

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

**THURSDAY, JANUARY 2, 2014**

A teleconference meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Thursday, January 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 D’Autrechy (Treasury)  
Bernard Piaia (NJDOE)  
Michael Capelli  
Kevin Egan  
Loren Lemelle  
Lester Lewis-Powder  
Michael Maloney  
Joseph McNamara  
Robert Nixon  
Mario Vargas

being a quorum of the Board. Mr. Luckie and Mr. Walsh participated in the meeting in person.

At Mr. Walsh’s request, Marc Larkins, chief executive officer; Jason Ballard, chief of staff; Jane Kelly, vice president & assistant secretary; Andrew Yosha, vice president; Donald Guarriello, vice president and chief financial officer; and Gregory Voronov, managing director,

of the SDA participated in the meeting. Amy Herbold of the Governor's Authorities Unit and Charles McKenna, Chief Counsel to the Governor, also participated in the meeting.

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 then presented for consideration and approval the Open and Executive Session Minutes of the December 4, 2013 Board Meeting. 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. Egan, and seconded by Ms. Lemelle, the Open and Executive Session minutes of the December 4, 2013 meeting of the SDA Board of Directors 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 then asked Mr. Larkins to provide the Members with the report of the CEO. Mr. Larkins began by offering his best wishes for a Happy New Year. He reported that he has personally spoken with each of the Members following the Governor's announcement regarding his move to the Office of the State Comptroller. He publicly thanked the Board and SDA staff for their support, dedication and hard work throughout his tenure. Mr. Larkins added that it has been a pleasure serving as CEO in this Administration. He noted that the organization is in good

hands and that there could not be a better successor to whom he could pass the baton than Mr. McKenna. Mr. Larkins wished Mr. McKenna and the Authority continued success.

With regards to public events, he reported that he and other SDA staff attended a Season of Service event in Newark with the organization "Jersey Cares" on Wednesday, December 11. He said that Jersey Cares is a major charitable organization that performs significant work across the state and has recently assisted with the Hurricane Sandy recovery efforts.

In terms of project activity, Mr. Larkins reported that, on Friday, December 13, the SDA advertised for a demolition and early site work package for the Garfield James Madison Elementary School project. He said that proposals are due on January 22.

Mr. Larkins also informed the Members that the SDA re-advertised for design services for the Millville High School/Middle School project on December 20, 2013. He said that proposals are due on January 29. He also informed the Members that the SDA advertised for construction management services for the New PS #16 Elementary School in the Paterson School District. Mr. Larkins said that proposals for this procurement are due on January 17, 2014.

Mr. Larkins then advised the Members that DOE has approved all Level 1 Regular Operating District (ROD) grants. He said that letters were issued on December 4 and that the SDA will be working towards executing almost 1,500 ROD grants across the state. Mr. Larkins said that the grants will touch over three hundred (300) districts and that the estimated state share for all of the projects approximates \$485 million. He said that, with this, all available ROD grant funding is now essentially exhausted. Mr. Larkins said that, on the back end, there will be a "true up" and that there may be some remaining money, but he noted that all of the funds that the Legislature has afforded the program have been committed. He then reported that there is a Vo-

tech component approved for fifty-four (54) Vo-tech projects across fifteen (15) vocational districts. He said that the state share of these projects is about \$22 million and noted that there is approximately \$17 million remaining for future Vo-tech grants.

In terms of the present month, Mr. Larkins reported that the SDA anticipates a few projects moving into construction--specifically, the Phillipsburg, Elliott Street and Oliver Street projects. He added that the SDA is looking forward to significant activity in 2014. He advised the Board that 13 to 14 active Capital projects should be underway by summer.

