

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

**WEDNESDAY, NOVEMBER 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, November 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 (Treasury)  
Bernard Piaia (NJDOE)  
Michael Capelli  
Kevin Egan  
Karim Hutson  
Loren Lemelle  
Lester Lewis-Powder  
Joseph McNamara  
Robert Nixon  
Martin Perez

being a quorum of the Board. Mr. McNamara, Mr. Egan, Mr. Piaia, Mr. Hutson, Ms. Lemelle, Mr. Perez, Mr. Luckie, Mr. Capelli, Mr. Petrino 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; Karon Simmonds, director; Cecelia Haney, senior counsel; Sean Murphy, director; and Corrado Minervini, 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 October 3, 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. Nixon, and seconded by Ms. Hassett, the October 3, 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 reported that while Hurricane Sandy ("Hurricane") impacted many SDA employees, staff has continued to come to work through difficult circumstances. He noted that some staff reported to work as early as Tuesday to assess potential damage to SDA sites and schools

due to the Hurricane. Mr. Larkins reported that, other than damage to fences, SDA sites were not heavily impacted by the storm but that additional assessments are underway. He said that he would keep the Members apprised of any reported damage. Mr. Larkins informed the Members that many of the firms are back at work on the sites as well. He said that SDA staff has been in discussions with Department of Education (“DOE”) staff to assess how SDA school districts have been affected. He reported that several schools have regained power and that the children are back in school. Mr. Larkins said that, to date, it appears that SDA schools fared well but more information should be forthcoming. He said that DOE and SDA’s Communications staffs are making outreach to the districts. Mr. Larkins stated that, after Hurricane Irene in 2011, the SDA developed emergency procedures that have been shared with DOE and will be circulated to all the districts. He said that the procedures recommend the steps the districts should take in case of an emergency. Mr. Larkins stated that, while the SDA is not organized to serve as an emergency response organization, the SDA will assist the districts in any way possible. Mr. Larkins said that the SDA has updated its website advising the districts to contact SDA staff if they have experienced any issues related to the Hurricane. He said that the SDA will work with the DOE to ensure a coordinated effort in this regard.

Next, Mr. Larkins updated the Members regarding activity underway. He reported that in October a notice to proceed (“NTP”) was issued for the A. Chester Redshaw Elementary School (“Redshaw”) project in New Brunswick. Mr. Larkins also reported that the SDA held pre-bid meetings for the Phillipsburg High School (“Phillipsburg”) and the New Henry Street Elementary School (“Henry Street”) projects. He said that a dozen or so firms attended each pre-bid meeting. Mr. Murphy informed

the Members that proposals for Phillipsburg are due on December 6, with bid openings to take place on December 20; and that proposals for Henry Street are due on November 27 with bid openings to take place on December 14.

Mr. Larkins informed the Members that price proposals were opened for the Elizabeth Academic High School ("Academic") project and that the construction award recommended for approval will be presented in today's meeting. He noted that there is also an informational memorandum regarding the award that will be discussed later in the meeting.

Mr. Larkins informed the Members that other SDA work is ongoing and that, due to the Hurricane, some meetings with the districts regarding design and planning efforts are being rescheduled.

Mr. Larkins said that in the coming months, more projects will go out to bid, such as the Newark Oliver Street and Elliot Street projects, among others.

Mr. Larkins advised the Members that the 2013 budget will be presented next month and that a conference call can be scheduled if the Members have any questions. He said that the budget was distributed to the Audit Committee in October. Mr. Larkins also noted that the SDA Organizational Meeting will be held in January 2013.

Lastly, Mr. Larkins noted that the emergent projects are moving forward and that the SDA is coordinating another round of Regular Operating District grants ("RODs") with the DOE and GAU. He then offered a brief update regarding a couple of the emergent projects noting, in particular, three boiler projects and an asbestos remediation project. Mr. Larkins said that the next major advertisement related to emergent projects is for an emergent architect pool. He reminded the Members that the SDA is looking to

establish a pool of architects for task order assignments as opposed to engaging in an individual procurement process in each instance. Mr. Larkins said that the Office of the State Comptroller has been informed of the advertisement. He noted that the “one-off” emergent projects are moving along. Ms. Hassett asked Mr. Larkins to update the Members regarding the SDA’s office space status and if this would impact the 2013 budget. Mr. Larkins said that because the leases expires end of 2013 it would impact the 2014 budget and that the SDA is continuing to meet with its respective landlords regarding the spaces occupied at West State Street and Front Street. Mr. Larkins noted that both landlords have presented proposals to the SDA and that staff is performing due diligence. He said that he will keep the Members informed of any developments going forward. He added that the SDA would like to retain a satellite office in the Newark area and would like to consolidate all Trenton staff, if possible, in one location. Ms. Hassett informed Mr. Larkins that the EDA is also looking at satellite office space in Newark and offered assistance to the SDA if needed. Mr. McNamara inquired as to whether the contractors bidding on SDA’s projects are the same contractors as in the past or if the SDA is receiving a broader mix of interest. Mr. Larkins replied that the SDA is receiving interest from a combination of contractors. He provided the Members with a brief update and noted that firms that were used in the past are coming back to bid on projects, which is a good thing.

