

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

WEDNESDAY, MARCH 7, 2012

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, March 7, 2012 at 9:00 A.M. at the offices of the Authority at One West State Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
James Petrino (State Treasury)
Bernard Piaia (NJDOE)
Michael Capelli
Kevin Egan
Loren Lemelle
Michael Maloney
Joseph McNamara
Robert Nixon
Martin Perez

being a quorum of the Board. Mr. Capelli, Mr. Egan, Ms. Lemelle, Mr. Nixon, Mr. Petrino 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 Kelly, vice president & assistant secretary; Andrew Yosha, vice president; Donald Guarriello, vice president and chief financial officer; Albert Barnes, senior counsel; Susan Pacuta, director; Gregory Voronov, director; Ritchard Sherman,

director; Thomas Schrum, director; Cecelia Haney, senior counsel; and Sean Murphy, director, of the SDA participated in 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 meetings of the Board held February 1, 2012 for consideration and approval. He noted that presented for Board consideration were the minutes of the Board's February 1, 2012 Open and Executive Session meetings. A copy of the minutes and resolutions 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. McNamara, the February 1, 2012 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 began by updating the Members on the status of the 2011 Capital Program ("Capital Program"), reminding the Board that the process for project selection and advancement was revamped in 2011. He reported that when the Board approved and announced the

Capital Program in 2011, the SDA had emphasized that the program would operate as a “rolling program”, which means that the SDA would make announcements as projects are ready and after due diligence is conducted. He said that staff developed a PowerPoint presentation that was previously distributed to the Members. Mr. Larkins said that the 2011 presentation was also recirculated to the Members in order to refresh everyone’s recollection of the parameters of the program. He said that the selection process this year was pretty consistent with the process utilized in 2011.

Mr. Larkins then referenced the PowerPoint presentation and reported that the presentation is broken up into three (3) specific categories. First, Mr. Larkins referenced Slide 3, which provided an update of the goals of the Capital Program. Mr. Larkins reported that the SDA’s first goal is to attempt to pursue some form of standardization across the program. He said that the SDA is attempting to follow programs across the country and develop standards. Mr. Larkins referenced New York and noted that they have a robust set of standards that they use for most of their projects. Mr. Larkins reminded the Members that the SDA had announced in the 2011 Capital Program a list of ten (10) projects for advancement. He said that those projects were selected not only because of need but that other factors were used to identify them as well. Mr. Larkins noted that the list of the ten (10) projects could be found on Slide 3. He then referenced Slide 4 and reported that this slide is a continuation of standardization efforts. Mr. Larkins said that for the first time in the Authority’s existence, materials and system standards have been developed. He said that these were published in September 2011 and can be found on SDA’s website. Mr. Larkins said that the materials and system standards

effort is ongoing, and as the SDA pursues other areas of standards, they will be released to the public. He noted that some of the standards are listed on Slide 4.

Next, Mr. Larkins reported that the SDA has also created an in-house design studio to develop a kit of parts (“KOP”) design which is a new application to the SDA’s school program. Mr. Larkins referenced Slide 5 and reported that it is a visual presentation of how KOP will be applied to the 2011 Capital Program. He reminded the Members that KOP consists of four (4) components and noted them as follows: 1) constructional component 2) core component, which is administrative space 3) large group component, such as gymnasiums and cafeterias, and 4) PK component. Mr. Larkins commended the SDA Design Group for their swiftness in producing the KOP designs. In continuing, Mr. Larkins referenced Slide 6, which lists an update of the project schedule for the ten (10) projects that were announced in 2011. He gave an update of the status of those projects as referenced on the slide. Mr. Larkins gave a more detailed update regarding the Bridgeton project for the Cherry Street Elementary School (“Cherry Street”). He informed the Members that the Bridgeton project ties in with the SDA’s site investigation program. Mr. Larkins said that, historically, the districts would identify their school needs and pass them through to DOE for approval. He said that if DOE approval is received, the project would be submitted to SDA for advancement. Mr. Larkins stated that in terms of due diligence and critical analysis the SDA determined to do more vetting of the projects prior to advancement to ensure the right thing is being done for the school district. Mr. Larkins said that, with regard to the Bridgeton district, SDA had discussions with the district and noted that the data from the analysis clearly supports the advancement of the Cherry Street project. He also stated that Bridgeton is

broken up into different areas and the reports of overcrowding district-wide would support the delivery of the Cherry Street project. Mr. Larkins noted that Bridgeton is close to delivery of additions to other existing elementary schools in order to address their overcrowding needs versus the building of a new school. He said that, for all of these projects, the site investigation vetting component of the program is really working out well in terms of identifying the right projects for the districts. Mr. Larkins went further down the list to the West New York Harry L. Bain PS 6 project (“Bain”). He informed the Members that the SDA has advertised for the demolition of the existing building. Mr. Larkins reported that the working group had discussions with the district and reached an agreement with the district for an alternative delivery to address the need.