### *Chairman's Report*

Mr. Walsh said that it has been a pleasure working with Mr. Larkins and thanked him for his hard and diligent work throughout his tenure. He noted that Mr. Larkins is leaving the SDA in a better position than when he started four years ago. Messrs. McNamara, Vargas, Capelli and Maloney also echoed Mr. Walsh's comments and wished Mr. Larkins much success in his new endeavor. Mr. Vargas remarked that Mr. Larkins has been the longest tenured CEO and noted his professionalism and great leadership. Mr. Walsh then expressed his appreciation for the Members' diligent work. He said that this it is his hope that more good work will advance in the next four years and noted that Mr. Larkins has put the SDA in a good position to do so.

### *Audit Committee Report*

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Before beginning his report, Mr. Nixon thanked Mr. Larkins and congratulated him on his new appointment. He then reported that the Audit Committee met on December 16, 2013. He said that management had provided the Committee with the November 2013 New Funding Allocation and Capital Plan Update. He said that management reported an increase of \$200,000 in the Unforeseen Events Reserve balance. He advised that there were no changes in the Planning

Reserve and no changes in the 2008 or 2011 Capital Plan Emergent Projects Reserve balances for the reporting period. He added that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$3.1 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Mr. Nixon then reported that management had shared with the Committee the results of two statutorily required audits involving Section 15 Grants and the processes and procedures followed in connection therewith. Mr. Nixon said that the audits looked at documentation supporting the execution of the grants and disbursement of funds. He said that the audits had determined that the state funds were expended in accordance with the grant agreement, applicable laws and regulations. He advised that no observations were noted.

In continuing, Mr. Nixon reported that management had shared with the Committee the results of the DB Realty II– Common Area Maintenance (CAM) Fees Audit (the Audit) for the 1 West State Street space. He noted that the Audit reviewed the validity of the 2012 CAM fees charged by Landlord to the SDA. He said that the Audit verified the accuracy and validity of the Landlord’s spreadsheet formula and calculations. He advised that the Landlord’s operating expenses for 2012 totaled \$572,441 and that SDA’s pro rata share of this was \$191,196. He noted that the 2012 fees were lower than the Authority’s CAM fees for both 2011 (\$204,046) and 2012 (\$195,387). He reported that no observations were noted.

Next, Mr. Nixon advised the Board that the Committee was provided with the November 2013 Monthly Financial Report with management advising that, as of September 2013, the Authority’s operating expenditures totaled \$18.4 million which is \$90,000 lower than the operating budget for the corresponding period. He said that this is a \$13.3 million decrease from

actual expenses for the corresponding period in the prior year. He reported that, as of November 2013, the year to date project expenditures are \$190.5 million, down \$53.4 million as compared to the 2013 Capital spending forecast for the corresponding period and \$30.7 million higher as compared to actual expenses in the corresponding prior year. He said that this is attributable to construction costs and personnel expense allocations to facilities project costs.

In conclusion, Mr. Nixon noted that, since inception, 67.4% 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. In concluding his report, Mr. Nixon advised that the estimated value of current school facilities project activity is approximately \$2.2 billion.

### *School Review Committee Report*

#### **SDA Capital Plan-Portfolio Amendment and Authorization of Project Funds to Advance Planning Activities for Capital Plan Projects**

The Chairman then requested that Mr. Luckie provide the report of the School Review Committee. Mr. Luckie reported that management is recommending Board approval of an amendment to the SDA Capital Plan which would facilitate the inclusion of additional projects for advancement. He said that, beginning March 2013, the DOE, in consultation with SDA, initiated an update to the DOE's 2010 Educational Facilities Needs Assessment to ensure the availability of current data related to facilities needs in the 31 SDA districts. Mr. Luckie noted that meetings were held with the districts, needs were identified, and preliminary project scopes were evaluated to address those needs. He further noted that, based on this process and utilizing 2013 DOE prioritization criteria, management is asking the Board to approve an amendment to authorize the inclusion of the following projects in the Capital Plan: Vineland (New Middle

School; East Orange (George Washing Carver ES); Irvington (Madison Avenue ES); Pemberton (Denbo ES); and Plainfield (Woodland and/or Cook ES). He said that total project costs are estimated at \$200-\$250 million. In continuing, Mr. Luckie informed the Members that management is also requesting a funding authorization to advance planning activities for these projects and that, going forward, management will seek Board approval for all Project Charters developed based on the results of these activities. Mr. Voronov then provided details regarding the next steps in the process.

