

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

WEDNESDAY, OCTOBER 3, 2012

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, October 3, 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
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Martin Perez
Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Piaia, Mr. Petrino, Ms. Lemelle, Mr. Perez, Mr. Capelli 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,

acting chief counsel; and James Adams, program director, of the SDA participated in the meeting. Brett Tanzman 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 Open Session meeting of the Board held September 5, 2012 for consideration and approval. A copy of the minutes and resolution presented were provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Vargas, and seconded by Ms. Hassett, the September 5, 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

CEO Report

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. Mr. Larkins updated the Members regarding activity underway. He reported that, last week, the SDA advertised two (2) major Capital projects as follows: 1) New Phillipsburg High School in the Phillipsburg School District on Thursday, September 27, with construction cost estimates ("CCE") at over \$80 million; and 2) Completion of construction on the New Henry Street Elementary School in the Passaic School District on Friday, September 28.

With regard to active projects, Mr. Larkins informed the Members that SDA staff, along with Governor Christie, attended a ground breaking ceremony for the New George L. Catrambone Elementary School (“Catrambone”) in the Long Branch School District on September 24. He also reported that on Tuesday, October 2 SDA staff visited the Keansburg School District to announce the advancement of demolition of the existing Caruso Elementary School (“Caruso”) to prepare for construction of a replacement school.

Next, Mr. Larkins reported that SDA staff toured certain Regular Operating District (“RODs”) projects. He said that staff visited the Linden School District on September 10 and toured a school addition receiving grant assistance. He said that on September 22, staff participated in a ribbon cutting for a new addition to an existing school in the Buena School District. Mr. Larkins also reported that demolition activities are taking place in the following school districts: the Paterson School District at PS 16 Elementary School (“PS16”); the West New York School District at Harry L. Bain Elementary School (“Bain”); and the Newark School District at Oliver Street Elementary School (“Oliver Street”).

In addition, Mr. Larkins reported that a notice of award was issued for Elementary School No. 3 (“ES No.3”) in the Jersey City School District.

In terms of active procurements, Mr. Larkins reported that a notice of award was issued to Hall Construction Company, Inc. for the A. Chester Redshaw Elementary School (“Redshaw”) project in the New Brunswick School District. He reminded the Members that this is advancing as a design/build project. He noted that additional design work would be needed and would potentially take the project through the winter months,

with construction beginning in the spring. Mr. Larkins also reported that bids for procurement associated with the Academic Magnet High School (“Academic”) project in the Elizabeth School District will be opened on October 18. He noted that the SDA is hopeful that, in general, there will be an advertisement by the Authority every month over the next year for new projects.

In terms of other events, Mr. Larkins reported that SDA staff is continuing outreach to various groups in the construction community. He said that on September 21 he had the opportunity to speak at a Business Leadership Conference that was sponsored by the African American Chamber of Commerce. Mr. Larkins also reported that on September 27, he participated in a construction round table discussion held in Madison.

Lastly, Mr. Larkins provided the Members with an update regarding the emergent projects, noting that the projects are advancing, and that the SDA is anticipating assigning a few of those projects to general contractors (“GCs”) in the coming months. He also stated that other emergent projects are being prepared for advertisement for either design or actual construction work over the next couple of months. Mr. Walsh inquired about the schedule for the Redshaw project, asking whether the construction timetable had been revised. Mr. Larkins informed the Members that the SDA shared a schedule that was received from the GC with the Committee that projected occupancy of the school in September 2014, while the SDA’s projected schedule for occupancy would be in 2015. He briefly discussed the basis for the difference between the two (2) schedules and said that SDA staff and the GC will have further discussions on this issue. After discussion, Mr. Walsh asked that, on a monthly basis, the Members be informed of the Redshaw project schedule. Ms. Hassett referenced the recent Catrambone event that Mr.

Larkins had discussed earlier and suggested that, going forward, the Members be invited to future groundbreakings.

Audit Committee Report

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Members that the Committee met on September 17, 2012. He said that, as part of the July 2012 New Funding Allocation and Capital Program update, management had reported no changes in the Unforeseen Events or Planning Reserves. He advised that there was a \$62,000 decrease in commitments in the Emergent Projects Reserve. He informed the Members that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$900,000 due entirely to a reduction in state share for projects nearing completion. He advised that ten (10) new grants were offered totaling \$2.2 million. Mr. Nixon then reported that management had reported to the Committee on the results of one audit. He outlined the key points in the audit of the Matrix Development East Front Street 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 concluded that the 2011 operating expense reconciliation had been properly calculated. He advised that the SDA’s *pro rata* share for CAM fees was \$164,669 of the total \$493,680. He noted that staff made one low level recommendation that the methodology used for calculating property management fees be included in the lease agreement should the lease be renewed.

