

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

WEDNESDAY, SEPTEMBER 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, September 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)
David Moore (State Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Loren Lemelle
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Martin Perez
Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Vargas, Mr. Piaia, Ms. Lemelle, Mr. Moore 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; Karon Simmonds, director; Manuel Da Silva, program director; Thomas Schrum, program director; and Sean Murphy, director, of the SDA participated in the meeting. Nicole Crifo of the Governor's Authorities Unit also participated in the meeting by 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 August 1, 2012 for consideration and approval. He noted that presented for Board consideration are the minutes of the Board's August 1, 2012 Open Session meeting. 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. Nixon, and seconded by Mr. Piaia, the August 1, 2012 Open Session meeting minutes were approved by the Board upon its vote in favor of the resolution attached hereto as ***Exhibit 3a***.

Authority Matters

Chairman's Report

Mr. Walsh said that, before he asks for the CEO Report, he wanted to acknowledge that this is Ms. Franzini's final meeting as a member of the SDA Board of Directors. He discussed Ms. Franzini's long service to the school construction program, noting that she has been involved in the program since its inception. Mr. Walsh thanked

Ms. Franzini for assisting him during his tenure as Chairman of the Board. He noted her attention to detail and diligent preparation for every meeting of the SRC and the Board. He said that, with her departure, she will be leaving a large gap on the Board. Mr. Walsh wished Ms. Franzini well going forward. Mr. Larkins echoed Mr. Walsh's comments and thanked Ms. Franzini for her commitment to the program and for her assistance to him during his time with the SDA. Mr. McNamara also thanked Ms. Franzini for her service and commitment to the school construction program. Ms. Franzini then made brief remarks wherein she discussed an early personal commitment to urban education. She expressed her thanks for the opportunity to be a part of the school construction program. Mr. Walsh then referenced the resolution that had been prepared for Member approval which expresses the appreciation of the Members, management and staff to Ms. Franzini and wishes her well in her future endeavors. By motion duly made by Mr. Perez and seconded by Mr. McNamara, ***Resolution 4b.***, expressing gratitude and best wishes to Ms. Franzini, was unanimously approved by the Board.

CEO Report

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. Mr. Larkins updated the Members regarding activity underway. He advised the Members that SDA continues to reach out to its external partners for input and discussion. He said that he recently met with the New Jersey Association of School Business Officials ("NJASBO") at which time discussion centered on the Authority's Regular Operating Grants (ROD) program. He acknowledged the good work of the SDA Grant staff and noted that they have been successful in closing out one old grant per day over the last month. He said that he and others continue to schedule and participate in meetings with local school districts to discuss their facility needs.

In continuing, Mr. Larkins reported that a Temporary Certificate of Occupancy (“TCO”) has been obtained for Columbus Elementary School in the Union City School District. He said that work in certain areas—the gym, play area, and art room—is still underway but that the district will be moving into the school shortly. Mr. Larkins advised the Board that SDA has participated in various public events in recent days, noting in particular the Jersey City PS No. 20 groundbreaking event held on August 23, 2012 and the recent announcement of the start of construction for emergent repairs at the Newark Wilson Avenue School.

Mr. Larkins next advised the Board on the status of active projects underway, highlighting the Academic Magnet High School (“Academic”) project in the Elizabeth School District and the A. Chester Redshaw High School (“Redshaw”) project in the New Brunswick School District. He said that the Redshaw project will be discussed later in the meeting when a recommended award for Design-Build services to Hall Construction Co. Inc. will be presented for Board consideration and approval. He said that this project has an aggressive schedule and that the process followed to date has been a good one. With respect to the Academic project, Mr. Larkins advised the Board that it is in the procurement process. He said that there is a request for delegated authority on today’s agenda regarding the notice of award for construction management and that the general contractor (“GC”) portion is still in process. Mr. Larkins added that the proposals have been extended for an additional two weeks in order for more firms to participate and he noted that the proposals are due September 27. He said that, following the review of proposals, this matter likely will be on the November Board agenda.

