



YONKERS PUBLIC SCHOOLS



"Achieving Excellence Together"

**Testimony Before
The New York State
Department of Education
Reform Commission**

September 10, 2012

Presented By:

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I am Joseph Bracchitta, Chief Administrative Officer for the Yonkers Public Schools District. My testimony today details (below) the decay of an urban school district suffering from decades of deferred maintenance and inadequate planning for enrollment growth. Briefly, Yonkers is a school district that is falling apart faster than it can be repaired using the traditional design-bid-build model that relies upon public financing and management. We are faced with a \$1.7 billion problem that must be solved but there is no palatable public solution. Even if the entire \$1.7 billion called for in the plan could be bonded, the debt service (assuming current interest rates) would amount to over \$140 million a year, a 27% increase to the existing District budget.

For the last few years, the District has explored other options to address its pressing infrastructure needs. We now believe that a public-private partnership (P3) may provide the best mechanism to execute the Yonkers Educational Facilities Plan (EFP).

We expect that a P3 mechanism will allow us to complete the EFP more rapidly than traditional methods. Having ready access to private funds and being able to leverage private sector efficiencies should help save years over the life of the project. In essence, by appropriately shifting risk to the private sector, we will reduce risk, and expense, to the public sector.

The “efficiency” of the private sector is sometimes assumed to come at the cost of existing jobs. In fact, even a relatively modest first phase of the EFP would generate over 13,000 jobs. These are not just the “direct” construction jobs that last the life of the project but also the new indirect and induced jobs in supporting industries and businesses. Businesses in the metal and woodworking trades that may now be struggling will thrive. Plumbing and electrical trades will expand. Local stores and restaurants will hire to serve a new population of wage earners.

Efficiency may also be measured in time. Typical school construction is notoriously plagued with change orders and suffers from poor onsite management due to understaffed district facilities personnel. There is no incentive to complete construction quickly or with care. As a result, cost overruns and extended project schedules become the norm.

The P3 model locks in a set fee, called an availability payment, which acts as a carrot and a stick for the public sector to enforce performance. An availability payment is a fixed, periodic payment that a public entity makes to the private sector for designing, building, financing and maintaining an asset. While there can be some variation on the range of services and delivery of assets that the private sector commits to, the availability payment is always based on the

availability of the asset and the quality of the service provided (as defined in the agreement). Therefore, the private partner is incentivized to finish on time and on budget. Further, good work and good materials will lead to lower ongoing maintenance costs; again, an incentive built in to the very structure of the availability-based P3.

This project directly impacts our children as well as the treasure of our city and state, so we need to proceed with great care. We have hired globally recognized advisors, Freshfields (legal), Macquarie Capital (financial) and URS (technical) each of whom have experience in pioneering successful social infrastructure P3 projects. They are working on a preliminary assessment to determine the feasibility of a P3 mechanism for the EFP. The final assessment will include: a value for money analysis and studies regarding risk allocation and transaction structure; phasing of a P3 program; technical review of the program; identification of legal restraints and drafting of needed legislation; review of the state funding formula; drafting of RFQ, RFP and Project Agreement documentation; RFQ and RFP process management; negotiation with bidders; assessment of bids, and financial and business closes. We expect the preliminary assessment to be finished this autumn.

Yonkers School District believes that this historic first-in-the-nation effort will help reconstruct our District. It will also establish a template for urban school districts throughout the state and country. The project has already been recognized as one of the top 100 infrastructure projects in the world and we are proudly participating in efforts to draft P3 legislation for NYS.

We have great hope for this commitment to education because, by changing the template for local school construction, it has the potential to broadly serve so many stakeholders:

- Our children will study in safe schools designed for 21st Century education;
- State and city budgets will no longer be burdened by unexpected capital outlays;
- Real jobs will be created and sustained in New York and Yonkers;
- Schools designed to double as community centers will stand as a lasting investment in our neighborhoods; and
- Good schools, good jobs and strong communities will attract more people willing to live, work and invest in Yonkers and New York State.

This is an educational facilities plan, an innovative capital plan and a local economic stimulus plan. We believe it will become a model for school districts and local governments across the country.

Thank you for the opportunity to present on this historic project.

PPP is not Privatization

Privatization – Transfer from public sector in return for up front payment

Transfer of control, risk, and reward to private sector

Public sector ceases to provide services

Private sector pays a premium for operational freedom to maximise return

Public Private Partnership – Payment By Results increases public sector control

Risks shared with private partner, transferred in line with ability to control

Public sector continues to provide the core services

Private sector must meet the standards set by the client to get paid

Benefit of PPP Risk Transfer

Traditional

Public Sector Risks

Functional Program

Design

Financing

Facility Maintenance

Lifecycle

Availability and Performance

Private Sector Risks

Construction & Delivery Schedule

Design Build Finance Maintain

Public Sector Risks

Functional Program

Project Output Specifications

Private Sector Risks

Design

Construction & Delivery Schedule

Financing

Facility Maintenance

Scheduled Lifecycle

Availability and Performance



The Yonkers Public Schools Educational Facilities Plan (EFP)

The goal of the EFP was to formulate a plan that merged the building conditions issues with the enrollment and educational program concerns. Based on the latest building condition survey in 2010, the District faces \$500 million in health and safety issues alone. The EFP was based on the state of the school system in the summer of 2011; things have deteriorated significantly since then.

