

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

WEDNESDAY, DECEMBER 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, December 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
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
James Petrino (Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Mr. Vargas, Mr. Maloney, Mr. Piaia, 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; Corrado Minervini, director; and Sean Murphy, director, of the SDA

participated in the meeting. Brett Tanzman 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. Singleton, assistant to the assistant secretary, read the requisite notice of the meeting. Ms. Singleton 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 November 7, 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. McNamara, and seconded by Ms. Hassett, with Mr. Luckie abstaining, the November 7, 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 reminded the Members that the Oliver Street Elementary School ("Oliver Street") project in the Newark School District was advertised on November 29 and that all proposals are due on January 23, 2013, with a few weeks turnaround for bid opening. He noted that the project is a design/build project. Mr. Larkins thanked SDA director Ritchard Sherman and his Design Studio staff for their hard work in this effort.

Next, Mr. Larkins reported that the SDA is anticipating advertisement in December for a design/build project for the Elliott Street Elementary School (“Elliott Street project”) in the Newark School District. He noted that this is a replacement school for a school that was struck by lightning and burned down. Mr. Larkins noted that he would further update the Members regarding a litigation matter pertaining to the Elliott Street project as the meeting moves into this morning’s Executive Session.

Next, Mr. Larkins reported that the SDA is looking to advance the Paterson Marshall & Hazel Elementary School project (“Marshall”), which is a traditional design-bid-build school. He said that the project schedule had been impacted as the result of the recent SuperStorm Sandy (“the Storm”), noting that the schedule may be pushed back to the early part of 2013.

In continuing, Mr. Larkins reported that proposals for the Phillipsburg High School project (“Phillipsburg project”) are due on December 13. He said that, at the request of interested contractors, the submission schedule was pushed back one (1) week.

Mr. Larkins then reported that the SDA is anticipating receipt of proposals for the design/build project for the New Henry Street Elementary School project (“Henry Street project”) in the Passaic School District. He said that this is for construction of a replacement school.

Next, Mr. Larkins provided the Members with an update regarding the Authority’s procurements. He reported that the SDA has been active this year with procurements for the Capital Program and will continue to be active into the first half of 2013. Mr. Larkins said that the SDA advertised for the design consultant architects pool

in order to advance the emergent projects and other capital improvement projects across the Authority. He said that the architect pool should be in place the early part of 2013.

Mr. Larkins next reported that SDA staff attended a couple of business community events. He said that SDA attended a regularly scheduled meeting with the Association of School Business Officials (“ASBO”) on November 16; and last week SDA staff presented projected activity for 2013 at the Construction Forecast seminar hosted annually by the Alliance for Action. Mr. Larkins reported that, at both events, the SDA received unsolicited positive feedback regarding the work of the Authority.

Next, Mr. Larkins reported that SDA participated in the Governor’s Season of Service event at the Lowes Store in Howell, New Jersey. He said that the event involved a partnership between Lowes and Boston Market to distribute food items to those in need due to Super Storm Sandy.

Lastly, Mr. Larkins reported that the SDA is proud to present the 2013 SDA Budget in today’s meeting. He said that the budget will put the Authority on a path to more accurately report expenses in terms of what it actually costs to run the organization and to advance its projects.

Chairman’s Report

Mr. Walsh asked that SDA staff develop an overall summary of the Capital Projects from the original list, along with the projects that were added and provide the Members with a status update of where the projects are on the list and where the projects potentially will be in 2013. He said that he is interested in the volume of all of the projects and noted that there should be dollar amounts included so that the Members know the total project costs versus where the SDA is with overhead. Mr. Walsh

suggested that the report be provided to the Members in January 2013 and again mid-way through the year. He said that the reporting mechanism can be further discussed at the December SRC meeting. Ms. Hassett added that there is a paragraph in the 2013 Budget memorandum that summarizes the breadth of the portfolio and noted that the paragraph was very helpful.

Audit Committee Report

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Members that the Committee met on November 19, 2012. He said that, as part of the October 2012 New Funding Allocation and Capital Program update, management had reported a \$400,000 increase in commitments in the Unforeseen Events Reserve. He noted that there was no change in the Planning Reserve. He reported a \$300,000 decrease in commitments in the 2008 Capital Plan Emergent Projects Reserve (“CPEPR”) and a \$100,000 increase in commitments in the 2011 CPEPR. He informed the Members that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$2.1 million due entirely to a reduction in state share for projects nearing completion. He also reported that there were no additional grants offered in the current reporting period.

Mr. Nixon then provided the status of audit reports. He said that management had advised the Committee that staff is currently analyzing results of a survey regarding the use of Primavera prior to beginning a Compliance Review of Primavera. He reported that staff had presented the results of the Prompt Payment Audit which indicated a very low probability of Prompt Payment penalty exposure for the Authority. He noted that the

excellent results were related to management's establishment of a Centralized Payment Unit ("CPU") which has increased efficiencies.

