

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

WEDNESDAY, AUGUST 1, 2012

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, August 1, 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
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Petrino, Mr. Piaia, Mr. Capelli, Mr. McNamara 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; Joanne Walsh, director; Thomas Schrum, program director; James

Adams, program director; Ritchard Sherman, program director; and Sean Murphy, director, of the SDA participated in the meeting. Kerstin Sundstrom of the Governor's Authorities Unit also participated in the meeting.

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 July 5, 2012 for consideration and approval. He noted that presented for Board consideration were the minutes of the Board's July 5, 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 July 5, 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 updated the Members regarding program activity underway. He reported that on July 11 the Authority advertised a construction procurement for the Academic Magnet High School ("Academic") in the Elizabeth School District. Mr. Larkins stated that the

proposals are due on September 13, noting that the project was advertised with a construction cost estimate (“CCE”) of \$53 million. He said that the pre-bid conference was held and that there was good attendance. Mr. Larkins also noted that, so far, there are eight (8) responsive project rating proposals (“PRPs”). He noted that the proposal will proceed under the price and other factors category with a ninety-ten (“90-10”) ratio. In addition to the Academic project, Mr. Larkins reported that the Authority advertised for procurement of construction management (“CM”) services, noting that the proposals are due on August 13. He advised that the expectation is to procure a CM firm that would ultimately participate in the constructability review, which would occur after the award of the general construction contract. Mr. Larkins said that the Members will be kept apprised as to how that procurement process advances.

Next, Mr. Larkins reported that an extension has been granted regarding the procurement for the A. Chester Redshaw Elementary School (“Redshaw”) in the New Brunswick school district. He noted that the proposals were due today, but an additional one week extension was granted based on additional requests for information and questions that were received during the procurement process. Mr. Larkins stated that the new due date is August 8. He said that following the procurement process the SDA will report back to the School Review Committee (“SRC”) and the full Board with a recommendation for award.

In terms of other Capital Program projects, Mr. Larkins reported that there are site packages for which we anticipate proposals in the next couple of days, specifically Jersey City Elementary School No. 3 (“JC ES No. 3”) in the Jersey City School District and the Oliver Street Elementary School (“Oliver Street”) in the Newark School District. He

noted that the two (2) projects are actively in design phase for schematics and will go out to bid in the next few months.

Next, Mr. Larkins provided the Members with an update regarding active construction projects. He reported that he and Mr. Ballard visited the Columbus Elementary School site in the Union City School District and met with the contractor and Mr. Schrum's team and discussed a path to completion in time for school occupancy in September 2012. Mr. Larkins said that a site visit for interested Board Members will be planned in the coming weeks.

Next, Mr. Larkins recognized Mariela Velasquez, an SDA Grant Analyst, for her outstanding work. He said that the Authority recently received an email from the Paramus Business Administrator/Board Secretary. Mr. Larkins read that letter to the Members, which noted Ms. Velasquez's dedication and persistence in aiding the Paramus District in moving through the grant process. He noted that Ms. Velasquez was instrumental in guiding the district through the grant process by ensuring that the necessary documentation was completed.

Mr. Walsh asked Mr. Larkins to provide a status update regarding the emergent projects. Mr. Larkins reported that nine (9) delegation letters have been sent to districts and that the SDA is awaiting responses as to whether the districts will accept the delegation of their projects. He noted that two (2) emergent projects in Newark have been assigned through the general contractor ("GC") task order pool and will be moving forward in the next couple of weeks. Mr. Larkins reported that there are a number of emergent projects that preceded the announcement in March that will be advertised for advancement in the next month or two. Mr. Larkins also reported that the emergent

project pool is now at approximately sixty-nine (69) emergent projects. He said that a number of those projects need design work and further scoping efforts. Mr. Larkins also informed the Members that there will be more activity in the next couple of months in terms of advertising for design work on some of those emergent projects.

