

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

WEDNESDAY, JULY 2, 2014

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, July 2, 2014 at 9:00 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
Jennifer Duffy (Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Loren Lemelle
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Ms. Hassett, Mr. Egan, Mr. McNamara and Mr. Piaia participated in the meeting by telephone conference.

At the Chairman’s request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Andrew Yosha, executive vice president; Jane Kelly, vice president & assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond Arcario, vice president; Albert Barnes, chief counsel; Manuel DaSilva, program director; Gregory Voronov,

managing director; Sean Murphy, director; and Corrado Minervini, program director, of the SDA participated in the meeting. Amy Herbold of the Governor's Authorities Unit also participated in the meeting by telephone conference.

The meeting was called to order by the Chairman of the Board, Mr. Walsh, who requested that Ms. Kelly read the requisite notice of the meeting. Ms. Kelly announced that the meeting notice had been sent to the *Trenton Times* and *Star-Ledger* at least 48 hours prior to the meeting, and had been duly posted on the Secretary of State's bulletin board at the State House in Trenton, New Jersey.

Approval of Meeting Minutes

Mr. Walsh presented for consideration and approval the Minutes of the June 4, 2014 Open and Executive Session meetings. A copy of the minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Vargas, and seconded by Ms. Lemelle, the Open and Executive Session minutes of the June 4, 2014 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a./3b*.

Authority Matters

CEO Report

Mr. Walsh asked Mr. McKenna to provide the Members with the report of the CEO. Mr. McKenna advised the Board that June 2014 project disbursements total \$35,395,260, the highest amount in a single month in over two years.

He then provided the Members with an update regarding the Trenton Central High School project (TCHS). He informed the Members that work on the TCHS Swing Space is more

than 50% complete across all of the buildings. He said that the site investigation and environmental review of the existing building by the Design Consultant has been completed, with a draft preliminary report currently under SDA review. Mr. McKenna noted that the structural investigation by the Design Consultant is ongoing, with a preliminary report expected in six (6) to eight (8) weeks. He said that SDA programming meetings with the District are continuing, noting that a meeting had been held with the District the previous day. He reminded the Board of plans to save the building's clock tower and said that efforts are underway to ensure that its structural integrity can be maintained given that adjacent parts of the building are being demolished.

Next, Mr. McKenna discussed the Elizabeth Academic High School project, reporting that work is progressing well on the project. He informed the Members that footings and foundation work is complete and that structural steel erection activities are ongoing and continue without issue. Mr. McKenna added that steel completion is anticipated by the end of July. He said that work is progressing well on the remaining underground detention basin, new bus loop and all associated underground utilities. Mr. McKenna noted that the transfer of electrical feed to the existing Jefferson School is scheduled for mid-July.

With regard to the Phillipsburg High School project, Mr. McKenna reported that construction activities continue to progress well. He said that excavation, footing and foundation for the entire areas E and F are near complete, with areas D and F underway. Mr. McKenna explained that underground communication and electrical duct banks work is near completion from the lower fields to the project site. He said that storm sewer piping has been installed, structural steel is being fabricated and on-site pump house construction has commenced. Mr. McKenna added that the masonry subcontractor has mobilized and commenced wall construction

in Area E. He said that selection of exterior color samples of blended brick, cast stone and aluminum windows is scheduled for July 7th.

Mr. McKenna then advised the Board that the Long Branch Catrambone project is nearing completion and that tours of the building are being offered to SDA staff. He said that the New Brunswick Redshaw project is also nearing completion and that the District has expressed an interest in moving into the building as soon as it is ready for occupancy.

Next, Mr. McKenna provided an update regarding the Marshall Street School project in the Paterson School District. He informed the Members that the site work is well underway with the installation of the underground storm water system. Mr. McKenna noted that structural fill of the site is near completion. He said that the concrete subcontractor has mobilized with installation of rebar and footing foundations and the northern wing of the site is underway. He said that Paterson PS No. 16 is also advancing well.

In continuing, Mr. McKenna reported that the contractor for the Jersey City PS #20 project in the Jersey City School District has mobilized on-site and work is progressing well. He said that the site work is on-going as are footings and foundations work.

