

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

**WEDNESDAY, JANUARY 4, 2012**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, January 4, 2012 at 9:07 A.M. at the offices of the Authority at One West State Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman

Caren Franzini (NJEDA)

Kevin Luckie (NJDCDA Designee)

James Petrino (State Treasurer Designee)

Bernard Piaia (NJDOE Designee)

Michael Capelli

Kevin Egan

Karim Hutson

Loren Lemelle

Lester Lewis-Powder

Michael Maloney

Joseph McNamara

Robert Nixon

Martin Perez

Mario Vargas

being all the Members of the Board. Mr. Egan, Mr. Lewis-Powder, Ms. Lemelle, Mr. Capelli, Mr. Hutson, Mr. Perez and Mr. Piaia participated in the meeting via telephone conference.

At the Chairman's request, Marc Larkins, chief executive officer, Jason Ballard, chief of staff; Jane F. Kelly, vice president & assistant secretary; Donald Guarriello, chief financial officer; Andrew Yosha, vice president; Ritchard Sherman, director, of the SDA and David Reiner of the Governor's Authorities Unit attended the meeting.

The meeting was called to order by the Chairman, Mr. Walsh. Mr. Walsh 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 that a meeting notice 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 the minutes of the meeting of the Board held December 7, 2011 for consideration and approval. He noted that presented for Board consideration are the minutes of the Board's December 7, 2011 Open and Executive Session meetings. A copy of the minutes and a resolution for Board consideration and approval were provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Luckie, and seconded by Mr. Nixon, with Mr. Vargas abstaining, the December 7, 2011 Open and Executive Session meeting minutes were approved by the Board upon its vote in favor of the resolution attached hereto as ***Exhibits 3a/3b***.

### ***Authority Matters***

#### ***CEO Report***

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. Mr. Larkins informed the Members of recent SDA activities and events. First, Mr. Larkins reported that in early December the Authority had advertised its first two projects in the 2011

Capital Program. He noted that one of the projects was for a site package for Phase 1 of the Elizabeth Academic High School in the Elizabeth school district. Mr. Larkins informed the Members that the pre-bid meeting was well attended and that twenty (20) firms were represented. He said that the SDA is anticipating competitive pricing. He reminded the Members that the SDA also advertised for a construction award for the Long Branch Catrambone Elementary School in the Long Branch school district. He noted that the SDA is excited about moving these projects forward. Mr. Larkins also reminded the Members that when they approved the 2011 Capital Program back in March, the SDA mentioned that these two projects would be making their way into construction phase in 2011.

In continuing, Mr. Larkins reported that, as requested by the Members, SDA staff has created an additional report focusing on the remainder of the projects that were a part of the Capital Program. He said that a number of those eight (8) projects have ongoing site investigation activity. Mr. Larkins stated that other projects are moving along through the design phase as a part of the SDA's kit of parts ("KOP") approach. He reminded the Members that KOP has been discussed at the Board level on numerous occasions. He noted that the first KOP project anticipated for release early this year is New Brunswick's A. Chester Redshaw Elementary School ("Redshaw") project. Mr. Larkins also reminded the Members of the demolition award that they approved for an elementary school in Keansburg and noted that there are other activities that the SDA is working on. He noted that the revamping of the emergent program is underway and that more details regarding the emergent program will be reported to the School Review Committee ("SRC") at its January 17 meeting. Mr. Larkins also referenced the creation of the SDA's Design

Studio, and noted that the SDA is performing a lot of in-house design for KOP as well as for some emergent projects. He said that the public will see a lot of SDA's work as projects rollout. Mr. Walsh had an inquiry with regard to the plans for design/build and asked if a monthly update could be presented beginning with the February SRC meeting, or if a separate meeting could be scheduled. Mr. Larkins answered in the affirmative and said that updates could be provided on a rolling basis because some projects are further along than others. Ms. Franzini commented that, from a public information perspective, a status update of the Capital Program should be made available. Mr. Walsh asked if any projects, other than the two noted earlier by Mr. Larkins, would be presented in the first quarter. In response, Mr. Larkins cited the West New York ("WNY") Harry L. Bain Elementary School ("Bain") project. He said that this project is now unlikely to be new construction. He said that he did not want to present an update yet regarding the Bain building, however, because the SDA is still having conversations with the district. He said that the SDA believes there is an alternative way to address the existing need. Mr. Larkins noted that what is anticipated for the first quarter with regard to the Bain building is its demolition. He said that the advancement of an acquisition for a high school and the retrofit of an existing high school has gained public attention, but has not been advanced to the Board for formal consideration. Mr. Larkins noted that SDA staff and the district have had conversations and that once the package is complete, it will be presented to the Board for approval. Mr. Larkins also noted that the SDA is looking at two (2) projects for the first quarter and two (2) for the second quarter. Mr. Walsh asked when bids were due for the projects that have already gone out to bid. Mr. Larkins replied that the pre-bid for Long Branch would be taking place today and that a timeline

could be shared with the Members. Mr. Walsh stated that the Members could give him a call if they had any additional questions with regard to the design/build process. Ms. Franzini inquired as to the status of SDA's meetings with Phillipsburg. Mr. Larkins replied that currently there is not any information that can be provided for public consumption, but he advised the Members that a recent meeting with Phillipsburg was productive and that something may be on track to advance to the Board, hopefully in 2012. Mr. Larkins added that, once finalized, the anticipated recommendation will address the needs of Phillipsburg and will put the SDA in position to advance a project. Mr. Walsh inquired as to whether there would be future meetings with Phillipsburg. Mr. Larkins answered in the affirmative and noted that it is the SDA's hope that upcoming meetings with Phillipsburg would focus on advancement of a particular project for the district. He said that SDA staff will report back to the SRC in the short term. Ms. Franzini also asked about the status of meetings between SDA and the Camden district. Mr. Larkins reported that he has made outreach to the district and has yet to hear back from anyone. He said that this could be due to the holiday schedule, but he will continue the effort. Mr. Larkins said that he is anticipating a call back from Rueben Mills, the Deputy Superintendent of Camden and he will continue to update the SRC. Ms. Franzini suggested that Mr. Piaia assist with scheduling a meeting between the SDA, DOE and the Camden district. Mr. Piaia said that DOE would be happy to try to schedule a meeting for all involved parties. Ms. Franzini noted that it would be good to have a joint effort with SDA and DOE at this point. Mr. Larkins agreed adding that DOE has been involved in all meetings with the districts.