Mr. Walsh then focused on the New Brunswick Redshaw project and the design/build process and inquired about next steps after bids have been received relative thereto. Mr. Yosha explained that next steps would entail price and technical proposals which would be due on August 8. He said that the price proposals are expected to be opened on August 23 and that the award recommendation would be presented to the Board in September. Mr. Walsh inquired as to whether there would be any discussion regarding the price proposals at the next SRC meeting. Mr. Yosha replied that discussion would take place at the next Board meeting where the Members would be asked to approve the charter and funding authorization. Mr. Walsh asked to be provided any pertinent information regarding the charter and final authorization prior to the next Board meeting. Mr. Larkins explained to the Members that in order to keep the project on schedule, the charter would not be ready in time for the next SRC meeting. He said that, if needed, a special teleconference meeting could be held prior to the next Board meeting. Mr. Walsh also requested a meeting immediately after this morning's Board meeting regarding the CM's role in the context of the design/build job.

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

\$700,000 decrease 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 \$1.7 million due entirely to a reduction in state share for projects nearing completion. Mr. Nixon then advised the Members that there is a need to take action on adopting procedures related to post issuance tax compliance to fulfill federal Internal Revenue Service (“IRS”) requirements. He explained that the issuing Economic Development Authority (“EDA”) is required to file certain forms with the federal IRS on school refinancing bonds to preserve the bonds’ tax exempt status and must show that it has written procedures in place. He noted that the SDA, as the conduit borrower, must show its own similar written procedures. He said that this is an IRS requirement and that the Attorney General’s Office has advised that the Board take the action presented. Mr. Petrino then offered additional details. He said the Department of the Treasury is proceeding similarly with all Authority recipients of bond proceeds. He added that this action is to demonstrate to the IRS that written procedures are in place for monitoring and maintaining compliance with the tax code. He explained that prior to this action all of the guidance was obtained in tax certificates that were signed by the bond issuer. He said that the guidance today is much more detailed. He noted that many of the regulatory agencies are looking at these types of assurances to further ensure that the municipal bond market and all of the bond issuers maintain compliance. He stated that the Attorney General’s Office (“AG”) opined that post issuance tax compliance should be a board action. Ms. Hassett added that the EDA took similar action last month. On a related issue, she advised the Board that this week the EDA board approved \$425 million in new

funding in order for the SDA to forge ahead with its school program. After discussion, Mr. Walsh asked if there were any further questions regarding the proposed resolution on Post Issuance Tax Compliance. There were none.

A resolution pertaining to the proposed EDA/School Facilities Construction Bonds — Post Issuance Tax compliance had been provided to the Members in advance of the meeting. Upon a motion by Ms. Hassett, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit 5a*, was unanimously approved by the Board.

In continuing, Mr. Nixon advised the Board that management had reported on two (2) audit recommendations. He advised that files were reviewed by the Special Projects Division's Cost Recovery Unit regarding Design Consultant Allowances for potential duplicate payments. He said that next steps will be determined and reported at the August Committee meeting. He said that several audits also recommended establishment of a centralized filing system for the Authority. He reported that members of the centralized file working group met on June 26 to review and develop a plan of action to address this recommendation.

Mr. Nixon reported that the Committee had also received the results of one audit and one assessment. He outlined the key points in the PMF Insurance Audit. He said that the objective is to identify which PMFs included insurance as an "Other Direct Cost" when billing. He noted that the potential for cost recovery was first identified by Experis Finance, an SDA third party internal audit consulting firm. He explained that the Audit covered a review of three (3) PMF Pilot Contracts and three (3) rounds of PMF procurements comprising 21 contracts executed between 2001 and 2003. He reported that the two recommendations from the Audit were: 1) that the twelve (12) contracts

identifying insurance as an "Other Direct Cost" be sent to SDA Cost Recovery Unit for evaluation; and 2) that SDA's Chief Counsel, in concert with the NJ Division of Law, consider modifying the contract for CM Services to explicitly itemize "Supplemental Insurance" as a compensatory line item in the Total Lump Sum Price.

In continuing, he discussed the assessment of the Trenton Early Childhood Center ("ECC") as presented to the Committee, noting that it is statutorily mandated as it is a project over \$10 million. He noted that the objective of the assessment was to make sure that State funds utilized for the project were expended in accordance with contractual terms, SDA practices, and New Jersey state rules and regulations. He reported that the assessment covered the time period from January 1, 2000 through May 31, 2012. He noted that approximately \$2.5 million has been spent on the project with the majority of the expenses for site investigation and design. He explained that the project was on the 2008 Capital Plan but not included in the 2011 or 2012 Capital Program and advised that there remains a balance of \$461,622 on three (3) contracts. He emphasized that the three (3) recommendations were all low risk and included closing out the three (3) open contracts and closing out the Projects by de-obligating the funds.