After addressing the Bain project and the status of other projects on the status portfolio, Mr. Larkins moved on to the 2012 project portfolio. He announced that there are twenty (20) schools that the Members are being asked to approve for the 2012 advancement portfolio. Mr. Larkins noted that the portfolio is divided into three categories. He referenced Slide 8 and reported that the first category builds on the 2011 process. Mr. Larkins said that the SDA considered the educational priority need and scoring from 2011. He reminded the Members that they were given the 2011 package again and he encouraged them to review it in order to see how the various projects scored. He noted that the \$675 million represents the estimated cost and existing budget for the eight (8) capital addition/renovations projects, including the WNY project. Mr. Larkins explained that a significant savings was achieved by acquiring an existing Catholic high school for WNY and instead of building a new high school, an addition/renovation would be made to the Catholic high school, which will save the state

significant dollars that can be used to advance other projects. Mr. Larkins noted that the \$675 million would be inclusive of the old budgeted number for the WNY high school and not the new school. He said that the SDA is working to develop a new budget that will reflect the acquisition of the old Catholic high school for renovations as well as renovations to the existing Memorial High School. Mr. Larkins also addressed some of the other projects in this category and noted that Keansburg Caruso Elementary School (“Keansburg”) has demolition work ongoing for the new elementary school. Mr. Larkins informed the Members that part of the reason why Keansburg was not advanced last year is because the district was looking for two (2) buildings for a grade K-2 facility and a grade 3-5 facility. He said that the working group visited the district and concluded that it would be more advantageous for the district and the state to deliver one building, which was bigger and would encompass K-5. In continuing, Mr. Larkins reported that Newark South Street is another example of the work of the site investigation team, which had a similar issue to Keansburg. He said that Phillipsburg High School (“Phillipsburg”) was also a school that the site investigation team visited in order to ensure a delivery method that was right for the school and the state. He said that in Phillipsburg it was determined that a new school would be efficient and could be delivered on a quicker timetable.

Next, Mr. Larkins reported on the second category of the advancement portfolio. He informed the Members that seven (7) less defined projects were selected from the statewide prioritization list. Mr. Larkins said that each individual district poses different concerns and questions about the right project to address the need, but the SDA knows that something should be done in these districts. He noted that the proposal is for the Board to give the SDA authority to pursue a project in each of those districts. He gave

examples, noting that Elizabeth Elementary School (“Elizabeth”) has a laundry list of needs, with their major issue being overcrowding. Mr. Larkins said that when the working group spoke with the district as a part of the prioritization process, their main concern was Academic High School (“Academic”). He said that the working group vetted the data and the Long Range Facilities Plan (“LRFP”) and pulled projects from the Plan that would address some of the overcrowding needs in the district. Mr. Larkins said that a conversation still has to happen with the district to determine which project would be right for the district.

In continuing, Mr. Larkins informed the Members that the third category is a new category. He said that SDA staff visited numerous school districts and toured schools and information was derived from these emergent site visits. Mr. Larkins said that as part of the rollout of the emergent program, the working group conducted site visits at over one hundred fifty (150) schools throughout the districts to validate the reported conditions. He said that the prioritization scoring included a number of different factors, including building conditions. Mr. Larkins stated that, in terms of the weighted conditions, building conditions was not one of the primary factors in the 2011 state prioritization process. Mr. Larkins noted that the program that operated in the past was either all or nothing or a band aid because the SDA was either delivering replacement schools, performing significant renovations or performing emergent projects and that there was not much of an “in between”. He stated that this third category serves as a bit of an “in between”. Mr. Larkins said that if you look at the way some of the projects scored, they would never make their way into the Capital Program. He used TCHS and Camden High School (“Camden”) as examples, noting that each had received a score of

four (4), which is a score that would not make the prioritization list. He said that these projects would be simply emergent projects that need more attention. He said that the working group developed a list and the scoring was driven by building conditions, number of emergent requests, and information collected during site visits, which was compiled into a list. Mr. Larkins noted that the five (5) projects listed in Category 3 represent the highest scoring projects from that facilities needs review. He said that the SDA intends to perform work at the five (5) schools, but must work with the district to identify the right scope of project. He said that, upon working with the district, a cost benefit analysis would have to be performed to determine the right action to be taken at each individual school. Mr. Larkins reminded the Members that representatives from TCHS visited the Board with a list of emergents in excess of \$20 million. He said that the SDA would need to sit with representatives from TCHS and arrive at what the right scope of projects would be to bring the building up to standards.