Mr. McKenna then reported that a Limited Notice to Proceed has been issued for the Bridgeton Quarter Mile Lane Elementary School project. He said SDA is seeking to procure soil erosion and sediment control work as approved by the Cumberland-Salem Conservation District. He added that the contractor may proceed with this work once DCA and all other applicable permits have been obtained. Mr. McKenna noted that work is also moving well on the Authority's Newark projects.

Next, Mr. McKenna provided an update regarding SDA procurements. He informed the Members that Management is recommending an award to Terminal Construction Corp. for

Design-Build Services for the Gloucester City New ES/MS project, which is on today's agenda and will be presented later in the meeting. He noted that a bid protest has been filed and a final agency decision rejecting the bid protest has been issued. He said that if the SDA's decision is appealed in the courts, advancement of the project could be halted.

Mr. McKenna then reported that a procurement for Design-Build Services for the Elizabeth New Elementary School project in the Elizabeth School District was advertised on June 9. He said that technical and price proposals are due on August 19.

He then advised the Board that a procurement for Internal Auditing Services for Design-Build projects was advertised on May 16 and that technical and price proposals were received from thirteen (13) firms on June 11. He said that the procurement process is ongoing and that an award recommendation will be presented for approval at the August Board meeting.

Mr. McKenna then informed the Members that the procurement for the Site Consultant Services Task Order Contract was advertised on May 28. He reported that technical and price proposals were received from 24 firms on June 24. Mr. McKenna added that the procurement process is ongoing and an award recommendation will be presented for approval at the September Board meeting.

Mr. McKenna then reported that the procurement for Independent Auditor Services was advertised on June 4. He noted that six (6) firms have indicated an intent to submit technical and price proposals by the July 8 due date.

Next, Mr. McKenna provided an update regarding the procurement for a broker for the Business and Real Estate Property and Casualty Insurance Program. He said that the procurement was advertised on June 5 and that technical proposals are due on July 10.

Mr. McKenna then reported that the procurement for Construction Management Services for the Gloucester City New ES/MS project is scheduled to be advertised in early July.

In continuing, Mr. McKenna reported that there are two proposed settlements on today's agenda for Board consideration. He said that they are 1) a comprehensive settlement of all outstanding requests for additional compensation for the Speedway Elementary School Project in Newark; and 2) a partial settlement involving the Camden City Early Childhood Development Center Project. He said that staff will provide the details later in Executive Session.

With regard to other activities, Mr. McKenna informed the Members that he met with the members of the Associated Construction Contractors of New Jersey (ACCNJ) for an informal discussion on June 13th. He said that there was an interesting exchange of ideas focusing on how SDA can do things better and how the contractors can assist in this process. He noted that the SDA will be exploring certain ideas raised and will continue to have follow up meetings with the ACCNJ.

With regard to June 2014 events, Mr. McKenna reported that the SDA participated in a beam signing for the Elliott Street School which was held in Newark on June 18th. He said that every student in the school signed the beam.

Next, Mr. McKenna reported that, after discussions with the school district, the SDA will plan a construction progress tour of the Henry Street School project in the Passaic School District this summer in lieu of a beam signing. Ms. Maclean noted that SDA is working with the District to schedule the event which likely will be held in August. Mr. McKenna also informed the Members that the SDA is working on coordinating a true "topping off" beam signing (the last beam to be put into place) for the Academic Magnet High School in Elizabeth for the week of July 14th.

Lastly, Mr. McKenna reported that the Authority's Biannual Report for the period October 2013 through March 2014 was released to the Legislature and the public. He said that it is his hope that the Members have had an opportunity to review the Biannual Report. He noted that, among the good news contained in the report, is the fact that more than half of the 39 projects in the Capital portfolio were in construction or design by the end of the reporting period, including nine (9) schools currently in active construction. He said that the SDA substantially completed (6) six emergent projects and began the execution of nearly 1,600 ROD Grants approved by the DOE.

In response to the Chairman's inquiry, Mr. Yosha provided a brief update on the status of remedial work at the Paterson International High School. He noted that meetings are underway with the architect.

