

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

WEDNESDAY, JULY 5, 2012

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, July 5, 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
Caren Franzini (NJEDA)
Kevin Luckie (NJDCA)
James Petrino (State Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Martin Perez
Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Petrino, Mr. Piaia, Mr. Perez and Mr. Lewis-Powder 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; Corrado Minervini, director; Aidita Milsted, program director; Manuel Da

Silva, program director; Thomas Schrum, director; and Sean Murphy, director, of the SDA participated in the meeting. Nicole Crifo of the Governor's Authorities Unit participated in the meeting via teleconference.

The meeting was called to order by the Chairman of the Board, 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 June 6, 2012 for consideration and approval. He noted that presented for Board consideration were the minutes of the Board's June 6, 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. Vargas, the June 6, 2012 Open and Executive Session meeting minutes were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 3a./3b.*

Authority Matters

CEO Report

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. Mr. Larkins reported that on June 20, 2012 he testified before the Joint Legislative Committee on the Public Schools ("JLC") with regard to the SDA program and its accomplishments during the past two (2) years. Mr. Larkins said that he also provided the JLC with an update

regarding the SDA's current projects, noting that also briefly discussed was the potential future of the SDA program.

Next, Mr. Larkins reported that, at the request of the Members, on Friday, June 29, 2012, the SDA hosted a meeting between staff of SDA's Communications group and concerned citizens from Camden. He noted that the attendees from Camden were members of the community who have attended recent meetings of the SDA Board. Mr. Larkins said that the meeting was held in order to hear the citizens' concerns and to discuss the SDA Capital Program more thoroughly. Mr. Larkins stressed that the representatives were not at the meeting to speak on behalf of the Camden Board of Education ("CBOE"). Ms. Franzini inquired as to whether the Mayor of Camden is aware of the situation. Mr. Larkins replied that the Mayor is aware and noted that SDA staff has had meetings with other representatives in Camden and not everyone in the Camden district shares the sentiments of those representatives that met with the Communications staff. Ms. Franzini noted that some questions had arisen during past SDA Board meetings from the Camden residents pertaining to the placement of schools, which she noted is not the SDA Board's responsibility. She said, however, that the representatives also raised concerns regarding the closure of the Lanning Square Elementary School ("Lanning") and their children being educated in schools that are in poor condition. She asked if any of the schools in which the children are currently housed have emergent conditions that the DOE has looked into and would the SDA and DOE have a joint role in those schools versus the placement of Lanning. Mr. Larkins replied in the affirmative and noted that there were some requests for emergent work at the Fedders School in Camden, which is one of the schools to which the Lanning students

were transferred. He said that emergent work, along with emergent work for other schools in a similar situation, is being expedited as quickly as possible, along with projects at other Camden schools where the Lanning students are housed.

Next, Mr. Larkins reported that there has been a lot of activity at the SDA with regard to procurements. He reported on current procurements as follows: 1) A. Chester Redshaw Elementary School (“Redshaw”) in New Brunswick was advertised for a design/build package, noting that twelve (12) project rating proposals (“PRPs”) were received with one (1) falling below the construction cost estimate (“CCE”); 2) Marshall & Hazel Elementary School (“Marshall”) in Paterson was advertised as a small site package; 3) International High School in Paterson was advertised, with bids due today, July 5; 4) PS No. 6 in Paterson was advertised for window work; 5) Jersey City Elementary School No. 3 was advertised as a site work package; 6) Newark Oliver Street Elementary School (“Oliver Street”) was advertised for a site package and bids are due on August 2; 7) a notice to proceed (“NTP”) was given to the contractor to proceed on PS No. 16 in Jersey City on June 15 and work should be advancing shortly.

In continuing, Mr. Larkins reported that Mr. Schrum and his team are working diligently to complete the Columbus project in Union City. He also noted that work is continuing with regard to the Victor Mravlag Elementary School No. 21 in the Elizabeth school district. Mr. Larkins noted that SDA staff has been working with the contractor to expedite the project and noted that the project will probably spill into early 2013 for completion.