Mr. Larkins then discussed anticipated future events, noting that ribbon cuttings are being planned for projects in the West New York and Union City School Districts. He said that a groundbreaking is also anticipated for the Catrambone Elementary School project in the Long Branch School District. Mr. Larkins said that the project is anticipated to start sometime next week.

In continuing, Mr. Larkins said that management anticipates that a project will be advertised each month over the course of the next year. He said that there is significant activity underway with the SDA Design Studio, with emergent projects and with site packages. Mr. Walsh commented on the success of the Board tour of the Union City Columbus project and asked that the Members be invited to participate in events when children are actually occupying the facilities as well. He commented as to how positively the Authority is coming together and moving forward with its projects.

Audit Committee Report

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Members that the Committee met on August 20, 2012. He said that, as part of the July 2012 New Funding Allocation and Capital Program update, management had reported no changes for the Emergent Project, Unforeseen Events or Planning Reserves. He informed the Members that the reserve balance for the RODs increased by \$3.2 million due entirely to a reduction in state share for projects nearing completion. Mr. Nixon then advised the Members that Management brought a proposal to the Committee for the extension of a Memorandum of Agreement (“MOA”) between the SDA and the Department of the Treasury Transportation Services (“Treasury”) for the SDA fiscal budget years 2013 and 2014. He explained that the proposed extension is for a two and

one-half (2½) year period for vehicle services. He noted the various services currently provided under the MOA and advised the Board that management reports that the MOA continues to be advantageous to the Authority both operationally and financially. He noted that the cost of the MOA was an annual not-to-exceed amount of \$73,000. After discussion, Mr. Nixon asked if there were any questions regarding the proposed extension of the MOA. There were none. Mr. Walsh then called for a vote on the matter.

A resolution pertaining to the proposed extension of the Memorandum of Agreement between the SDA and the Department of the Treasury Transportation Services for the SDA fiscal budget years 2013 and 2014 had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon, and seconded by Mr. Piaia, the resolution attached hereto as *Exhibit 5a* was unanimously approved by the Board.

In continuing, Mr. Nixon said that management had updated the Committee on the status of the internal audit program. He advised the Board that management had reported that, over the past month, one recommendation had been fully completed. He also advised that working groups are moving forward on recommendations emanating from two (2) additional audits. Specifically, working groups are focusing on establishment of a centralized filing system and on SDA owned real estate. Mr. Nixon said that the Committee had also received the results of one audit. He outlined the key points in this audit which focused on DB Realty II, Common Areas Maintenance (“CAM”) fees. He explained that CAM fees are the operating expenses incurred by the landlord in order to maintain areas or services that are common to all building tenants. He noted that the Audit was conducted to review the validity of the 2011 CAM fees

charged by DB Realty II to the tenants of 1 West State Street. He said that the Audit identified an invalid charge of \$1,934.00 for consultant costs in connection with a boiler study. He said that this charge was invalid due to a subsequent amendment to the lease agreement. He advised that the \$1,934.00 will be taken by the SDA as a credit on future billings.

In continuing, Mr. Nixon reported that management had provided the Committee with the re-forecasted budget. He noted that the reforecast represents a shift from past years as it attempts to capture those costs that are project driven, specifically relating to salaries and benefits, and reallocates those costs to the projects. He advised that salary and benefit costs will no longer appear in the operating budget but will be accounted for against the projects when appropriate. He noted that the methodology utilizes standard costs for staff salary and benefit expenses by job title which will help minimize fluctuations in project management costs when the make-up of staff assigned project management responsibilities is modified for any given reason. He said that the draft capital spending forecast for 2012 was presented to the Committee based on the updated Treasury model which is the tool the SDA uses to forecast future cash expenses to prepare for a bond issuance. Mr. Larkins noted that the new methodology will appear in the 2013 budget which will be discussed over the next few months at Audit Committee meetings and will then be presented to the Board at the December meeting for approval.