Lastly, Mr. Larkins gave a brief update regarding the emergent program. He reported that while the SDA is attracting negative attention with regard to the emergent program, this program is one that operates on an “ad hoc” basis. He said that the issue of criticism regarding the emergent program is timing because a lot of the projects cannot happen while children are occupying the school. He said that the SDA has been working hard to vet the universe of emergent projects. Mr. Larkins said that some of the work will happen in the summer while other work will take place in the fall. After Mr. Larkins completed his presentation, he opened the floor for questions. Ms. Lemelle had a question regarding standardization and asked whether the standards the SDA has derived are benchmarked within the industry. She further inquired as to how the standards were

derived. Mr. Larkins replied that, in terms of benchmarking, the SDA vetted its work in terms of projects the SDA delivered in the past and put together a working group with representatives from various SDA districts to assist SDA staff in identifying things that worked or did not work for them. He said that the SDA compiled the information and looked at benchmarks from other programs such as the standards utilized by New York and other programs and, from there, developed SDA standards. Ms. Lemelle also asked if having the in-house design team has reduced costs for the SDA. Mr. Larkins said that, in terms of efficiency and effectiveness, the SDA has seen improvements in both. He noted that the SDA has a lot of qualified designers and design professionals who are very resourceful and that using in-house staff saves time given the practical reality that the SDA does not have to put together a procurement package for the design work. Mr. Larkins noted that the designs also serve as a road map for other design professionals as to what to design. He said that the Authority is also developing standards that will hopefully allow SDA to learn from ourselves — that is, as the KOP or standard models are built, the SDA will learn if there are errors and would then address them in the designs. In terms of cost, Mr. Larkins said that it would save the SDA some money, but that the Authority would ultimately require additional support for the design studio because the SDA was not originally prepared to do the bulk of that work in-house. Ms. Lemelle asked if the SDA used existing personnel or redefined what was needed or whether the SDA will hire additional staff. Mr. Larkins replied that the SDA would do a little bit of both and noted that the SDA is using existing personnel that have design training. He said that the SDA does have some personnel gaps and the way that this is being addressed is through temporary assistance from external parties. Ms. Lemelle

asked what the SDA's expectations are for implementation and completion of the twenty (20) projects. Mr. Larkins replied that each category would have to be viewed differently. He said that the SDA currently can apply more definition to Category 1 and is closer to putting together schedules for those projects. He said that with regard to Category 2, the SDA is looking at a schedule for 2013 because a conclusion has not been arrived at with regards to what projects will be delivered. Mr. Larkins said that Category 3 is closer than Category 2 in terms of scoping the right work for advancement to achieve a desired result. He said that the SDA is closer to schedules in Category 1, and not close to grouping schedules in Categories 2 and 3. Mr. Larkins commented that in terms of the in-house design studio, it is not expected that the design studio will take a design from start to completion. Rather, he said, the effort will be in the design/build context involving developing schematics, which is Phase 1 of design of a building. He said that those projects would then be handed off to an external party who would complete the design work. In terms of the emergent project program, design staff is actually doing the work from start to completion on some of those emergent projects. Ms. Hassett referenced the \$675 million and asked if Categories 2 and 3 are included in that amount. Mr. Larkins said that Categories 2 and 3 are not accounted for in the \$675 million. He said that the SDA has about \$1.78 billion left for the program which is its bonding authority. Mr. Larkins said that he does not believe that the addition of Categories 2 and 3 would anywhere approach the remaining money, but staff is monitoring it. Mr. McNamara asked if a procurement would be issued for site prep simultaneously with design/build. Mr. Larkins replied that it is currently under discussion and that each project would have to be approached differently. Mr. Walsh commended Mr. Larkins