Mr. Larkins then reported that Mr. Lindgren, Mr. Sherman and other SDA staff are continuing to meet with the districts regarding the scoping of their projects. He said

that Mr. Sherman has a few projects that have made their way into the design phase and are progressing nicely. With regard to emergent projects, Mr. Larkins reported that he reported to the School Review Committee (“SRC”) that of the seventy (70) plus emergent projects, the SDA has delegated six (6) back to the districts. He noted that SDA staff is trying to decide the best and most expeditious way to advance design work for those emergent projects that have that specific need. Mr. Larkins added that internal staff is working on how to assign the other emergent projects to general contractors (“GCs”) to do the entire scope of work (“SOW”), whether it be some design in addition to construction. Mr. Walsh inquired as to those districts that have had their projects delegated back. Mr. Yosha listed the districts as follows: Camden, Orange, Garfield, Gloucester, Jersey City and Newark. Mr. Walsh asked Mr. Larkins to provide an update regarding the constructability review for the Catrambone Elementary School in the Long Branch school district. Mr. Larkins reported that the constructability review is going smoothly and that Mr. Adams and his team are responsible for advancing the work for the project and that they have had two constructability meetings. Mr. Adams agreed with Mr. Larkins and reported that there will be a third meeting held in the coming week. He said that, following the third meeting, the report will be due and a final eight (8) hour meeting will take place involving the contractor and his main subcontractors, the architect, and construction manager (“CM”), along with Mr. Adams and other SDA staff. Mr. Walsh inquired as to who is serving in the role of CM for the project. Mr. Adams replied that Greyhawk is the CM for the project. Mr. Walsh inquired as to whether Greyhawk’s contract would be modified. Mr. Adams replied that Greyhawk’s contract had already been modified from a PMF model to a CM model. After discussion, Mr.

Larkins noted that, with regard to SDA personnel, there are many different resource needs and that SDA is serving as its own bridging architect and that Mr. Sherman's group will be engaged in that regard. He said that, irrespective of whether or not the SDA retains a CM on the job, which is where the SDA is leaning, there will still be a full-time SDA staff member assigned to be in the field to oversee the project working with the CM. Mr. Walsh requested that SRC be updated on organizational chart or staff adjustments. Ms. Franzini asked if there are any schools advancing with a projected opening date of September 2012. Mr. Larkins replied that the Columbus School in Union City is slated to open in September 2012. Mr. Schrum provided a brief update of the status of this project, noting that the certificate of occupancy ("CO") is expected to be issued in August. Mr. Walsh inquired as to how much site work was involved on the project. Mr. Schrum replied that the site work was very limited. After further discussion, Mr. Walsh recommended that Mr. Schrum coordinate a field trip for any Board members interested in seeing the Columbus school.

Audit Committee Report

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Members that the Committee met on June 18, 2012. He said that, as part of the May 2012 New Funding Allocation and Capital Program update, management had reported a \$3.3 million increase in commitments for the Emergent Project Reserve and no change in either the Unforeseen Events or Planning Reserves. He informed the Members that the reserve balance for the Regular Operating Districts ("RODs") increased by \$800,000 due entirely to a reduction in state share for projects nearing completion. In continuing, Mr. Nixon reported that the Committee had received a report on SDA's Real Estate Owned

("REO") Insurance for occupied schools. He noted various options with respect to mitigating SDA risk associated with its ownership of school buildings that have not yet been turned over to the districts. He explained that at the inception of the current REO insurance policy, the SDA had fourteen (14) occupied schools insured. He advised that, to date, the Authority has successfully transferred seven (7) deeds to the district with two (2) more pending. He provided additional details including management's recommendations that the SDA continue to insure all occupied schools under the REO program until such time as the deed transfer is recorded; and that the Authority consider amending the Section 13C Agreement to contractually transfer SDA's ownership liability risk to the district by requiring the district to name the SDA as an additional insured on the district's Liability policy. He added that management had reported that the cost to the district of naming the SDA as an additional insured would be nominal. Ms. Franzini said that she was very much in favor of the districts taking on the insurance. Mr. Walsh asked if the REO would be turned over the districts in the next few months. Mr. Ballard explained that the 13C is a large document and that the SDA will be attempting to capture a number of changes. He advised that a working group has been formed to address the 13C issues in an attempt to get the amendments in place as quickly as possible. Ms. Franzini asked if the SDA could go backwards to encompass the districts that have current ongoing projects. Mr. Larkins said that the SDA could explore this possibility. Mr. Walsh suggested that there could be an amendment made to the ongoing projects to allow for the districts to assume the liability insurance costs. Mr. Ballard advised that the working group recommendations and proposed changes will be reported back to the Board once they have been finalized.

