCC projects. Further programmatic information is available on the SCC website.

Larry Hanover