and SDA staff for all of their hard work. He said that the SDA has to concentrate on the next phase of work and that he would like to talk in greater detail about how the SDA is finishing the 2011 planning at the next SRC meeting. Mr. Walsh requested some clarity regarding the SDA's planning efforts. Mr. Larkins noted that Ray Lindgren's group is in charge of planning and that they go out to meet with the districts to discuss the right scope of projects. He said that once the scope is identified, the design studio gets involved. Mr. Walsh noted that this is the right thing to do, but that it isn't very clear on the organizational charts and that the charts should be referenced as project charts. Mr. Walsh said that the Board wants to ensure that management has the right tools to succeed, and that management must inform the Board of what is needed so that such tools can be provided. After further discussion, Mr. Walsh suggested that there be further discussion in this regard after the next SRC meeting.

A resolution pertaining to the approval of the 2012 Capital Program and Advancement Portfolio had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Luckie, the 2012 Capital Program and Advancement Portfolio was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 4ai*.

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 February 21, 2012. He said that the January 2012 New Funding Allocation and Capital Program update presented to the Audit Committee had reported a \$100,000 increase in the Unforeseen Events Reserve, no change in the Planning Reserve and a \$100,000 increase in the Emergent Projects

Reserve. He informed the Members that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$2.2 million due to a reduction in state share for projects nearing completion. He added that one additional grant was offered in the current reporting period bringing the total grants offered from the 2008 Funding Authorization to approximately \$687 million.

Mr. Nixon then discussed the Monthly Financial Report that was presented to the Committee, noting that, as of December 2011, the Authority’s operating expenditures were at \$35.7 million, which is \$11.6 million lower than budget for the corresponding period in the prior year. He noted that this is an \$8.6 million decrease from the corresponding period in the prior year. He advised that school facilities project expenditures total \$174 million, which is \$109 million lower than spending for the corresponding prior year period due largely to the decrease in construction work and other project costs. He advised the Members that a draft of the audited 2011 financial statement would be presented next month to the Audit Committee and would be presented to the Board at the April meeting.

In continuing, he said that Mr. Ballard and Ms. Pacuta had provided the Committee with the results of the audit reports and assessments. He noted that management presented the SDA Owned Real Estate Assessment. He said that the objectives of this assessment were to validate that the SDA maintains a list of all property currently owned, is receiving rent if applicable, and has a plan in place for surplus properties. He noted that a total of five (5) observations and recommendations were outlined. He advised that Management agreed that: 1) a guidance document will be created for non-routine maintenance of properties; 2) the SDA working group,

established in 2011, will continue a “property by property” assessment and develop a formal recommendation for determination of surplus properties; 3) a more aggressive deed transfer process will be established which will result in cost savings; 4) the Division of Chief Counsel will continue to aggressively monitor SDA tax risks associated with properties owned; and lastly, 5) the Standard Operating Procedure for rental income property is being updated. Mr. Nixon then advised that management updated the Committee as to the status of open recommendations by the State Auditor related to change orders and amendments outlined in its June 2010 audit report. He said that the State Auditor made three (3) recommendations. He advised that the first recommendation was that the SDA enforce existing construction change order policies, procedures and contract provisions and develop written policies and procedures. He said that in response draft procedures for the processing of both change orders and amendments have been developed as of March 2011, with refinement ongoing. He said that the second recommendation was that the SDA process change orders on a more timely basis. He said that management reported that there has been a 40% decrease in processing time for change orders and a 45% decrease in processing time for amendments. He noted that the last recommendation was that the SDA develop independent cost estimates for all change requests. He advised that the SDA is seeking to hire a full time cost estimator, and intends to acquire supplemental cost estimating assistance through the use of the professional staffing services agreement approved by the members of the Board on October 5, 2011. Mr. Nixon then said that Mr. Larkins would be presenting the proposed modifications to the Operating Authority (“OA”) – Levels of Approval and Operating Scopes noting that an additional change to the OA will be

