



School Finance and Construction

2001 Annual Report

September 2001



School Finance and Construction **2001 Annual Report:**

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View of the Executive Director

Mention Microsoft and almost everyone recognizes the name. It is an organization we equate with success, but it did not happen overnight or by chance. It succeeded because of vision, smart decisions and careful planning.

When the New Jersey Economic Development Authority (EDA) was tapped one year ago to shepherd the construction and financing of the State's \$8.6 billion public schools building program, we realized we were being called on to deliver products and services at the level of a major corporation with a public purpose - but with a difference.

The difference is that the EDA was starting at ground zero and quickly needed to develop a program to serve nearly 60 active school clients, all with unique needs. The 30 Abbott districts alone have 429 existing schools and plans for hundreds of badly needed new schools. As an economic development agency with more than 27 years of experience working with and helping to build successful businesses and not-for-profit organizations, EDA decided it made sense to apply the same basic, sound principles that have worked for effective organizations and corporations.

Today, I am pleased to submit our one-year Progress Report. It chronicles how the EDA has built the programmatic structure to achieve three key goals:

- 1) provide first-class facilities for all of New Jersey's school children;**
- 2) bolster New Jersey's economy and offer new opportunities for New Jersey's small and mid-sized, women and minority owned businesses; and**
- 3) rebuild communities.**

This report describes what we have accomplished so far and what can be expected over the next year. Getting started, the Authority knew this for certain: In some cases the school buildings it would need to rehabilitate or replace have been in service for decades, even for a century or more, and it had taken more than two years to put in place a school construction statute that mandated the EDA undertake a multitude of tasks, reviews, approvals, regulations, and compliance standards. Schools that had been in use for so long could not be replaced within one year, especially under the terms of a statute as demanding and complex as the Educational Facilities Construction and Financing Act.

An Enormous Challenge!

Before you can build outstanding schools, you need to build the organization, systems, procedures, and management infrastructure to do the job, and this is what EDA has invested in during the past year.

The EDA has several publics or customers with whom it must deal who are critical to the school building process. These groups need to be informed, and the process in which they are participating needs to be consistent, predictable and reasonable. From the first day, therefore,

we have focused on building a communication system that gives parents, educators, superintendents, legislators, contractors and various industry professionals ready access to the information they need and want primarily through our website, www.njedaschools.com, as well as frequent speaking engagements. We have made regular outreach to school districts a linchpin of our communication efforts so we can understand their needs and circumstances and so they can know about and follow the progress we are making.

Secondly, we needed to develop standard documents, forms, contracts and procedures so the construction industry would know how to work with us and the school districts in developing the new and improved quality school facilities that our children deserve. Putting these systems and procedures in place also enables us to address the concerns of New Jersey taxpayers who want to know their public dollars are being well spent, and New Jersey legislators, who want assurance that we are conforming to the extensive mandates and controls they built into the school financing law. We also have assembled a strongly dedicated and experienced team to manage our program in a thoughtful, comprehensive and competent way.

Operating within this framework, we already have made important progress:

\$100 million in repair work in Abbott districts have been initiated

110 new interim classrooms are fully operational for Abbott early childhood programs

Sites for Abbott schools are being assessed for acquisition

An Incredible Opportunity!

EDA views its new responsibilities as an incredible opportunity for New Jerseyans. Our foremost goal is to ensure that all New Jersey school children have modern, well-designed and safe facilities in which to learn and grow. We also now have a far-reaching tool to meet the challenge of making life better for the people who live in neighborhoods where incomes are low and opportunities for improvement are scarce. The creation of new and better schools in New Jersey's 30 Abbott districts can be the magnet for community development, new investments, and new pride in our neighborhoods.

By the first quarter of 2002, you will begin to see ground breakings for the first new Abbott schools that have been approved. In the next year, you will see new workforce training programs for women and minorities, training programs so small, women and minority contractors can compete for construction work, and \$500,000 in Smart Growth grants awarded so that community uses can be integrated into newly built Abbott school districts.

Our work is only beginning, but the opportunities are exciting and unlimited. The EDA is committed to shaping a schools program that all of us in New Jersey can be proud of and that will serve as a showcase for the nation of how to rebuild communities, construct school buildings of the 21st century and create economic opportunity.