Mr. Nixon then presented the 2013 Operating Budget ("Budget") that had been provided to the Members in advance of the meeting. He noted that the Budget had been discussed in detail at the Committee's October and November meetings and at the November 7 Board Meeting. He reported that the Audit Committee had unanimously agreed to advance the Budget to the full Board with a recommendation for approval. Mr. Larkins provided additional details regarding the Authority's operating expenses. Mr. Vargas asked Mr. Larkins to address the fact that merit raises, salary and/or cost of living increases for staff do not appear in the Budget. Mr. Larkins explained that across the State increases have been flat. He advised that for approximately the last five (5) years, SDA employees have had no salary increases. He further explained that, in addition to no increases in salary, SDA employees have been asked to contribute more to health care costs and, to a large extent, to pay for their parking which was previously covered by the state. Mr. Larkins spoke about the dedication of the Authority's employees who are being asked to do more for less pay adding that he is hopeful that eventually the employees will be rewarded and compensated for their hard work. There ensued a brief discussion regarding the reporting of expenses exclusive and inclusive of costs charged to school facilities projects. Ms. Hassett praised staff for providing a high level of detail in the Budget. She noted that the Budget marks the end of the PMF era and stated that the 2013 budget is the appropriate way to attribute and track costs. She further noted the longevity of many members of SDA staff and acknowledged their dedication in these challenging economic times. Mr. Walsh asked if there were any further questions or

comments regarding the Budget. Hearing none, Mr. Walsh called for a vote to approve the 2013 Operating Budget.

The resolution pertaining to the proposed 2013 Operating Budget had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon and seconded by Mr. McNamara, the resolution attached hereto as *Exhibit 5a*, was unanimously approved by the Board.

In continuing, Mr. Nixon then reported that management had provided the Committee with the October 2012 Monthly Financial Report. He said that, as of October 2012, the Authority's operating expenditures were at \$29.2 million, which is \$4.2 million lower than budget for the period and a \$2.3 million decrease from the corresponding period in the prior year. He advised the Board that school facilities project expenditures total \$149 million, which is \$7 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 said 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 \$29.2 million, approximately \$13.1 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 conclusion, Mr. Nixon reported that Ernst & Young ("E&Y") had discussed with the Committee the SDA 2012 Audit Plan ("Audit"). He advised that E&Y outlined areas of emphasis and the thought process utilized in development of the Audit. He said that E&Y discussed the financial reporting in accordance with the requirements of the

General Accounting Standards Board (“GASB”). He advised that the Committee met privately with E&Y at the conclusion of the meeting to discuss Authority matters in accordance with Executive Order 122.

School Review Committee Report

Change Orders/Amendments

Ernest Bock & Sons, Inc.

Mr. Walsh asked Ms. Hassett to provide the report of the School Review Committee (“SRC”). Ms. Hassett reported that the Committee met on November 19, 2012 and discussed various issues. She reported that the Committee was provided with a proposed change order (#109) for additional work in the amount of \$265,000 and also a resolving change order (#110) in the amount of \$127,425.58 for Ernest Bock & Sons, Inc. (“Bock”) for the Victor Mravlag Elementary School No. 21 project in the Elizabeth School District. A memorandum providing the background and details of the recommended change orders was provided to the Members in advance of the meeting. Ms. Hassett offered the Members an overview of the project and the issues involved.

Following discussion, a resolution for approval of Change Order #109 in the amount of \$265,000.00 and Resolving Change Order #110 in the amount of \$127,425.58 for Bock (Contract No. EL-0016-C03) for the Victor Mravlag Elementary School No. 21 in the Elizabeth School District had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Luckie, the change order and resolving change order were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a1*.

Delegation Authority Award

NT-0003-C02 - Phillipsburg – Phillipsburg High School – Construction of New High School

Ms. Hassett reported that the Committee was provided with a recommendation for approval of delegated authority for a construction award and final charter for the Phillipsburg High School (“Phillipsburg”) project in the Phillipsburg School District. She said that Mr. Larkins reported earlier in his CEO report that the technical proposals, which were previously due on December 6, have been granted an extension and are now due on December 13. He said that bids will be opened on December 20. Ms. Hassett explained that, in order to meet the timeframe for the construction schedule, the Members are being asked to delegate authority to Mr. Larkins (CEO), Ms. Hassett (SRC Acting Chair) and Mr. Walsh (Board Chairman) to approve the award provided it is within 110% of the cost construction estimate (“CCE”) of \$87 million. She noted that the final budget charter in the amount of \$134 million is also recommended for approval. Mr. Larkins said that prior to award a teleconference will be scheduled to advise the Members once the presumptive awardee is identified.

A resolution for the Phillipsburg project approving a delegation of authority to the Chief Executive Officer, the Chairman of the Board of Directors and the Acting Chair of the School Review Committee to award a contract consistent with the memorandum presented to the Board and approving a final charter had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Egan, the delegated authority and final charter were unanimously approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6bi*.