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on June 16, 2014. He said that Management had provided the Committee with the May 2014 New Funding Allocation and Capital Plan Update and reported a decrease of \$2.5 million in the 2011 Capital Plan Emergent Projects Reserve. He noted that there were no changes in any of the remaining Reserve balances during the reporting period. He advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$300,000 during the reporting period due to a reduction in state share for grants nearing completion.

In continuing, Mr. Nixon reported that Management shared with the Committee the results of a recent statutorily required audit focusing on processes and procedures. He advised that the audit determined that state funds were expended in accordance with applicable laws and

regulations. He said that two low risk observations were noted which Management is addressing.

Next, Mr. Nixon reported that the Committee was provided with the May 2014 Monthly Financial Report. He said that, year-to-date, the Authority's operating expenditures total \$8.6 million which is \$1.3 million lower than the operating budget for the corresponding period. He said that this is a \$32,000 decrease from actual expenses for the corresponding period in the prior year. He reported that, as of May 2014, year-to-date project expenditures are \$83.5 million, down \$40.3 million as compared to the Capital spending forecast for the corresponding period and \$11.9 million higher as compared to actual expenses in the corresponding prior year. He said that this is attributable to increased spending for construction costs and project related activity along with the Elliott Street insurance claim cost recovery in the prior year, offset by a decrease in grant activity. Mr. Nixon then noted that 68% of the funds authorized for the SDA Districts have been disbursed. He reported that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. Mr. Nixon advised that the estimated value of current school facilities project activity is approximately \$2.2 billion.

In conclusion, Mr. Nixon noted that those Board Members who are serving on the selection committee for the Financial Auditing Services procurement will be meeting following the Board meeting.

School Review Committee Report

1) Release of Funds from Program Reserve - Jersey City School District – James J. Ferris High School - Emergent Project – Roof Replacement; 2) Release of Funds from Program Reserve - Newark School District – Abington Avenue Elementary School - Emergent Project – Exterior Masonry & Roof Replacement; 3) Release of Funds from Program Reserve - Newark School District – Ann Street School - Emergent Project – Exterior Masonry & Roof Replacement; 4) Release of Funds from Program Reserve - Newark School District – Arts High School Emergent Project – Exterior Masonry & Roof Replacement; 5) Release of Funds from Program Reserve - Newark School District – Chancellor Avenue Annex School - Emergent Project – Roof Repair/Replacement; 6) ST-0014-B01 - New Gloucester City ES/MS - Design-Build Award and Approval of Final Project Charter

The Chairman then requested that Mr. Luckie provide the report of the School Review Committee. Mr. Luckie informed the Members that the School Review Committee met on June 16, 2014. He reported that the Members are being asked to approve a Release of Funds from the Program Reserve for the James J. Ferris High School in the Jersey City School District for an emergent project for roof replacement. He said that the James J. Ferris High School is an approximately 246,000 square foot facility educating 1,360 students in grades 9 to 12. Mr. Luckie said that, following joint site visits conducted by SDA and DOE staff to review potential emergent conditions in the Jersey City School District, the DOE issued pre-construction approval in July 2012 for an emergent project to address conditions related to the Ferris High School building's roofing system. He further reported that, after receipt of pre-construction approval, the SDA issued a grant offer to the District to allow for the advancement of the project. Mr. Luckie noted that the funding requested to address the project at the Ferris High School is in the amount of \$3,975,000.

Mr. Voronov provided additional details regarding the project. He explained that the reason that several roof replacement projects are before the Board today is because the districts

are endeavoring to perform the work over the summer months when the buildings are unoccupied.

A resolution pertaining to the Release of Funds from the Program Reserve for the James J. Ferris High School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Maloney, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit 6a.* was unanimously approved by the Board.

Next, Mr. Luckie reported that the Members are being asked to approve a Release of Funds from the Program Reserve for the Abington Avenue Elementary School in the Newark School District for an emergent project for exterior masonry and roof replacement. He explained that the Abington Avenue Elementary School is an approximately 93,000 square foot facility that educates 750 students in grades Pre-K to 8. Mr. Luckie reported that, following joint site visits conducted by SDA and DOE staff to review potential emergent conditions in the Newark School District, the DOE issued pre-construction approval in July 2012 for an emergent project to address conditions related to the building's exterior masonry and roofing system. He said that, after receipt of pre-construction approval, the SDA issued a grant offer to the District to allow for the advancement of the project. Mr. Luckie noted that the funding requested to address the emergent project at the Abington Avenue Elementary School is in the amount of \$4,953,000.