In continuing, Mr. Nixon advised the Board that management reported that during the past month the Authority closed out five (5) audit recommendations. He advised that both Ernst & Young Financial Statement Audit recommendations have been implemented. He further advised that there is a fully updated SOP for Rental Income. Mr. Nixon added that the Committee was also updated regarding the Asbury Park Barack Obama Elementary School audit reporting that there was no duplication of services due to the change from an addition to a new school project.

Mr. Nixon said that the Committee had also received the results of two (2) audits. He outlined the key points in the audit of the George L. Catrambone Elementary School in the Long Branch school district. He advised that this audit is statutorily mandated as it is a project over \$10 million. He noted that the audit covers the period from 2001 through 2011 and that the second audit is tentatively scheduled for December of 2015. Ms. Franzini asked who was conducting the audits. Mr. Nixon advised that the Authority's internal audit group is responsible for the audits. Mr. Nixon stated that there are many old projects that fall with the \$10 million mandated threshold. Mr. Ballard noted that there is a meeting tentatively scheduled with the Office of the State Comptroller to discuss which projects should and should not be audited. He said that the SDA is looking for additional auditor assistance to address the volume of work. In continuing, Mr. Nixon advised that the Catrambone audit highlighted various adverse conditions that ultimately led to the decision to change the project from a renovation/addition to a new school. He noted that the Committee discussed the audit observations and recommendations advising that, in most instances, changes in operating processes and procedures have already begun to address most of the recommendations.

Mr. Nixon then reported on the Design Consultant Amendments audit advising that its objectives were to audit the SDA's management of amendment processing to ensure that it is adequate and follows policies/procedures and controls over proper and timely processing and that there is no duplication in scopes of work. He explained that management had identified and discussed four (4) high risk observations and four (4) medium risk observations, noting that a number of practices have been changed in response. He advised that the next step is to take those practices and develop strong policies and procedures.

In continuing, Mr. Nixon reported that management had provided the Committee with the May 2012 Monthly Financial Report. He said that, as of May, 2012, the Authority's operating expenditures were at \$15.9 million, which is \$2.2 million lower than budget for the period and a \$1.3 million decrease from the corresponding period in the prior year. He advised the Board that school facilities project expenditures total \$67 million, which is \$9.7 million lower than spending for the corresponding prior year period due largely to the decrease in construction work and other project costs.

School Review Committee Report

Emergent Projects – Release of Program Reserve - Camden Yorkship ES Boiler Replacement and Jersey City PS #23 Duncan Avenue Annex Boiler Replacement

Mr. Walsh asked Ms. Franzini to provide the report of the School Review Committee ("SRC"). Ms. Franzini reported that the Committee met on June 18, 2012 and discussed various issues. She said that the Committee was provided with a memorandum regarding Release of Program Reserves pertaining to emergent project boiler replacements for the Camden Yorkship Elementary School and Jersey City PS #23

Duncan Avenue Annex. She said that the two (2) emergent projects are being delegated back to their districts and that both projects are boiler replacements. She noted that there is a listing of those projects that will be SDA managed versus delegated and that it is recommended that the Members approve those in excess of \$500,000 for emergent projects. She said that the Camden City School District; Yorkship School Boiler Replacement amount is \$700,000 and the Jersey City School District PS #23 Duncan Avenue Annex Boiler Replacement amount is \$650,000.

After discussion, Mr. Walsh asked that a status update regarding these two projects be provided to the SRC.

A resolution for approval of release of program reserves pertaining to emergent project boiler replacements for the Camden Yorkship Elementary School and Jersey City PS #23 Duncan Avenue Annex had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie and seconded by Mr. Nixon, the request for release of funds from the program reserves was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a*.

Change Orders/Amendments: CAP Services, Inc.; DMR Architects; Ernest Bock & Sons, Inc.; Promedia Technology Services, Inc.; SSP Architectural Group, Inc.

Ms. Franzini then reported that the Committee had discussed construction change orders for CAP Services, Inc., for the Oliver Street Elementary School (“Oliver Street”) in the Newark school district in the amount of \$1,369,546.95 for resolution of two CCDs. Ms. Franzini gave a brief update of how the CCD amount is derived. Ms. Franzini noted that SDA staff will review the matter for potential cost recovery.

A resolution pertaining to the approval of resolving change orders for CAP Services, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Ms. Franzini, the resolving change orders for CAP Services, Inc. were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b1*.