### *Audit Committee Report*

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on December 19, 2011. He informed the Members that the November 2011 New Funding Allocation and Capital Program update presented to the Audit Committee had reported a \$4.4 million decrease in commitments in the unforeseen events reserve due mainly to a reduction in the forecasted project close-out costs for the Neptune Community School. He reported no changes in the planning reserve balance and noted a \$100,000 increase in commitments in the Emergent Projects reserve due to a change order processed for a district delegated grant. He informed the Members that the reserve balance for the Regular Operating Districts (“RODs”) decreased in commitments by \$600,000 due primarily to a reduction in State share for projects nearing completion. He added that no additional grants were offered during the current reporting period.

In continuing, he said that management had also provided the Committee with a report on the status of the Authority’s audit recommendations. He said that KPMG’s Cost Recovery Process Audit has been drafted and submitted for approval. He also informed the Members that management has reported that of 53 audit recommendations recorded, 37 have been completed. Mr. Nixon then discussed the Monthly Financial Report that was presented to the Committee, noting that, as of November 30, 2011, the Authority’s operating expenditures were at \$34.3 million, which is \$9.3 million lower than budget for the corresponding period in the prior year. He said that this is a \$6.4 million decrease from the corresponding period in the prior year. He advised that the school facilities project expenditures total \$158 million, which is \$109 million lower than

spending for the corresponding prior year period due largely to a decrease in construction work offset by a \$15 million increase in grant activity.

In conclusion, he noted that the Committee had also received an update regarding the cost of the Other Post-Employment Benefits program as reflected in the 2012 Budget. He advised that an actuarial evaluation showed a \$1.6 million reduction in the \$3.5 million estimated program cost mainly due to lower headcount and employee contributions.

### *School Review Committee Report*

#### **Change Orders/Amendments – Wallace Brothers, Inc.; Promedia Technology Services, Inc.**

The Chairman then asked Ms. Franzini to provide the report of the SRC. Ms. Franzini reported that the Committee met on December 19, 2011 and discussed various issues. She referenced materials that were previously sent to the Members for review. First, Ms. Franzini reported that the Committee discussed a credit change order for an emergent project for Trenton Central High School. She said that the project was completed and that \$27,406.49 was being credited back to the SDA. Ms. Franzini suggested the next time the Operating Authority is reviewed, that the levels of authority regarding thresholds for Board approval of credit change orders be adjusted so that credit change orders at certain levels need not require Board approval. Mr. Walsh agreed and indicated that he has had conversations with Mr. Larkins in an effort to make the adjustment sooner rather than later. Mr. Maloney suggested that, in such cases, Board notification by way of an informational memorandum to be circulated to the Members, could suffice.

A resolution pertaining to the approval of a credit change order for Wallace Brothers, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Maloney, and seconded by Mr. Nixon, the resolution, attached hereto as *Exhibit 6a1*, was approved by the Board.

Next, Ms. Franzini reported that the Committee had also discussed a credit change order for Promedia Technology Services, Inc. for the Morgan Village Middle School in the Camden City district. She reported that there was a change in scope and that the project was completed and \$86,602.00 is to be credited back to the SDA. Ms. Franzini said that this credit change order is another example of why the Operating Authority should be reviewed.

A resolution pertaining to the approval of a credit change order for Promedia Technology Services, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Hutson, the credit change order for Promedia Technology Services, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a2*.

Ms. Franzini reminded the Members that the SDA and DOE had made outreach to all of the districts regarding their emergent projects. She said that SDA and DOE staff categorized the projects and will provide the SRC with a timeline for the work at its January meeting and will then present it to the Members in February. Ms. Franzini also suggested that the report be shared with the Audit Committee for budgeting purposes. Mr. Walsh then asked that Mr. Ballard be prepared to present an update regarding the closeout of projects at the next Board meeting. Mr. Ballard stated that he was prepared with an update. He reported that SDA staff transferred two (2) capital projects and



transferred and closed one (1) capital project. Mr. Ballard said that, in addition, one (1) emergent project has been transferred and closed. Mr. Ballard said that by February 2012 (6) additional deeds totaling approximately \$71 thousand in insurance premium savings will have been transferred.

Mr. Walsh stated that when the SRC has another discussion regarding KOP, LEED certification should be reviewed and discussed in detail. Mr. Sherman noted that the SDA had convened a working group that has encouraged pursuit of LEED certification, discussed the appropriate level of certification and recommended that it be consistent with prior design/build approach. Mr. Walsh suggested having a discussion on this topic at the next SRC meeting.

### **Public Comments**

The Chairman then announced that the Public Comment portion of the meeting would begin. He asked if there were any members of the public present that wished to address.

Hearing none, upon a motion by Ms. Franzini, and seconded by Mr. Vargas and with unanimous consent, the Open Session 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 4, 2012 meeting.

/s/ Jane F. Kelly  
Assistant Secretary