In continuing, Mr. Nixon reported that management had provided the Committee with the June 2012 Monthly Financial Report. He said that, as of June 2012, the Authority's operating expenditures were at \$18.6 million, which is \$2.6 million lower than budget for the period and a \$1.5 million decrease from the corresponding period in the prior year. He advised the Board that school facilities project expenditures total \$81 million, which is \$11 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

Preliminary Project Charter – Bridgeton School District – Buckshutum Road and Quarter Mile Lane Schools

Mr. Walsh asked Ms. Hassett to provide the report of the School Review Committee (“SRC”). Ms. Hassett reported that the Committee met on July 16, 2012 and discussed various issues. She said that the Committee was provided with a preliminary project charter regarding the Buckshutum Road and Quarter Mile Lane Schools in the Bridgeton School District. She provided the Members with an overview of the matter, noting that the plan was originally to construct a new school for the district. She said that, following a review involving the SDA, the school district and the DOE, it was determined that advancing a new school would not address the overcrowding issue in the district. Ms. Hassett commended SDA staff and DOE for working with the district to identify a different approach, which entails additions at the two aforementioned schools. She noted that there is a \$9 million increase in the overall budget, but that the project is much needed in order to address the overcrowding issue.

A resolution for approval of a preliminary project charter for the Buckshutum Road and Quarter Mile Lane Schools had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. Luckie, the Board approved the preliminary project charter for the Bridgeton School District upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6ai*.

Change Orders/Amendments: Tricon Enterprises, Inc.; Silverlands Services Inc.; Banc3, Inc. and Hill International, Inc.

Ms. Hassett then reported that the Committee had discussed a resolving change order in the amount of \$180,000 for Tricon Enterprises, Inc., (“Tricon”) for a change in

the scope of work for the Joseph C. Caruso Elementary School (“Caruso”) in the Keansburg school district. Ms. Hassett gave a brief overview of the demolition project. Mr. Adams explained that asbestos containing material, not identified in the original scope of work, must be removed in order to complete the demolition project.

A resolution pertaining to the approval of Resolving Change Order No. 2 for Tricon Enterprises, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Vargas, Resolving Change Order No. 2 for Tricon Enterprises, Inc. was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b1*.

Next, Ms. Hassett presented a credit change order for Silverlands Services Inc. (“SSI”) for the Ecole Toussaint Louverture in the East Orange School District in the amount of \$177,653.40 for de-obligation of unused funds for work no longer to be performed by SSI. She noted that the project began as an emergent project for roof repairs due to a water infiltration issue.

A resolution pertaining to the approval of a credit change order for Silverlands Services, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Ms. Hassett, the credit change order for Silverlands Services, Inc. was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6b2*.

Ms. Hassett then presented an amendment for a professional staffing services contract for Banc3, Inc. and Hill International, Inc. (“Hill”) for reallocation of funds and revision of annual contract limits for professional staffing services to accommodate accelerated supplemental staffing needs. Ms. Hassett asked Ms. Walsh to provide an

overview to the Members. Ms. Walsh reported that the Members are being asked to approve an amendment to the contracts for Banc3 and Hill by reallocating an additional \$200,000 to Year 1 of each contract from the not-to-exceed amount previously allocated to the Year 3 option. She said that it would reduce the Year 3 option to \$200,000 per contract but would not change the aggregate Board approved amount of \$1.2 million. In continuing, Ms. Walsh reported that, so far in Year 1, the SDA has expended \$286,000 toward the original \$400,000 maximum on the Banc3 contract, and at the current level of expenditures SDA would be unable to continue the services through the end of the first year of the contract without the proposed reallocation of funding. Ms. Walsh noted that a new procurement for additional professional services will be undertaken which should sufficiently cover the SDA's need for additional staffing services moving forward.

A resolution pertaining to the approval of an amendment for professional staffing services (Amendment No. 1) for Banc3, Inc. and Hill International, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Mr. Nixon, Amendment No. 1 to the contracts for professional staffing services was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6c1*.

Approval of Contract Awards –Paterson International HS; PS No. 6; Frank R. Conwell ES No 3 and Frank R. Conwell MS No. 4.