A resolution approving the SDA Capital Plan-Portfolio Amendment and authorizing Project Funds to Advance Planning Activities for Capital Plan Projects had been provided to the Members in advance of the meeting. Upon a motion by Ms. Hassett, and seconded by Mr. Capelli, the requested amendment and funding authorization were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a*.

Mr. Luckie then advised the Board that the Committee had also received information regarding two proposed litigation settlements which will be presented in Executive Session.

Mr. Walsh then informed the Members that an additional matter had been added to the meeting agenda involving approval of the appointment of Charles B. McKenna as the new SDA CEO. He noted that there will be some meetings held in the next month with Mr. McKenna and he invited the Board Members to participate in these meetings. He provided some brief biographical background regarding Mr. McKenna and noted that he had recommended Mr. McKenna for the position of CEO.

Mr. McKenna then offered brief remarks. He said that he is anxious to become better acquainted with the program and its mission and is looking forward to working with the

Members and SDA staff in order to provide the children of New Jersey with appropriate learning facilities.

A resolution electing Charles B. McKenna to serve as Chief Executive Officer of the New Jersey Schools Development Authority and establishing compensation for the position 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 4bi*. was approved by the Board.

### *Reports*

The Chairman then asked Mr. Ballard for an update regarding the Project Closeout Report. Mr. Ballard thanked Mr. Larkins for his service as leader and CEO and welcomed Mr. McKenna. He said that he is looking forward to working with Mr. McKenna and SDA staff moving forward. He then provided the Committee with an update regarding the closeout of five (5) legacy projects as outlined in his Project Closeout Report. He commended SDA staff for their diligent work in closing out these projects and added that several other projects are being prepared for closeout over the next couple of months.

Lastly, Mr. Ballard provided an update regarding the demonstration projects, noting that audits relating to three demonstration projects are advancing. Mr. Ballard said that one audit should be completed by end of January/early February. He said that two other audits are in the early stages in that notices have been distributed to the respective redevelopers to initiate the audits. He said that he is looking forward to speaking with executive staff with regard to addressing the findings moving forward.

### *Public Comments*

Mr. Walsh then called for the Public Comments portion of the meeting to begin. He asked if there was anyone from the public present who wished to address the Members. Hearing no response, Mr. Walsh indicated that the Executive Session of the meeting would begin. Ms. Kelly announced that the Board will be convening into Executive Session to consider a Partial Extension of a lease between SDA and DB Realty II and a Related Memorandum of Agreement between SDA and DCA for Administrative Office Space. She said that the Board also will be provided with an informational briefing regarding two litigation matters.

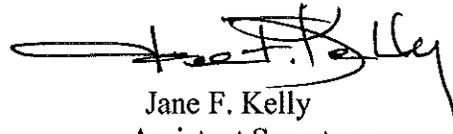
Mr. Walsh then asked for a motion to adjourn into Executive Session. Upon motion duly made by Mr. Luckie, and seconded by Mr. McNamara, the Board adjourned into Executive Session.

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

A resolution for approval of the proposed Memorandum of Agreement between SDA and DCA and approval of a partial extension of the lease agreement between SDA and DB Realty II had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie, and seconded by Mr. Nixon, the proposed MOA and Partial Extension of Lease Agreement were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit A3*.

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion and with unanimous consent, the meeting was 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 January 2, 2014 meeting.

A handwritten signature in black ink, appearing to read "Jane F. Kelly". The signature is stylized with a large, sweeping initial "J" and "K".

Jane F. Kelly  
Assistant Secretary