In addition, we developed a number of guiding principles:

- Grade level configurations of buildings are generally to be pre-K - 8th grade and high schools (9-12). Target sizes for most pre-K-8 buildings are to be 500 students and 1,100 for most high schools.
- Model space programs were developed for each building type and applied to every location so as to provide equivalent facilities.
- Existing buildings were retained, restored and expanded whenever possible to accommodate the existing and projected enrollment. Maximizing the use of existing sites is important to minimize the need to purchase or develop additional sites.
- Schools were re-designed to function as community centers with public or common areas (gymnasias, libraries, cafeterias, auditoria) consolidated in a distinct portion of the building so that they can better serve the surrounding neighborhood.
- Sustainable features are included in all of the budget figures so that all new buildings, additions and significant renovations will meet the State's high performance school building targets.
- Included as critical to a sustainable design and construction approach are system and material selections that meet the test of a life cycle cost analysis. Since taxpayers pay for public school buildings forever the most responsible approach is to design them to last as long as possible with the lowest maintenance cost.
- All delivery mechanisms, including Public-Private Partnerships (P3s) will be pursued relative to the plan, especially for the new schools that are required and specialized facilities such as those proposed at Riverside High School. Educational

Facilities Plan Summary:

- Three existing buildings need to be completely replaced (Gorton High School, School 22 & School 17) and two new PK-8 buildings are proposed to replace facilities that are no longer worthy of investment in renovation and to accommodate the projected increase in enrollment.
- Additions and alterations are proposed to 23 buildings to provide for additional students.
- The alterations and new buildings are expected to reduce energy consumption by 20 - 50% respectively.
- The plan will be comprised of multiple five-year phases with a total cost of approximately \$1.7 billion dollars.

- It is important to note that among the “big five” school systems in New York State, Yonkers is not unique in facing significant facilities issues.

Job creation

We anticipate that a first phase of the scope anticipated by the Educational Facilities Plan would create about 13,500 jobs. We base that number on two studies cited by the American Institute of Architects. One, a 2007 study by the Center for Regional Analysis at George Mason University found that new building construction (as opposed to bridge or tunnel construction) creates about 28.5 jobs for every \$1 million invested. A joint study released in 2009 by the Center for American Progress and the Political Economy Research Institute found that 16.7 "direct, indirect and induced" jobs would be created per \$1 million of investment. Our estimate averages the two studies cited, arriving at an estimate of 22.6 total jobs created for each million dollars invested, for a total of 13,560 jobs in the first phase.

Some key facts to consider:

- Yonkers buildings are, on average, among the oldest in the State.
- Yonkers schools rank second lowest in square footage per student at 147. New York City is at 118 with Rochester at 224, Syracuse at 176, and Buffalo at 243.
- Yonkers is the only system without a Five Year Capital Plan in place that is in alignment with a long-range plan to remedy all of the outstanding issues. New York City continues its long standing plan to upgrade and improve its schools, Buffalo has nearly completed its program and Rochester and Syracuse are now seeking funding for comprehensive programs which have obtained local support.
- Yonkers has the lowest state aid of all of the “big-five” in New York State at 44.4% with New York City at 61% and the upstate Districts of Buffalo, Rochester and Syracuse at 98%.

It is challenging to even comprehend the scope of the challenge facing the school buildings and undoubtedly even more challenging to find the funding to implement the proposed remedies. The level of study that has been completed in the last two years does show, without any doubt that the buildings are deteriorating faster than they are being repaired. Even as funding for all aspects of the plan is being sought it is absolutely critical to catch up with the critical needs so that the conditions don't worsen and costs to repair increase. A two-pronged approach that balances infrastructure repair with educational program upgrades is the best approach. The specifics of this approach are summarized below:

Phase 1 - 2012-2017

- Additions & Alterations to 10 existing buildings
- Replacement of School 22 with a new, enlarged building on an adjacent site
- Replacement of Gorton High School with a new, enlarged building on the same site
- The existing Gorton High School building will be repaired only as necessary to maintain this facility as temporary “swing-space” for use while other buildings district-wide are renovated.
- Expansion of Riverside High School with a connecting addition to Museum School 25 to create a combined pre-K - 12 campus including a new physical education facility that can be used by the community.
- Infrastructure work in 29 other buildings to keep them from deteriorating further
- Provides 2,839 additional seats for students to alleviate a portion of the current over-crowding and to provide for some of the projected enrollment increase.
- Projected to create 13,500 jobs
- Total projected cost - \$662 Million Dollars

Phase 2 - 2017-2022

- Additions & Alterations to 12 existing buildings
- Replacement of School 17 with a new, enlarged building on the same site
- New pre K-8 building for 550 students on a new site, not yet identified
- Provides 2,940 additional seats for students to alleviate a portion of the current over-crowding and to provide for some of the projected enrollment increase.
- Total projected cost - \$639 Million Dollars

Phase 3 - 2022 - 2027

- Additions & Alterations to 9 existing buildings
- New pre K-8 building for 550 students on a new site, not yet identified
- Infrastructure work in 2 other buildings to maintain them in overall good condition
- Provides 1,344 additional seats for students to alleviate a portion of the current over-crowding and to provide for some of the projected enrollment increase.
- Total projected cost - \$358 Million Dollars

Imagine for a moment, the impact of successfully implementing this entire plan for Yonkers. Renewed school buildings will provide opportunities for students and teachers to excel in a 21st century educational setting. All programs will have a suitable place in the building and classrooms will be adequate in number so as to restore the desirable class sizes that insure the appropriate

attention to each student. Sustainable buildings that provide a healthy environment will be reconfigured to serve as neighborhood community centers for all of the area's residents. Maintenance and energy costs will be significantly reduced for the next 50 - 100 years in these renewed facilities.

The school buildings can be transformed to become exemplary and one of the showpieces of the renewed City of Yonkers. This transformation will proceed over an extended period and generate significant construction employment throughout the process. The renewal of the school buildings will parallel the ambitious plans to renew and re-develop the entire City that has already begun. As America and our region move back into its cities the success of urban school districts is critical and adequate and sustainable school buildings are the most important publicly funded building type for our future.



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