Ms. Hassett next presented an approval of a contract award for the Paterson International High School in the Paterson School District for an emergent project involving smoke control system modifications. She reported that the CCE was in the amount of \$496,858. Ms. Hassett provided a brief description of the contract award, referencing the memorandum that had been previously provided to the Members and

noted that the proposed contract award is to Hall Building Corporation in the amount of \$546,000. Mr. Murphy noted that the notice to proceed (“NTP”) would be issued in September following expiration of the Governor’s Veto period.

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 Ms. Hassett and seconded by Mr. Vargas, the approval of the proposed contract award for the Paterson International High School emergent project in the Paterson School District was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6di*.

Next, Ms. Hassett presented an approval of a contract award, charter and release of program reserve for the PS. No. 6 School in the Paterson school district for an emergent project for window replacement. She gave a brief overview of the project and noted that cost recovery is being pursued in the matter. Ms. Hassett said that the Board is being asked to approve the charter, release of \$1,892,855 from the program reserve and the contract award to Catcord Construction Company, Inc. in the amount of \$1,483,300.

A resolution pertaining to the approval of the contract award, charter and release of program reserve had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon and seconded by Mr. Vargas, the approval of the proposed contract award, charter and release of program reserve for the PS No. 6 School emergent project in the Paterson school district was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6dii*.

Ms. Hassett then presented a recommendation for approval of an award for the Frank R. Conwell Elementary School No. 3 and the Frank R. Conwell Middle School No. 4 in the Jersey City school district. She provided a brief overview of the matter

referencing the memorandum that had previously been distributed to the Members. Ms. Hassett informed the Members that the highest technical bidder was Heritage Architecture LLC (“Heritage”), but when SDA staff undertook price negotiations, Heritage would not reduce their fees, so staff negotiated with the number two firm and awarded the contract to Purcell Architects, P.C. in the amount of \$200,000 for design consultant services.

A resolution pertaining to the approval of the design consultant services contract award had been provided to the Members in advance of the meeting. Upon a motion by Ms. Hassett and seconded by Mr. Nixon, the proposed design consultant services contract award for the Frank R. Conwell Elementary School No. 3 and the Frank R. Conwell Middle School No. 4 in the Jersey City School District was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6diii*.

Delegated Authority to Award Construction Contract – Oliver Street ES – Early Site Preparation

Ms. Hassett then presented the recommendation for Board approval of a delegation of authority to the CEO and SRC Chair to approve the award of a contract for early site preparation work for the Oliver Street Elementary School in the Newark School District. She provided the Members with a brief overview of the project, noting that the bid opening is scheduled for Thursday, August 2. Ms. Hassett further reported that the project will advance in two (2) phases and that the contract for this phase is for excavation and disposal of impacted soil as well as the removal of an underground storage tank. Mr. Larkins noted that he would report back to the Members upon his and the SRC Chairperson’s exercise of the delegation authority. Mr. Walsh requested that

Mr. Murphy also send him a copy of the delegation upon submitting it to the CEO and SRC Chair. Mr. Murphy agreed to do so.

A resolution pertaining to the approval of the delegation of authority to the SDA CEO and SRC Chair had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas and seconded by Ms. Hassett, the proposed delegation of authority for the Oliver Street Elementary School in the Newark School District was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6e*.

Ms. Hassett commended SDA staff for their work in achieving the transfer of properties to the districts. She also noted that the invoices for the demonstration projects for the Trenton and Vineland districts had been received. Finally, Ms. Hassett, echoed by Mr. Walsh, commended staff for their efforts regarding cost recovery.


Reports

Mr. Walsh then asked if there were any questions regarding the monthly reports. There were no questions. Mr. Ballard noted that his team is actively closing out the demonstration projects and that four remain. He said that closeout efforts are ongoing and gave a brief update to the Members regarding the process. Mr. Ballard then reported that there are a couple of deeds scheduled to be transferred to the districts shortly. With regard to cost recovery, Mr. Ballard reported that there are between seven (7) and nine (9) active cost recovery issues with which the SDA is currently dealing.

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 other members of the public who wished to address the Board. Hearing none, upon a motion by Mr. Nixon, and seconded by Mr. Vargas, 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 August 1, 2012 meeting.



Jane F. Kelly
Assistant Secretary