#### *Chairman’s Report*

Mr. Walsh informed the Members that he and other Members would be meeting with Mr. Larkins regarding the 2013 Budget in the next two weeks. Mr. Guariello said that the Budget will be recirculated to the Members prior to the December Board

meeting. Mr. Walsh suggested that it be sent separately from the other Audit materials and that if any of the Members have questions they should contact him or Mr. Nixon.

Next, Mr. Walsh suggested that a total volume of all SDA activities anticipated for 2013 be provided to the Members and that they be categorized as, for example, pre-construction, construction, etc. He said that this will facilitate a review relating the projects to salaries and budget.

### *Audit Committee Report*

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Members that the Committee met on October 15, 2012. He said that, as part of the September 2012 New Funding Allocation and Capital Program update, management had reported no changes in the Unforeseen Events, Planning or Emergent Reserves. He informed the Members that the reserve balance for the Regular Operating Districts ("RODs") increased by \$5.1 million due entirely to a reduction in state share for projects nearing completion.

Mr. Nixon then reminded the Board that there have been significant changes in health benefits on both the state and local levels. He reported that management had advised the committee that the SDA will be providing the required resolution to the state Division of Pensions and Benefits for the SDA Health Benefit Plan indicating SDA's intent to maintain a level of benefits for its employees that is consistent with active State employees.

Mr. Nixon next reported on the Audit Committee's recommendation for renewal of the Authority's Business & Real Estate Property & Casualty Insurance Program for a one year policy term commencing December 14, 2012 at a cost not-to-exceed \$828,000.

He explained that the cost is inclusive of an approximate 5% allowance for potential exposure increases. He also noted that the renewal policies will be purchased pursuant to the 2<sup>nd</sup> year of a three (3) year term of a contract for broker services which the Board approved in November 2011. After discussion, Mr. Nixon asked if there were any further questions regarding the renewal. Hearing none, Mr. Walsh called for a vote to approve the renewal of the Authority's Business & Real Estate Property & Casualty Insurance Program.

A resolution pertaining to the proposed renewal of the Authority's Business & Real Estate Property & Casualty Insurance Program had been provided to the Members in advance of the meeting. Upon a motion by Ms. Hassett, and seconded by Ms. Lemelle the resolution attached hereto as *Exhibit 5a*, was unanimously approved by the Board.

In continuing, Mr. Nixon said that the management had advised the Committee of its intent to direct its Owner Controlled Insurance Program II ("OCIP II") broker to renew, for an additional one year term, the Authority's Builders Risk insurance program. He noted that the current insurers have agreed to offer an additional one year of coverage upon basically the same terms and conditions, as the SDA total inventory value is projected to remain lower than the minimum threshold. He advised that the renewal is not expected to result in a cost increase to the SDA and does not require a Board vote. Mr. Walsh asked when the insurance expires. Ms. Simmonds indicated that it will expire on December 31, 2012. Mr. Walsh said that he would like to review this insurance and others at the end of their terms to compare them to the then current SDA volume for possible changes to the policies. He asked what the cost ratio is related to volume. Mr. Larkins responded that there is a minimum premium requirement and provided additional

details regarding costs triggered by volume. Ms. Simmonds noted that, even with an additional \$500 million in construction next year, the SDA still will be below the 50% minimum threshold. Mr. Larkins explained that this insurance is tied in to the OCIP that was pre-purchased years ago. He agreed that it is a good idea to revisit the way the SDA addresses its insurance needs going forward. Mr. Nixon then reported that the Committee had received an update on internal and external audits. He advised that two (2) recommendations were completed, namely the SDA Design Consultant Allowances audit and the audit of DB Realty II charges for Operating Expenses. He said that management had also updated the Committee regarding four additional recommendations. Mr. Nixon then referenced the Draft 2013 Budget that Mr. Larkins had discussed in his CEO report. He noted that the draft will be further reviewed and discussed by the Members prior to the December Board meeting.

Mr. Nixon then reported that management had provided the Committee with the September 2012 Monthly Financial Report. He said that, as of September 2012, the Authority's operating expenditures were at \$26.4 million, which is \$4 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 \$134 million, which is \$6 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 then advised that of the current year operating expenses of \$26.4 million, approximately \$11.8 million of personnel costs can be attributed to school



facilities projects. He reported that the estimated value of current school facilities project activity is approximately \$2.2 billion. In concluding his report, Mr. Nixon advised the Board that the EDA issued bonds on October 3, 2012 to provide another \$375 million in proceeds to the Authority.