Mr. Nixon then reported that management had provided the Committee with the July 2012 Monthly Financial Report. He said that, as of July 2012, the Authority's operating expenditures were at \$21.3 million, which is \$3 million lower than budget for the period and a \$1.9 million decrease from the corresponding period in the prior year.

He advised the Board that school facilities project expenditures total \$98 million, which is \$10 million lower than spending for the corresponding prior year period due largely to the decrease in construction work and other project costs. In conclusion, Mr. Nixon advised that the 2012 budget reforecast is \$35.6 million which is \$4.1 million lower than the approved 2012 annual budget. He explained that the reductions are attributable to seventeen (17) fewer full time employees and funds not being expended at the levels anticipated for the Department of Education's ("DOE") Long Range Facility Plan computer project.

School Review Committee Report

Change Orders/Amendments – EI Associates Architects and Engineers, PA; Heery International, Inc; Design Ideas Group, LLC

Mr. Walsh asked Ms. Franzini to provide the report of the School Review Committee ("SRC"). Ms. Franzini reported that the Committee met on August 20, 2012 and discussed various issues. She said that the Committee was provided with an amendment for EI Associates Architects and Engineers, PA for the Ecole Toussaint Louverture School in the East Orange School District for additional design and bid and contract award services in the amount of \$12,000. Ms. Franzini gave a brief overview of the project's history.

A resolution for approval of an amendment for the Ecole Toussaint Louverture School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Perez and seconded by Mr. McNamara the Board approved the amendment for the Ecole Toussaint Louverture School for the East Orange School District upon its unanimous vote in favor of the resolution attached hereto as ***Exhibit 6a1***.

Ms. Franzini then reported that the Committee had discussed an amendment for Heery International, Inc. (“Heery”) for additional pre-construction and construction administration services for the New Phillipsburg High School (“Phillipsburg”) in the Phillipsburg School District in the amount of \$881,516. Ms. Franzini thanked and commended SDA staff for their diligent work on the project and gave a brief overview of the project’s history.

A resolution pertaining to the approval of an amendment for Heery International, 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, the amendment for Heery International, Inc. was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a2*.

Next, Ms. Franzini presented an amendment for Design Ideas Group, LLC (“DIG”) for the New Phillipsburg High School in the Phillipsburg School District for additional pre-construction and construction administration services in the amount of \$123,942. She commended SDA staff for their outstanding work and provided the Members with a brief overview of the project’s history.

A resolution pertaining to the approval of an amendment for Design Ideas Group, LLC had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Mr. Luckie, the amendment for Design Ideas Group, LLC was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a3*.

Approval of Contract Awards –ET-0056-B01-New Brunswick-A. Chester Redshaw ES – New Construction; JE-0021-N01-Jersey City ES No. 3-Early Site Package

Ms. Franzini next presented a proposed contract award and final project charter for the A. Chester Redshaw Elementary School (“Redshaw”) in the New Brunswick School District for a design/build project. Ms. Franzini 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 Construction Company, Inc. in the amount of \$34,872,000. She thanked Mr. Murphy for leading the SDA team in conducting the evaluation process. Mr. Walsh requested that a detailed schedule for the project be shared with the Committee at the next SRC meeting. Mr. Larkins agreed.

A resolution pertaining to the approval of the contract award and final project charter had been provided to the Members in advance of the meeting. Upon a motion by Mr. Piaia and seconded by Ms. Franzini, with Mr. Perez, Mr. Egan and Mr. Vargas abstaining, the proposed contract award for design-build services and final project charter for the A. Chester Redshaw Elementary School (“Redshaw”) in the New Brunswick School District were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6bi*.

Next, Ms. Franzini presented a proposed contract award for an early site package for the Jersey City Elementary School Number 3 (“JCES#3”) in the Jersey City School District. She gave a brief overview of the project and explained that the Board is being asked to approve the contract award to Tricon Enterprises, Inc. in the amount of \$1,869,000.00.