Next, Ms. Franzini noted that there are a couple of change orders being presented that are under \$100,000. She noted that SDA staff has been asked to look at the approval authority for items with a certain dollar threshold and determine if it makes sense for it to be delegated to staff. Ms. Franzini then presented an amendment for DMR Architects (“DMR”) for the Early Learning Center at 14th Avenue in the Paterson school district in the amount of \$20,500 for additional design services. She said that this was emergent work needed due to some water infiltration.

A resolution pertaining to the approval of an amendment for DMR had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Franzini, the amendment for DMR was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b2*.

Ms. Franzini then presented a change order for Ernest Bock & Sons, Inc. for the Victor Mravlag Elementary School No. 21 (“Victor Mravlag”) in the Elizabeth school district in the amount of \$43,766 for additional construction services to be provided by the general contractor (“GC”). She noted that SDA staff is reviewing the matter for potential cost recovery.

A resolution pertaining to the approval of the 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. Vargas, and seconded by Mr. McNamara, the change order for Victor Mravlag was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b3*.

In continuing, Ms. Franzini presented two (2) change orders for Promedia Technology Services, Inc. ("Promedia") for the Lincoln Avenue Elementary School in the Orange school district in the amount of \$20,710.87 and \$16,859 for additional work. She noted that the original bid documents did not include certain items that were needed as part of the cable wiring of the school. Ms. Milsted echoed Ms. Franzini's comments and noted that the work has been completed and the school is now occupied.

A resolution pertaining to the approval of change orders for Promedia 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 change orders for Promedia were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b4*.

Lastly, Ms. Franzini presented an amendment for SSP Architectural Group, Inc. ("SSP") for the New PS No. 20 Elementary School in the Jersey City school district in the amount of \$117,633 for additional design and construction administration phase services for commissioning. She thanked SDA staff for including a total breakout of the \$117,633 request on the third page of the memorandum.

A resolution pertaining to the approval of an amendment for SSP had been provided to the Members in advance of the meeting. Following discussion, upon a

motion by Mr. Luckie, and seconded by Mr. Vargas, the amendment for SSP Architectural Group, Inc. was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b5*.

Approval of Contract Award –Wilson Avenue Elementary School Emergent Project – Water Infiltration Repairs

Ms. Franzini presented an approval of a contract award for the Wilson Avenue Elementary School in the Newark school district for an emergent project due to water infiltration repairs. She noted that there are two (2) different emergent reserves as follows: 1) 2011 Capital Program and 2) 2008 reserve account for emergent projects. Ms. Franzini explained that the funding will be taken from the 2008 reserve account. She noted that the SDA received great bids on the project and that there was a big difference between the revised CCE which was higher than the initial CCE. Ms. Franzini informed the Members that the final award is for Brockwell & Carrington Contractors, Inc. in the amount of \$1,940,000.00. Mr. Larkins noted that this project was designed by in-house staff.

A resolution pertaining to the approval of the contract award had been provided to the Members in advance of the meeting. Upon a motion by Mr. Maloney and seconded by Mr. Vargas, the approval of the proposed contract award and charter for the Wilson Avenue Elementary School emergent project in the Newark school district were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as

Reports

Mr. Walsh then asked if there were any questions regarding the monthly reports.

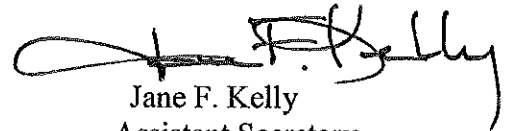
There were no questions

Public Comments

The Chairman, Mr. Walsh, then announced that the Public Comments portion of the meeting would begin. Mr. Walsh asked if there were any members of the public who wished to address the Board. Hearing none, Mr. Walsh noted that, in future meetings, any members of the public who wish to address the Board will be asked to limit their comments to three (3) minutes and, if there is a group of individuals from one district, they will be requested to address the Board together. Mr. Walsh added that if members of the public have any particular questions, they will be advised to contact SDA staff at their convenience. Mr. Walsh said that he would repeat this procedure at the next Board meeting.

Ms. Kelly announced that there was a proposed settlement in a litigation matter requiring the Board's consideration in Executive Session. Upon a motion by Mr. McNamara, and seconded by Ms. Franzini, and with unanimous consent, the meeting was adjourned into Executive Session for discussion of the proposed settlement.

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 5, 2012 meeting.



Jane F. Kelly
Assistant Secretary