Mr. Larkins then noted that the draft budget will be presented at the November Audit Committee Meeting. Mr. Walsh suggested that a detailed conversation take place regarding personnel costs as related to projects and total volume of work expected. He said that the budget review may need a special meeting and asked Mr. Nixon to forward all reports prior to the meeting.

### *Real Estate Committee Minutes*

Mr. McNamara then gave the report of the Real Estate Committee. He advised that the Committee had met to start to establish a strategy/plan for SDA owned property. He commended Staff for compiling a comprehensive inventory of all properties noting the status and location of each property, work that has been completed on each property, and each property's overall condition for future use. He explained that part of the strategy would be determining how to deal with these properties in the most efficient way. He noted that some properties will be used for schools but, due to changing demographics and priorities, there may be, with the consent of the municipalities involved, some potential for other uses for certain of the properties. He said that preliminary discussions have been held with the EDA, Housing & Mortgage Finance Agency ("HMFA") and the New Jersey Redevelopment Agency to name a few. He added that the Authority also will be looking at the local municipalities and their economic development entities to put together a total strategy for the most efficient use of

the properties--whether this is as a school or another use that benefits both the state and the municipality. He advised that the creation of a strategy/plan is in its earliest stage and that over the coming months a more definitive strategy/plan will be established. Mr. Walsh asked that an update on the strategy/plan goals or a summary of same be provided at the January board meeting. Mr. McNamara said that he believes there could be a preliminary report available at the January meeting adding that he would advise the Board at the December meeting if a report will not be presented in January. Mr. Walsh then asked if the EDA was involved in the discussions. Mr. McNamara answered in the affirmative noting that he had attended a meeting which included EDA where efforts began to develop a pilot program. He noted that a preliminary approach may be to take a property where a municipality has indicated that its utilization in connection with a school facility is not desired and explore other uses. He explained that, once a pilot program is established, all the issues associated with the utilization of that property can be addressed. Ms. Hassett noted that the list represented a comprehensive effort by SDA staff. She said that the EDA Real Estate department scrubbed the list and conducted follow-up phone calls with HMFA in order to compile a list of select parcels for a pilot program. She said that there appear to be some exciting opportunities. Mr. Walsh asked how many properties comprise the list. Mr. Ballard said that the list was created from approximately fifteen (15) to twenty (20) projects that involve approximately 300 parcels. Mr. Walsh asked if there was more to report. Mr. McNamara said that his report was concluded.

## *School Review Committee Report*

### **Change Orders/Amendments**

#### **URS Corporation; Tricon Enterprises, Inc.; Skanska USA Building, Inc.;**

Mr. Walsh asked Ms. Hassett to provide the report of the School Review Committee ("SRC"). Ms. Hassett reported that the Committee met on October 15, 2012 and discussed various issues. She reported that the Committee was provided with a proposed credit amendment for URS Corporation ("URS") to de-obligate funds for unused professional services in the amount of \$299,436 for the Morgan Village Middle School project in the Camden City School District. Ms. Hassett provided the Members with a brief overview of the project and asked if there were any questions. There were none.

A resolution for approval of a credit amendment for URS had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Ms. Hassett, with Mr. Perez abstaining, the credit amendment as presented was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a1*.

Ms. Hassett then reported that the Committee had discussed three (3) change orders, Change Orders 3, 4, and 5, for Tricon Enterprises, Inc. ("Tricon") for the South Street Elementary School ("South Street") project in the Newark School district for site remediation in the total amount of \$618,139.90. She then provided the Members with an overview of the project and asked if there were any questions. There were none.

A resolution pertaining to the approval of three (3) change orders for Tricon had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Piaia, and seconded by Mr. Nixon, the change orders as presented were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a2*.

Ms. Hassett then reported that the Committee had discussed two (2) amendments for Skanska USA Building Inc. (“Skanska”) for the Henry Street Elementary School (“Henry Street”) project in the Passaic School District for extended and additional services in the amount of \$140,414 and to de-obligate unused funds in the amount of \$579,856.16 for a total credit amount of \$439,442.16. She provided the Members with a brief overview of the project and asked if there were any questions. There were none.

A resolution pertaining to the approval of two (2) amendments for Skanska 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 amendments as presented were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a3*.