A resolution pertaining to the proposed contract award had been provided to the Members in advance of the meeting. Upon a motion by Ms. Franzini and seconded by Mr. Vargas, the proposed contract award for the Jersey City Elementary School Number 3 (“JCES#3”) project in the Jersey City School District was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6bii*.

Delegation of Authority – EL-0006-M02-Elizabeth Academic HS-Construction Management Services

Ms. Franzini then presented a recommended delegation of authority for Board approval. She said that management is recommending that the CEO and SRC Chair be authorized to approve the award of a contract for construction management services for the Academic High School in the Elizabeth School District so long as the cost does not exceed 110% of the estimated \$2,184,746 construction management fee. She referenced the memorandum and provided the Members with a brief overview of the project. Mr. Murphy noted that the interviews for the technical component are being held later today and, soon afterwards, the price proposals will be opened. He said that the calculations would be made and price and fee would be added and that the number one ranked firm would be awarded. Mr. Walsh requested that he be provided with the final information prior to award. Mr. Larkins agreed and noted that the information would be circulated to the Members as well.

A resolution pertaining to the delegation of authority to the SDA CEO and SRC Chair for Academic High School had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon and seconded by Mr. Vargas, the proposed delegation of authority for award of a construction management services contract for the

Academic High School in the Elizabeth School District was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *6ci*.

Reports

Mr. Walsh then asked Mr. Ballard if he had anything specific to report regarding the Project Close-Out Status report. Mr. Ballard said that he did not have anything to add to the report at present. He said that the SDA continues to work diligently to closeout past projects. Mr. Walsh thanked the staff for all their hard work and noted that there has been a great deal of activity over the last month.

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 present who wished to address the Board. Ms. Kelly advised that the receptionist has reported that there is an individual who wishes to address the Members but that he apparently went to the wrong building and is on his way. Mr. Walsh said that, as the speaker has likely come a distance to speak to the Board, the Members will wait for a short while.

Mr. Larkins said that, while waiting for the public speaker, he wanted to discuss a letter and petition that had been received from a group of parents in Camden regarding the Renaissance Proposal (“Proposal”). He said that, to his knowledge, the Camden Board of Education is trying to sort through all the information regarding the proposal but that, until this is settled, the SDA will likely continue to receive a lot of attention regarding the property owned by the Authority. He advised that the SDA received a

request from the proposer regarding the use of the property. He noted that unless and until the proposal is formally approved at the local level there realistically cannot be any conversation regarding the property. He said that the Members will be kept informed going forward. Ms. Franzini then advised the Members that her replacement on the Board will be Maureen Hassett. She suggested that Ms. Hassett serve as a member of the Real Estate Committee so that the EDA can help the SDA from a real estate point of view and the two (2) Authorities can work together to develop a plan regarding properties owned by the SDA. Mr. McNamara noted that it would be very advantageous to have Ms. Hassett serve on the Real Estate Committee to assist in how to disburse surplus properties owned by the SDA. He advised that he has been approached by various municipalities regarding some of these properties.

As the individual wishing to address the Board had not yet arrived, Ms. Franzini then moved to close the meeting. Mr. Walsh asked again if there were any other members of the public who wished to address the Board. Hearing none, upon a motion by Ms. Franzini, and seconded by Mr. McNamara, and with unanimous consent, the meeting was adjourned.

NOTE: Following adjournment, Mr. Alturrick Kenney of the Newark Board of Education was offered the opportunity to meet with those members of the Board who remained including Mr. Walsh, Mr. Luckie, Mr. Perez, Mr. McNamara and Mr. Nixon, along with executive management. Mr. Kenney inquired as to the status of various projects in Newark. After a brief discussion, it was agreed that Mr. Larkins would continue the discussion with Mr. Kenney following the meeting in an effort to keep him apprised and to answer any questions he might have.

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 September 5, 2012 meeting.

Jane F. Kelly
Assistant Secretary