Caren S. Franzini
Executive Director



School Finance and Construction **2001 Annual Report:**

Executive Summary

A Chinese proverb holds that a journey of a thousand miles begins with the first step. In many ways, the creation of a multi-billion dollar construction program is like a long journey. Only careful planning can assure arrival at the intended destination.

At EDA, we began this long journey with single steps: before hundreds of contracts may be signed, a single form of contract must be created. And before the first project could be initiated, we needed to listen to the school districts.

By listening, we learned what was needed, and we worked with the Department of Education to meet these needs. Now that the first year under the Educational Facilities Construction and Financing Act has drawn to a close, we are proud to report real progress that has been made in that time:

- \$100 million in repair work to Abbott district schools starts this month;
- Dozens of sites for new Abbott schools are now being evaluated;
- 300 new classrooms are being built for Abbott Early Childhood this fall;
- Architectural teams will be in place this fall to design new Abbott schools;
- \$326 million in grants began to issue in August on retroactive and waiver projects around the State

This report will demonstrate the sound foundation that has been laid by EDA. State taxpayers can have confidence that their dollars will be spent wisely in the rebuilding of New Jersey's public school infrastructure. Moreover, our State will set a standard for the high performance schools of the 21st century.

The report is divided into four sections: 1) a chronology of events at EDA which records accomplishments on a monthly basis; 2) a descriptive review of those accomplishments; 3) a look into the year ahead to project what the program will accomplish over the next twelve months; and 4) a listing of projects approved for grants and designated as works in progress. Four appendices are also attached providing specific data on projects and grants.

We welcome your comments about the School Finance and Construction Program. Please call us at (609) 292-9783 or please visit our website.



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Section I: A Chronology of Progress

July 18, 2000: Passage of the Educational Facilities Construction and Financing Act, P.L. 2000, c.72.

August 2000: **Request For Proposal (RFP): program consultant** services to develop school construction program issued.

September 2000: **EDA creates school financing and construction program** with three new divisions: Policy and Communications, Contract Procurement, and Design and Construction;
EDA visits each Abbott district, meets each superintendent—need for predevelopment mechanism identified;
EDA adopts **prequalification procedures** for design consultants and classification procedures for contractors.

October 2000: **Procurement procedures** for design consultants adopted;
Program **consultant hired** (Heery International, Inc.).

November 2000: Transmittal of Health/Safety (H/S) projects from DOE complete;
Heery creates **Pilot Program** for \$100 million in H/S projects;
Selection Committee created for each Abbott district;
Procedures Manual for Design Consultants published.

December 2000:

RFP: 1st round H/S Design Consultants issued;

EDA outreach: mailing to all certified MBE/WBE firms in the construction industry inviting their classification with school construction program;

EDA **recommends alternative** to permanent Early Childhood projects for September 2001 availability.

January 2001:

Design consultants **contracts awarded** for 6 school districts, 31 schools 1st wave H/S projects worth \$12 million in construction costs;

RFP: 2nd round H/S Design Consultants issued;

Draft Affirmative Action regulations presented to Legislature and to public for review & comment; detailed procedures to follow;

“Under \$500,000” Grant agreement completed; **forum** on delegation of projects provided to 19 Abbott districts;

\$36 million in “Under \$500,000” projects offered to 19 Abbott districts;

Improved schools **website** opens, includes access to list of prequalified consultants and contractors.

February 2001:

Design consultants **contracts awarded** for 10 school districts, 49 schools 2d wave roofing projects worth \$35 million in construction costs;

First year implementation meetings begin for Abbotts;

Draft **Affirmative Action Procedures** released.

March 2001:

RFP: Temporary Classroom Units (TCUs) manufacture & installation issued for 300 TCUs;

RFP: 3rd round of H/S projects 8 school districts, 21 schools worth \$19 million issued;

\$500 million in bonds issued by the Authority for schools program;

Planning for DCA inspections of EDA projects begun;

Architects retained for TCU site evaluations.