## **Construction Award**

### **EL-0006-C01 - Elizabeth – Academic High School – New Construction**

Ms. Hassett reported that the Committee was provided with a construction contract award in the amount of \$42,977,770 to Patock Construction Co., Inc. (“Patock”) and a final charter for the Academic Magnet High School (“Academic”) project in the Elizabeth School District. Mr. Murphy provided the Members with an overview of the project. Mr. Larkins discussed the Members’ concerns with regard to

resetting the dollar values in the final charter for purposes of change orders/amendments that need to be presented to the Members. He said that, upon approval of the final charter for projects, it would essentially reset old contract values that previously had been set as related to the Operating Authority (“OA”). Mr. Larkins said that the construction price for Academic is competitive and a good price for the state. He said that the cost of the school per square foot is \$233; Mr. Minervini noted that past costs were in the \$300 per square foot range. Mr. Larkins said that next steps would include a constructability review and ultimately getting shovels in the ground. Mr. Minervini outlined the project’s timeline and said that the project’s year of completion is 2016 with the school’s opening anticipated for September 2016.

A resolution pertaining to the construction contract award to Patock and final charter had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Ms. Hassett, with Mr. Capelli abstaining, the construction contract award and final charter were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6bi*.

**Delegated Authority Award: EL – 0006-M02 – Elizabeth – Academic HS – Construction Management (*Informational Memorandum*)**

Ms. Hassett then discussed an informational memorandum that had been previously provided to the Members for review regarding a delegated authority award for construction management of the Academic Magnet High School (“Academic”) project in the Elizabeth School District. The award in the amount of \$2,138,900 was approved for Greyhawk North America, LLC. (“Greyhawk”). Mr. Minervini gave a brief overview of the project.

## **Proposed Readoption of Regulations – N.J.A.C. 19:38B Procedures for Price and Other Factors Procurement of Construction Contracts for New School Facilities**

Lastly, Ms. Hassett reported that the Committee discussed a proposal for the Readoption of Regulations – N.J.A.C. 19:38B Procedures for Price and Other Factors Procurement of Construction Contracts (“Rules”) for new school facilities. She noted that SDA staff informed the Committee that the process outlined in the proposed rules is working well to date pursuant to last year’s promulgation of these rules through a special rule adoption. Ms. Hassett noted that SDA staff will receive public comments regarding the proposal during the sixty (60) day comment period to be provided and will report back to the Committee with any updates.

A resolution pertaining to the Rules had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Nixon, the Rules were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6d*.

### **Reports**

Referencing the project closeout report that had been provided to the Members in advance of the meeting, Ms. Hassett reported that Mr. Ballard had provided the Committee with a brief update regarding the status of project closeouts. Mr. Ballard reported that the SDA recently closed out Public School #3 (“PS#3”) in the West New York School District, giving the SDA an insurance cost savings of \$3,580. He said that, to date, the Authority’s total reduced insurance liability is \$102,000, which will translate to about \$140,000 of insurance savings to the SDA going forward in 2013.

Mr. Ballard then reported that, in reference to the Health & Safety Design Contracts, thirty-six (36) have been closed, which will essentially de-obligate \$527,000 which can go back into the school facilities program for other work. He reported that SDA staff is diligently working with DCA to closeout pre-existing health & safety construction contracts anticipated for closure by the end of the first quarter in 2013.

Next, Mr. Ballard reported that, with regard to the demonstration projects, a project in the Vineland School District will be the first project with respect to which the SDA will attempt to institute the shared savings policy.

Lastly, Mr. Ballard reported that, from a cost recovery perspective, there are tentatively two (2) settlements regarding two (2) schools that will be discussed with the Members moving forward. He said that the potential cost recovery is in the amount of approximately \$200,000 that will go back into the school facilities program.

### *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.

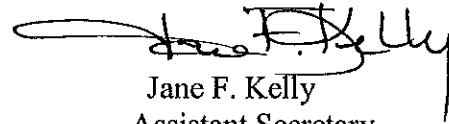
Debra Coyle of the New Jersey Work Environment Council asked if there was information being put out about schools and emergent projects in response to Superstorm Sandy. She asked if there were precautions in place as students and staff return to schools. Mr. Larkins said that he hesitated to answer as he was not sure what "precautions" Ms. Coyle was referencing. He advised that the SDA is not set up be an emergency response organization for the districts. He added that, technically, the law doesn't allow the SDA to utilize funding for emergency projects. He explained that each

individual school district is responsible for handling and stabilizing emergency situations. He said that when a situation like the Hurricane occurs the SDA will gather all possible resources it can to try to make sure first, that everyone is safe and second, that the buildings are still adequate for students to occupy. He said that the SDA is working with the DOE to determine which school districts have been hit the hardest and will provide whatever support is possible. He advised that there is not yet a clear picture of how individual districts have been impacted. He noted that this information will come from the DOE. Mr. Larkins said that people are working very hard to assess the situation and he doesn't believe that any student will be allowed to enter a school that is considered unsafe. Mr. Larkins stressed that the SDA does not make that determination, rather, there are other entities that determine if a building is safe or not. He said that, to date, he hasn't received any notice of damage at any current emergent project site.

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



Jane F. Kelly  
Assistant Secretary