Approval of Award: PW1204 – Professional Staffing Services

Referencing the memorandum previously provided to the Board, Ms. Hassett then discussed the recommendation for approval of an award for professional staffing services. She explained that the proposed contract award includes seven (7) firms to assist the Authority with supplementary staffing needs. Ms. Hassett noted that the contract is for two (2) years with an option for the SDA to extend it for an additional year. She said that the compensation for the engagements will not exceed \$1.8 million in the aggregate for the initial two (2) year term and not exceed \$2.7 million if the option to extend for an additional year is exercised. Ms. Hassett noted the listing of the seven (7) firms in the memorandum.

A resolution pertaining to an approval of award for the recommended firms for professional staffing services had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Nixon, and seconded by Ms. Hassett, the award for professional staffing services was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6ci*.

Reports

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 Department of Transportation work has been completed with regard to the New Brunswick demonstration project. He said that the work was completed seven (7) to nine (9) days ahead of schedule and is anticipated to be advanced for final close out moving forward.

Ms. Hassett noted that the Committee also considered two litigation settlement items that will be discussed in Executive Session.

Public Comments

Mr. Walsh announced that the Public Comments portion of the meeting would begin. He then asked if there were any members of the public present who wished to address the Board.

Reverend Eddie Torres introduced himself as a resident of Camden, New Jersey. He said that he was glad that the Phillipsburg High School project was on today's agenda as it is a school that was the subject of litigation and, as a settlement, the school is now being built. He added that the Phillipsburg parents stood up and spoke about the building of that school and, as a result, the SDA is building that school. Mr. Larkins said that while he did not concur with Rev. Torres' characterization, he agreed that the Phillipsburg parents were supportive of a high school and that the Phillipsburg School is being advanced. Rev. Torres said that he found this ironic because he is addressing the Members today about the Lanning Square ("LSS") replacement school in Camden. He advised the Members that he had attended the Camden School Board meeting held last week and wanted to report to the SDA Board with regards to the Urban Hope Act ("UHA") in his community. He said that Camden appears to be the only city getting UHA Schools. He described what he believed to be a conflict of interest on the part of one board member who abstained from voting on UHA matters until the recent vote on the Knowledge Is Power Program ("KIPP") project. He reported that the KIPP project was a project which involved building five (5) schools. He said that the KIPP project mirrored Camden's proposal to the Authority when money was available but which was

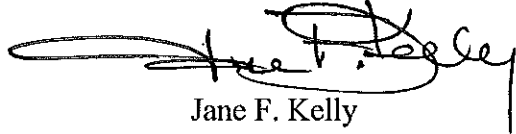
rejected because of cost. He asked if the SDA has received any litigation or attorney information from concerned parents that are suing with regard to the LSS project and stated that he is currently pursuing a \$10 million lawsuit with the Board of Education, the Attorney General, the Mayor of Camden and the Camden School Board because they stopped democracy in the city of Camden. He opined that if the public does not vote for the members of the school board, the public has no say and no democracy. He said that Camden is fighting for the LSS project as it was the first school on the list. He accused the SDA of holding the Camden community hostage. Rev. Torres said that he is Puerto Rican and provided some background regarding his family's history in the community, noting that his mother had worked at LSS until it was shut down. He stated that this is a textbook gentrification plan for how to destroy a community. Rev. Torres then discussed individuals and political influences that were destroying the community by having the school declared unsafe and not replacing it, adding that without a school in an area no one puts investment dollars in that area and people begin to live like rats. He said that the streets have become unsafe and this has caused a mass exodus from the Lanning Square area. Rev. Torres then stated that Cooper Hospital is buying up the now depressed property in the area.

Rev. Torres said that the SDA has held his community hostage by not building the replacement school. He said that Camden sued for \$6 billion dollars and not one shovel was put in the ground before all that money was spent. He said that the Governor took the LSS off the list and the SDA killed the community. He then said that, with regard to the flawed process on the UHA, he had spoken to the aforementioned board member at the last school board meeting regarding her abstention. He said that her abstention put

KIPP into a deadlock with a four (4) to four (4) vote. He then explained that in order to bring that proposal back to the board all the proposals that were rejected should be brought back, not just the one. He said that he thinks there was some sort of payoff because those board members who voted it down changed their vote completely and it passed unanimously. Mr. Walsh asked Rev. Torres what he hoped to accomplish by addressing the Members today. Rev. Torres said he would like to have a meeting with the SDA before he files his lawsuit. In conclusion, he stated that the affirmative vote on KIPP at the last school board meeting cannot happen because the whole process is flawed.

Mr. Walsh thanked Rev. Torres for his remarks and asked if there were any other members of the public present who wished to address the Board. Hearing none, upon motion and with unanimous consent, the meeting was adjourned to executive session.

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 December 5, 2012 meeting.



Jane F. Kelly
Assistant Secretary