Mr. Nixon then reported that management had provided the Committee with the August 2012 Monthly Financial Report. He said that, as of August 2012, the Authority’s

operating expenditures were at \$24.1 million, which is \$3.3 million lower than budget for the period and a \$2 million decrease from the corresponding period in the prior year. He advised the Board that school facilities project expenditures total \$124 million, which is \$9 million higher than spending for the corresponding prior year period due largely to an increase in grant activity offset by a decrease in construction work and related project costs. He reported that, since inception, 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. Mr. Nixon advised that, of the current year operating expenses of \$24.1 million, approximately \$10.5 million in personnel costs can be attributed to school facilities projects. He noted that the SDA is now tracking staff costs and allocating them to projects. In conclusion, he reported that current year project expenditures total \$124 million, excluding the \$10.5 million in personnel costs, and that the estimated value of current school facilities project activity is approximately \$2.2 billion. Mr. Walsh asked when the discussion on the 2013 budget will occur. Mr. Larkins replied that a draft budget will be presented at the October Audit Committee Meeting. Mr. Walsh suggested that a detailed conversation take place regarding personnel costs relating to projects and total volume of work anticipated going forward. He said that the budget review may require that a special meeting be convened and asked that Mr. Nixon forward all reports prior to the meeting.

School Review Committee Report

Tricon Enterprises, Inc.; Becica Associates, LLC

Mr. Walsh asked Mr. Luckie to provide the report of the School Review Committee ("SRC"). Mr. Luckie reported that the Committee met on September 17,

2012 and discussed various issues. He reported that the Committee was provided with a resolving change order for Tricon Enterprises, Inc. (“Tricon”) for the Joseph C. Caruso Elementary School (“Caruso”) project in the Keansburg School District. He said that the change order was for the removal of asbestos in the amount of \$39,000. Mr. Adams provided a brief overview of the matter.

A resolution for approval of a resolving change order for Tricon had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Maloney and seconded by Mr. Vargas, the Board approved the resolving change order as presented upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a1*.

Mr. Luckie then reported that the Committee had discussed an amendment for Becica Associates, LLC (“Becica”). He said that the amendment, in the amount of \$125,000, was due to the need for an increase in the testing and inspection allowance as there have been significant changes in the project scope for the Catrambone Elementary School project in the Long Branch School District. Mr. Adams then gave a brief overview of the project.

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

Preliminary `Project Charters – Keansburg School District – Caruso ES and Port Monmouth Road School

Mr. Luckie reported that the Committee was provided with preliminary project charters for the Caruso Elementary School and Port Monmouth Road School in the Keansburg School District. He said that management is recommending Board approval so that SDA staff might proceed with in-house design activities and procure necessary professional and construction services for the projects. Mr. Luckie noted that these projects will address overcrowding in the grades where it exists and allow for efficient utilization of district facilities. He said that the SDA’s Operating Authority (“OA”) will govern the award of all professional services and construction contracts and Board notification of the use of contingency monies. Mr. Yosha then provided the Members with an overview of the project charters and associated issues.

A resolution pertaining to the preliminary project charters for the Caruso Elementary School and Port Monmouth Road School in the Keansburg School District 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 project charters for the Caruso Elementary School and Port Monmouth Road School in the Keansburg School District were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6bi*.

Approval of Award – NE-0013-N01- Newark – Oliver Street ES – Early Site Preparation (*Informational Memorandum*)

Mr. Luckie then discussed an informational memorandum that had been previously provided to the Members for review regarding an award for early site preparation activities at the Oliver Street Elementary School (“Oliver Street”) in the

Newark School District. He reported that, at the August Board meeting, delegated authority was given to the CEO and SRC Chair to approve the award. He said that the Committee was advised that, following expiration of the Governor's veto period, the award, in the amount of \$1,844,444, was approved for Silverlands Services, Inc. on August 20 and a NTP was issued on September 13.

Reports

Referencing the project closeout report that had been provided to the Members in advance of the meeting, Mr. Luckie reported that Mr. Ballard had provided the Committee with a brief update regarding the status of project closeouts. He said that the Committee was informed that the Special Projects Division was actively engaged in transferring properties back to the school districts, closing out projects and recording deeds for transfers back to the districts. Mr. Luckie said that SDA staff was able to open the West New York No. 3 Elementary School ("WNY"), and simultaneously process and transfer the deed to the school district. He said that Mr. Ballard had reported that this was the first time in SDA history that this has occurred. Mr. Luckie also reported that three (3) additional schools have been transferred back to the districts, saving the SDA approximately \$11,000 in insurance costs. He said that the Lincoln Avenue Elementary School was fully transferred back to the Orange School District. Mr. Luckie congratulated SDA staff on their success with the project closeout initiative.

Mr. Larkins informed the Members that an informational memorandum had been distributed to the Members prior to the meeting for discussion in Executive Session. He said that this item will not be considered today and, as such, there is no need for the Board to convene in Executive Session. He asked that the Members review the

memorandum that had been provided, advising that it may come back to the Committee and then to the full Board for consideration in the future.

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. Hearing none, upon a motion by Mr. McNamara, 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 October 3, 2012 meeting.



Jane F. Kelly
Assistant Secretary