presented that was not discussed at the Audit Committee meeting. Mr. Larkins then explained that the amendments being proposed to the OA are the direct result of requests by the members of the SRC and others on the Board to give authority to the CEO to deal with credit amendments under \$100,000. He advised that the walk-on piece is a sentence that has been added which is a proviso that puts everyone at the Authority on notice that a violation of the OA could result in disciplinary action up to and including termination. He said that the other change was more of an adjustment to the process for procurement of professional services. He said that the bidding requirement is tied to a statutory bid threshold which is set by the State Treasurer. He explained that the State Treasurer changes the bid threshold yearly but the OA referenced the dollar amount rather than the state statute. He said the proposed modification would reference the statute and not a dollar amount eliminating the need to amend the OA every year as these adjustments are made. Mr. Walsh noted that there are more changes that were discussed regarding threshold amounts for items coming to the Board for approval. Mr. Larkins noted that, as discussed, the credit amendment change is the first of a two (2) step process and there will be other modifications to the remainder of the OA but that will entail a greater effort. Ms. Hassett said that the credit amendment change was a positive modification to the OA and noted that the Board will be advised of the credit amendments in the monthly reports. Mr. McNamara then advised the Members that the SDA – Owned Real Estate Assessment was also presented and discussed at the Real Estate Committee which met the same day as the other Committees. He noted that this assessment was one that the Real Estate Committee had requested and that while the assessment was very helpful and

good first step in the process a great deal more discussion will be taking place at Real Estate Committee meetings regarding these properties.

A resolution pertaining to the proposed modifications to the Operating Authority had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, the resolution, attached hereto as *Exhibit 5a*, was approved by the Board.

School Review Committee Report

Change Order/Amendments – Hall Building Corporation (2 change orders); Skanska USA Building, Inc.; Design Ideas Group, LLC (2 amendments); Grafas Painting Contractors Inc.; Ernest Bock & Sons, Inc.

The Chairman then asked Ms. Hassett to provide the report of the SRC. Ms. Hassett reported that the Committee met on February 21, 2012 and discussed various issues. She referenced materials that were previously sent to the Members for review. First, Ms. Hassett reported that the Committee discussed a change order for Hall Building Corporation for the Lincoln Avenue Elementary School in the Orange school district for a change in scope in the amount of \$653,067.85. She said that the change order also serves two resolving change construction directives (“CCDs”) which were issued for \$300,000 and \$51,849 respectively.

A resolution pertaining to the approval of a change order for Hall Building Corporation had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. McNamara, with Mr. Capelli abstaining, the change order for Hall Building Corporation was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a1*.

Next, Ms. Hassett reported that the Committee discussed a credit change order for Hall Building Corporation for the Mildred Barry-Garvin Elementary school in the East Orange school district in the amount of \$10,636.62 for work that was not performed.

A resolution pertaining to the approval of a credit change order for Hall Building Corporation had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Luckie, with Mr. Capelli abstaining, the credit change order for Hall Building Corporation was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a2*.

Next, Ms. Hassett reported that the Committee discussed a credit amendment for Skanska USA Building, Inc. for James Madison Elementary School #10 in the Garfield school district in the amount of \$1,459,000 due to suspension of the project.

A resolution pertaining to the approval of a credit amendment for Skanska USA Building, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. McNamara, the credit amendment for Skanska USA Building, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a3*.

In continuing, Ms. Hassett reported that the Committee discussed credit amendments for the Marshall and Hazel Elementary School in the Paterson school district. She reported that the project was initiated in 2003 with what was known as NJK-12 Architects, LLC and is known currently as Design Ideas Group, LLC (“DIG”). Ms. Hassett noted that the project was halted in mid-review and vetted under the prioritization schedule. She said that there were environmental issues with the 2003 project. Ms. Hassett said that the SDA is asking DIG to restart the design effort. Mr. Larkins noted

that the agenda shows the dollar figure “greyed out” because at the time of materials distribution, discussions were still ongoing. Mr. Schrum noted that there are three amendments that equal, in total, \$701,050. Mr. Schrum reported that there had been some contaminated soil which was related to a gas station as well as unsuitable soils that were deemed unforeseen in 2010. Mr. Ballard noted that the soil contamination issue has been referred to cost recovery staff.

A resolution pertaining to the approval of amendments for Design Ideas Group, LLC had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, the amendments for Design Ideas Group, LLC were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a4*.

Next, Ms. Hassett reported that the Committee discussed a change order for Grafas Painting Contractors for TCHS in the Trenton school district in the amount of \$166,530 for unforeseen conditions. She noted that the change order is related to an emergent project for roof replacement.

A resolution pertaining to the approval of a change order for Grafas Painting Contractors, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Perez, the change order for Grafas Painting Contractors, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a5*.

In continuing, Ms. Hassett reported that the Committee also discussed an amendment also related to TCHS pertaining to the design for the emergent roof work to be performed by DIG.