A resolution pertaining to the Release of Funds from the Program Reserve for the Abington Avenue Elementary School had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the resolution attached hereto as *Exhibit 6b.* was unanimously approved by the Board.

Next, Mr. Luckie discussed Management's request for approval of a Release of Funds from the Program Reserve to address the emergent project for Ann Street School in the Newark

School District for exterior masonry & roof replacement. He reported that the Ann Street School is an approximately 130,000 square foot facility educating approximately 1,300 students in grades Pre-K to 8. Mr. Luckie said that, following joint site visits conducted by SDA and DOE staff to review potential emergent conditions in the Newark School District, this project was identified as emergent. Mr. Luckie informed the Members that the funding requested to address the emergent project at the Ann Street School is in the amount of \$2,630,000.

A resolution pertaining to the Release of Funds from the Program Reserve for the Ann Street School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit 6c*. was unanimously approved by the Board.

Next, Mr. Luckie discussed Management's request that the Board approve the Release of Funds from the Program Reserve for an exterior masonry and roof replacement emergent project at the Arts High School in the Newark School District. He reported that the Arts High School is an approximately 176,000 square foot facility educating approximately 690 students in grades 7 to 12. Mr. Luckie said that, as with the other projects on today's agenda, following joint site visits conducted by SDA and DOE staff to review potential emergent conditions in the Newark School District, the DOE issued pre-construction approval in July 2012 for an emergent project to address conditions related to the building's exterior masonry and roofing system. He said that, after receipt of pre-construction approval, the SDA issued a grant offer to the District to allow for the advancement of the project. Mr. Luckie said that the funding requested to address the emergent project at the Arts High School is in the amount of \$2,345,000. In response to an inquiry by Mr. Vargas, Mr. Voronov and Mr. Piaia described the process utilized by the SDA and DOE in identifying the emergent projects to be funded.

A resolution pertaining to the Release of Funds from the Program Reserve for the Arts High School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the resolution attached hereto as *Exhibit 6d.* was unanimously approved by the Board.

In continuing, Mr. Luckie reported that the Members are being asked to approve the Release of Funds from the Program Reserve for the Chancellor Avenue Annex School in the Newark School District for an emergent project for roof repair and replacement. He informed the Members that the Chancellor Avenue Annex School is an approximately 54,000 square foot facility educating approximately 120 students in grades Kindergarten to 2. Mr. Luckie said that, following joint site visits conducted by SDA and DOE staff to review potential emergent conditions in the Newark School District, the DOE issued pre-construction approval in July 2012 for an emergent project to address conditions related to the building's roofing system. He noted that, after receipt of pre-construction approval, the SDA issued a grant offer to the District to allow for the advancement of the project. Mr. Luckie said that the funding requested to address the emergent project at the Chancellor Avenue Annex School is in the amount of \$706,000.

A resolution pertaining to the Release of Funds from the Program Reserve for the Chancellor Avenue Annex School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the resolution attached hereto as *Exhibit 6e.* was unanimously approved by the Board.

Lastly, Mr. Luckie reported that Members are being asked to approve a Design-Build Award and Approval of Final Project Charter for the New Gloucester City Elementary School/Middle School in the Gloucester City Public School District. He informed the Members that the proposed New Gloucester City ES/MS project will be a 122,000 square foot facility to

educate 687 students in grades 4 through 8. He explained that, in March 2012, the New Gloucester City ES/MS project was approved to advance under the Authority's Capital Program and was determined suitable for advancement through utilization of the SDA developed "Kit of Parts" approach. He added that a package for Design-Build Services for this project was advertised as a "price (60%) and other factors (40%)" solicitation beginning on March 4, 2014. Mr. Luckie said that Management and the Committee are recommending that the Board approve the award of a contract in the amount of \$40 million to Terminal Construction Corporation for Design-Build Services and the Final Project Charter for the Gloucester City ES/MS project.