April 2001: **RFP: Project Management Firm (PMF) services** for H/S and new projects in north and in south;
Contracts awarded to 2 TCU vendors;
Regulations drafted for under 55% non-Abbott school districts grants;
Meetings held with Abbott districts on **community development design planning** and Smart Growth grants.

May 2001: Design consultants **contracts awarded** for 3rd wave summer projects worth \$19 million in construction costs;
Requests for **bid for \$22 million** in H/S construction projects issued;
Board approves **Project Grant** Agreement form;
EDA presents first **Progress Report** to Abbott districts, with design and construction schedule for LRFP work.

June 2001: Board approves publication of **Affirmative Action regulations** providing front-funded training programs and small business assistance;
Board approves contracts for **North & South PMFs**;
Board approves **MOU with Labor** to implement training program targeted to residents in Abbott districts;
Board approves **MOU with DCA and Education** to promote community development projects;
Award of **first construction contract** (Neptune H/S);
EDA co-sponsored Steven Bingler conference on **community development planning** for schools;

Project **Grant packages worth \$326 million sent** to first awardees.

July 2001: Health/Safety **construction contract awarded**;
TCUs delivered to staging area; **site preparation begun**;
Furniture procured for TCUs.

August 2001: **TCU installations begun.**



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Section II: A Review of First Year Accomplishments

INTRODUCTION

Since the signing of the Educational Facilities Construction and Finance Act into law last summer, the New Jersey Economic Development Authority (the “EDA”) has enthusiastically embarked on this challenging undertaking. From the ground up we are building a school finance and construction program that will be a model for other States. Imbued in our planning process and our day-to-day activities is the realization that the program we design and implement will impact the quality of public education in New Jersey for generations yet to come.

Goals

Two goals are of paramount importance and underlie all planning considerations: school facilities that will offer both an 1) outstanding educational environment and 2) can be efficiently designed, built and operated.

In addition, a construction program of this size and magnitude also offers a rare opportunity for economic development and community revitalization. The schools that are renovated and built will be a cornerstone of the communities in which they are located. This is why the EDA is assisting districts with the development of “community schools,” schools that will serve as education and resource centers for the entire community. In addition, with the duration of the Program expected to extend ten years or more, it also offers valuable opportunities to develop greater labor force participation and small business development. This is particularly valuable since the communities in which the Abbott school districts are located typically experience unemployment rates that are nearly twice those in suburban regions of the State. The Program also offers opportunities to accomplish innovative technologies and energy efficient designs that will reduce school districts’ operating costs and result in a cleaner environment.

Our agenda is undeniably ambitious; however, we are unqualifiedly committed to building schools of the 21st century that will serve both the needs of our client school districts and the interests of New Jersey’s taxpayers.

In this, our first Annual Report, we outline the scope of our activities over the past year and our goals and strategies for what we plan to accomplish during the second year of the Program.

BACKGROUND

The “Educational Facilities Construction and Financing Act,” P.L. 2000, c.72 enacted on July 18, 2000 (the “Act”), created a comprehensive program for the design, renovation and new construction of primary and secondary public schools throughout the State. \$12 billion will be spent over the next ten years to implement this program; of that amount \$8.6 billion will be bonded State debt issued by the EDA. It is the largest public construction program ever undertaken by the State of New Jersey, and one of the largest such programs in the nation’s history.

The Act was adopted by the Legislature in response to the New Jersey Supreme Court’s decision in Raymond Abbott et al. v. Fred G. Burke, 153 N.J. 480 (1998), which requires the State to provide certain educational infrastructure improvements in the needier, urban school districts known as the “Abbott Districts.” The Legislature has provided for a program that covers not only the Abbott Districts, but also all school districts in the State.

In accordance with the Act, the EDA is responsible for financing, designing and constructing all of the school facilities projects in the Abbott Districts, in districts which receive 55% or more in State funding for education and in districts that are in level II State monitoring. In addition, the EDA is responsible for providing grants to fund the State share of school facilities projects approved by the DOE in districts with a district aid percentage of less than 55%.