A resolution pertaining to the approval of an amendment for Design Ideas Group Architecture & Planning, LLC had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Perez, the amendment for Design Ideas Group Architecture & Planning, LLC was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a6*.

Lastly, Ms. Hassett reported that the Committee discussed a change order for Ernest Bock & Sons, Inc. for the Victor Mravlag Elementary School No. 21 in the Elizabeth school district in the amount of \$270,000. She said that this change order related to unforeseen conditions, which led to demolition of a building and new construction. She noted that there was a 180 calendar day time extension on the project. Mr. Ballard advised that there are several other claims with SDA's legal department currently under review. He said that there is not an estimated time frame for resolution or completion, and that outside consultants may have to be hired to validate the claims.

A resolution pertaining to the approval of a change order for Ernest Bock & Sons, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Ms. Hassett, with Mr. Capelli abstaining, the change order for Ernest Bock & Sons, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a7*.

Approval of Construction Award; EL-0006-N01 – Early Site Preparation

Ms. Hassett then presented recommended approval of a construction award for early site preparation work for Academic High School in the Elizabeth school district. Ms. Hassett reported that the Members are being asked to approve an award of

\$1,587,500.00 to Luzon, Inc. She reported that the project is being done in two phases and noted that Phase 1 is for site preparation for construction of the project.

A resolution pertaining to the approval of a construction award for early site preparation work for the Academic High School in the Elizabeth school district had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Luckie, a construction award to Luzon, Inc. for early site preparation work was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6bi*.

Readoption with Amendments: Title 19, Chapter 36 - Procurement of Design Build Projects; Rule Readoption with Amendments: Title 19, Chapter 38C – Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants; Readoption with Amendments: Title 19, Chapter 38D – Procurement of Goods and Services

Next, Ms. Hassett reported that the Committee had discussed Rule proposals and adoptions. She gave a brief review of the Rule Readoption with Amendments that was originally being considered for SDA's procurement of design/build projects with the notion of it being a pilot program. Ms. Hassett reminded the Members that the earlier adoption encountered a legal challenge, the O'Shea litigation, and that this proposal responds to the court ruling. She then asked Ms. Haney to provide the Members with an overview. Ms. Haney reported that the Appellate Division ("AD") had reviewed the SDA's process for the Elliott Street design/build procurement when a challenge was raised by the Mechanical Contractors Association ("MCA") to that particular procurement. She said that the court upheld SDA's authority to utilize the design/build approach but objected to a portion of the SDA's regulations involving shortlisting and to

the language indicating that the shortlist would be comprised of the “most qualified bidders”. Ms. Haney said that the AD ruled that the appropriate language to track was the statutory language referencing the most advantageous bid, price and other factors included. She said that the SDA tracked the language in the amendments to the design/build regulations and eliminated the references to the pilot program. Ms. Haney said that other changes were made to reflect staff vacancies, clarify stipend language and include performance evaluations.

A resolution pertaining to Readoption with Amendments – N.J.A.C.19:36 Procedures for Procurement of Design/Build Contracts for School Facilities Projects for the School Construction Program had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Piaia, and seconded by Ms. Hassett, the Readoption with Amendments – N.J.A.C. 19:36 Procedures for Procurement of Design Build Contracts for School Facilities Projects for the School Construction Program was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6ci*.

Next, Ms. Haney presented the Rule Readoption Amendments for both N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants and N.J.A.C. 19:38D Procurement of Goods and Services. Ms. Haney noted that SDA staff interacted with the Office of the Comptroller (“OC”) in connection with these Rules and received extensive comments that were incorporated into the proposals.

A resolution pertaining to Readoption with Amendments – N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services

Consultants had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara and seconded by Ms. Hassett, the Readoption with Amendments – N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6di*.

A resolution pertaining to Readoption with Amendments – N.J.A.C. 19:38D Procurement of Goods and Services had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Luckie, the Readoption with Amendments – N.J.A.C. 19:38D Procurement of Goods and Services was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6dii*.

Reports

Mr. Walsh asked if there were any reports to present regarding the 2012 Capital Program. Mr. Ballard briefly noted that there was nothing of significance to report and advised the Members that SDA staff is still going through the process with the demonstration projects. He noted that two (2) more predevelopment grants were closed out and conversations are ongoing to close out the other two (2). He advised that they are making a lot of progress and meeting their established deadlines.