The Members then engaged in a brief discussion of the procurement process followed in this matter and the bid protest that subsequently was filed. Mr. McKenna noted that, in his meeting with the ACCNJ, he had explored how to increase the number of contractor/bidders who participate in the SDA procurement process.

A resolution pertaining to the Design-Build Award and Final Project Charter for the New Gloucester City Elementary School/Middle School project in the Gloucester City Public School District had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Mr. Maloney, the resolution attached hereto as *Exhibit 6f* was unanimously approved by the Board.

Reports

The Chairman asked Mr. Ballard for an update regarding Project Closeouts. Mr. Ballard reported that the SDA was successful in closing out two (2) emergent projects, through the work of Mr. Da Silva and his staff. He said that the SDA also transferred one Capital project. He expressed his appreciation to Mr. Schrum and his staff for their efforts. Mr. Ballard advised the Board that the SDA's demonstration project audits continue to progress. He informed the

Members that audits are being performed regarding three (3) projects. He provided details as to the status of each audit, noting that final determinations regarding “shared savings” will be made upon completion of the audits.

Public Comments

The Chairman then opened the Public Comments portion of the meeting. He invited Ms. Mo Kinberg of the Healthy Schools Now Coalition/NJ Work Environment Council to address the Members. Ms. Kinberg thanked the Members for moving forward with two (2) projects (New Gloucester City ES/MS and Paterson Marshall Street ES) that she noted had been stalled for over a decade. Ms. Kinberg then thanked the SDA for its transparency in releasing an updated list of emergent project repairs which identifies projects that have been completed and the status of other projects. In continuing, Ms. Kinberg relayed an inquiry from a member of her Coalition concerning the Trenton Hedgepath Williams School. Specifically, she said, she was inquiring about a domestic water system that is being repaired at the school. She said that the member is seeking details as to whether the project will involve fixing the entire roof or if it is just the water source that needs to be addressed. Mr. Da Silva replied that the project involves the domestic water source and that the roof has nothing to do with the project. He then offered a description of the project, noting that the cold water system is being replaced. Ms. Kinberg then referenced those projects that are being delegated by SDA back to their districts with an approved release of funds. She asked, when the SDA updates the list of emergent repairs, that these projects be included and their status provided.

In continuing, Ms. Kinberg noted that some schools that have had emergent project work are now being closed. She suggested addressing this issue with the districts. Mr. McKenna replied that, when originally speaking with the districts, SDA was advised that the work needed

to be done, so the SDA complied, only to have the districts close the schools after the work was completed. He said that the SDA would like for the districts to provide the information up front and said that he is in total agreement with Ms. Kinberg in this regard. In closing, Ms. Kinberg noted that, since the emergent list was approved in 2011, there exists more emergent work that needs to be addressed. She suggested that the SDA continue to inquire about emergent work in the districts since three (3) years have now elapsed. Mr. McKenna said that the SDA is aware that additional emergent work is needed and will update the list.

Ms. Kelly then advised the Members and the Public that the Board will be adjourning into Executive Session to discuss two matters—1) a Comprehensive Settlement of Claims Relating to the Newark Speedway Elementary School, and 2) a Proposed Partial Settlement of Cost Recovery Litigation regarding the Camden School District Early Childhood Development Center.

Mr. Walsh then asked for a motion to adjourn the meeting into Executive Session. Upon motion and with unanimous consent, the meeting adjourned into Executive Session.

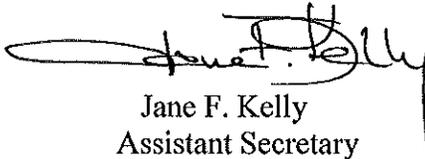
Following discussion in Executive Session, the Board returned to Open Session.

A resolution for approval of the Comprehensive Settlement of Claims Relating to the Newark Speedway Elementary School had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit A1*, was unanimously approved by the Board.

A resolution pertaining to Settlement of Cost Recovery Litigation regarding the Camden School District Early Childhood Development Center had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the resolution attached hereto as *Exhibit A2*, was unanimously approved by the Board.

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion and with unanimous consent, the meeting adjourned.

Certification: The foregoing represents a true and complete summary of the actions taken by the Board of the New Jersey Schools Development Authority at its July 2, 2014 meeting.



Jane F. Kelly
Assistant Secretary