3 Principles We have organized the program around three principles: moral integrity, fiscal integrity and open communications with school districts. The **moral integrity** of school facilities projects is being safeguarded through a carefully developed procurement policy with prequalification procedures and diligent in-house managerial oversight. Perhaps most important is the external review provided by the Office of Inspector General. **Fiscal integrity** is safeguarded by the implementation of cost controls throughout the design and construction phase of school facilities projects. Each school district is viewed as a client of the EDA and, therefore, **open communication** is an important part of all EDA policies and procedures. Open communication will ensure that the EDA has a clear

understanding of a school district's vision for each school project, and therefore can build to this vision, with guidance from the Department of Education.

EDA Skills The EDA is well equipped to carry out the finance and construction responsibilities assigned to it under the Act. The EDA has a 27-year history of financing capital investment, growth and job creation for business and not-for-profit organizations in New Jersey, as well as a successful track record providing construction oversight services for both commercial and public projects.

EDA Partners In addition to the responsibilities assigned to the EDA under the Act, several other State entities have roles in administering the school construction program. The New Jersey **Department of Education** ("DOE") is responsible for reviewing and approving each school district facilities project to ensure that the plans are in compliance with State building standards, referred to as "facility efficiency standards" and for conformity with educational requirements. DOE approval is also a prerequisite for predevelopment activities, such as land acquisition and temporary classroom units for early childhood space. Once the EDA receives approval from DOE for a specific facilities project, it initiates the appropriate activity. DOE is also a party to a Memorandum of Understanding with the EDA in support of "community development projects," discussed further on.

The role of the Unit of Fiscal Integrity in the Office of the Attorney General ("**Office of Inspector General**") is to prevent fraud and corruption from occurring in the program and to assist the EDA with ensuring overall program integrity. The Inspector General collaborated with the EDA in the development of prequalification policies and procedures and has been screening proposals from construction professionals for accuracy and truthfulness.

The **Office of the Attorney General** has been a major contributor to the progress that has been made thus far in the drafting or review of contracts, memoranda of understanding, regulations, procedures, and other documents that have allowed the machinery of school construction to get underway.

The **Department of Community Affairs** (DCA), Division of Local Government Services, focuses on the contracting process to ensure that the procurement of professionals complies with the Public Schools Contract Law (PSCL) and associated statutes. DCA has developed a series of checklists that school districts complete to certify that all bidding and contract awards conform to the PSCL. Submission of these checklists to the EDA at designated intervals throughout the construction process is a prerequisite for the EDA's funding of school facilities projects. Permits for school facility projects managed by the EDA

are issued by DCA. The DCA is also a party to the Memorandum of Understanding for community development projects, together with the Department of Education and the EDA. Already that collaboration has resulted in Smart Growth planning grants for urban areas being tied to school facilities projects, and a conference series this summer and fall focusing on school design issues for school officials, architects, and planners. Finally the DCA will provide the construction code review of all projects.

The **Department of Labor** will monitor the payment of prevailing wages on all school construction projects. All contractors must be “registered” with the Department of Labor to work on school construction projects. Equally important will be the workforce training function that Labor will provide as a result of a Memorandum of Understanding with the EDA: a training fund will be created by the EDA utilizing up to one-half of one percent of school construction funds for EDA-managed projects. That fund will be utilized by Labor to procure and promote pre-apprenticeship and apprenticeship training in communities where EDA schools are being built.

The **Department of Treasury** will monitor the hiring of women and minority contractors to meet the State mandated affirmative action guidelines and coordinate the classification of all contracting firms with the EDA. The EDA is also working with Treasury on the issuance of the \$8.6 billion in State contract debt.

The New Jersey **Commerce and Economic Growth Commission** certifies businesses as emerging small business and women or minority-owned firms under current set aside State law requirements. (The Commission is also actively developing a new standard for set aside contracts that will be race and gender-neutral. Our Affirmative Action regulations allow for the EDA to adhere to that standard when it becomes official.)

DEVELOPMENT OF THE SCHOOL FINANCE AND CONSTRUCTION PROGRAM

In the first year of the Program, a critical first step was to develop a sound management system and communications infrastructure to ensure efficient operations within individual school districts and throughout the separate regions of the State. Also, a priority goal was to initiate health and safety projects in the Abbott school districts, as well as finalize the framework for Affirmative Action employment and training program. Equally pressing was the development of an interim solution to address the shortage of classrooms in the Abbott districts for