Public Comments

The Chairman, Mr. Walsh, then announced that the Public Comments portion of the meeting would begin. Following review of the Public Comment Sign in Sheet, the Chairman asked Algernon Ward to address the Board.

Mr. Ward said that he wished to address the Board as a member of a group called the Better High School Plan for Trenton High School (“BHSPTHS”). He advised that he had served for a time on the Trenton Board of Education but that he wanted to make it clear that he was not speaking in any official capacity for the Trenton school district. He noted that he read a few weeks ago that the governor had put Trenton back on the list for work to be done at the high school. He said that Mr. Larkins had referred earlier to an emergent project list that the district had submitted that amounted to about \$22 million. He said he wanted make the Members aware that the list amounting to \$22 million had been scrubbed over very thoroughly to list just those projects that impact the health and safety of the children in the school. He stated that there was no wish list added to any of those projects. He said that Mr. Larkins had come to the school and that the emergent project needs were pointed out to him at that time. He stressed that the list just met the mandate to provide a safe environment for the children to attend school. He then stated that he had listened in earnest to indications that the roof would be fixed which, he said, was very nice because that was a top priority but he stressed that what the parents are advocating is a complete renovation of the school. He said that he heard Mr. Larkins’ comment that New York uses a KOP approach. He said that Pennsylvania renovates older buildings by bringing them up to modern code and because the older buildings are then more energy efficient this saves a great deal of money, while preserving the fabric of the community. He said that it is important to have an appropriate building and that there are schools that have used the same architect as TCHS that have had their buildings renovated and they have found that they were able to do that at a reduced cost. Mr. Ward then said that the cookie cutter approach is okay for new construction but the problem

with Trenton High is that a new school would impact the community around the school by bringing down property values which is why the community is opposed to a new school. In continuing, Mr. Ward said that his group is still advocating recycling the building and that they have engaged architects that would like to collaborate with the SDA design studio, or whoever, to demonstrate that they are able to renovate the school for a reasonable amount of money. He said that part of the problem is that there is limited funding and he said that he understands what the Authority is trying to do. He said that in an effort to help with funding they looked into alternative funding as they didn't want to be a "complete creature" of the SDA as they have noted the reticence with which the SDA has approached the scope of the project. He said that there are alternative funding sources available such as energy rebates and public/private partnerships but all of this will require SDA's cooperation with the funding approach which would make this a win-win-win situation between the City of Trenton, the community, the state, the SDA and the private funder. He stressed that it will require the SDA's cooperation and funding beyond fixing the roof. Mr. Ward stated that it will not cost what it would cost for a new school but substantially will be a new school-- basically a renovation but at a much reduced cost. He asked the Authority to "keep an open mind" and consider this approach which has been taken in other states. He said that the community would like real collaboration. Mr. Ward noted that his group would like to sit down and talk things out before the SDA has a reason to say no. He said that things could be tweaked and that they would like SDA to sit down and discuss renovation with the people in the community before the verdict comes down. He said that the community would very much like to work with the SDA and they have been lining up their ducks in the

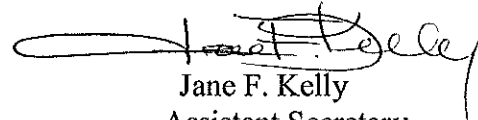
community so that they are all on the same page with what has to be done. He said that it will require the City of Trenton, the SDA and private partners to fund this project. He asked that the SDA be willing to hear what they have to say and understand that what they are trying to do is to create the best educational environment that their kids deserve. He said that they will be able to maintain the renovated school and that it would fit the community and provide a centerpiece for the community. He then said that his group listened to what the Governor said about helping the people in Trenton but doesn't want this help to be in the form of a "band-aid" and then called a success. He said that they are hoping that everybody is approaching this with a genuine sense of trying to do the right thing for both the children in the community and the state. Mr. Ward then said that that was all he had to say. Mr. Walsh said that communication needs to happen. Mr. Ward said that they would certainly be open to that and noted that he was attending with some colleagues that have taken a lot of time to come to these meetings just to monitor the situation and to try to stay abreast of what is going on and to report back to the community. He said that he hoped to be hearing from the SDA soon and to be provided an opportunity to sit down. Mr. Walsh then thanked Mr. Ward for coming to address the Board.

Mr. Walsh then asked if there was any other member of the public present who wished to address the Board. Hearing none, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, 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 March 7, 2012 meeting.

Jane F. Kelly
Assistant Secretary

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