

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

WEDNESDAY, APRIL 3, 2013

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, April 3, 2013 at 9:00 AM at the offices of the Authority at One West State Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman

Kevin Luckie (NJDOE)

Jennifer D’Autrechy (Treasury)

Bernard Piaia (NJDOE)

Michael Capelli

Kevin Egan

Karim Hutson

Loren Lemelle

Lester Lewis-Powder

Robert Nixon

Martin Perez

Mario Vargas

being a quorum of the Board. Mr. Egan, Mr. Hutson, Mr. Lewis-Powder, Mr. Perez, Mr. Capelli and Mr. Piaia 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 and assistant secretary; Andrew Yosha, vice president; Donald Guarriello, vice president and chief financial officer; Albert Barnes, acting chief counsel; Manuel Da Silva, program director; Gregory Voronov, program director; James Adams, 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 Open and Executive Session meetings of the Board held March 6, 2013 for consideration and approval. A copy of the minutes and resolutions presented had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Vargas, and seconded by Mr. Luckie, the Open and Executive Session meeting minutes were approved by the Board upon its vote in favor of the resolutions attached hereto as *Exhibit 3a & 3b*.

Authority Matters

CEO Report

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. With regard to SDA events, Mr. Larkins reported that staff met with the Building Contractors Association of New Jersey (BCANJ) on March 15. He said that this meeting provides a good forum for receiving feedback from the contractor community regarding how the SDA is doing and for answering questions regarding new processes and procedures. Mr. Larkins also reported that, on March 21, SDA staff attended a groundbreaking ceremony for the Redshaw Elementary School (Redshaw) in the New Brunswick School District. He said that it was a very exciting event and well

attended. Mr. Vargas also attended the event and shared with the Members his observations of the excitement of the children that were in attendance.

Next, Mr. Larkins reported that the SDA has been asked to appear at the Assembly Budget Hearing on April 11. He added that, on April 16, the SDA will celebrate another graduation event for its third session of training for Small Minority and Women Owned Business Enterprises (SMWBE).

In continuing, Mr. Larkins noted that there are a number of awards on the Board agenda today with regard to Capital and emergent projects.

With regard to Capital projects, Mr. Larkins reported that the SDA continues to receive positive interest in its advertisements and he listed three (3) pre-bid conferences that recently have been held at the SDA with regard to elementary school projects. He noted that two (2) were for the Jersey City School District and one (1) was for the Paterson School District. Mr. Larkins informed the Members that, for each project, there were more than ten (10) contractors attending the pre-bid conference suggesting that the SDA will receive competitive bids for those projects. He said that he will update the Members as to the outcome of the bid process.

Mr. Larkins then noted that the Authority's 2012 Financial Statements and 2012 Annual Report are on today's agenda. He provided the Members with a few highlights from the Annual Report. Mr. Larkins said that the West New York High School (WNY) in the WNY School District has been completed and that the SDA had purchased the old St. Joseph's Catholic High School in WNY, which is providing additional capacity. He also reported that he has attended a number of ribbon cutting ceremonies. With regard to emergent projects, Mr. Larkins reported that the SDA had announced the terms of the program last spring. He said that, at the time, seventy-six (76) approved projects had been announced, but this list was later pared down to

sixty-eight (68) projects. Of the 68, Mr. Larkins reported that thirty-seven (37) projects were delegated back to the school districts, which leaves a little over thirty (30) emergent projects for the SDA to manage. He noted that four (4) of those projects are currently in construction phase and a number of them are moving through the procurement process. Mr. Larkins said that several of those procurement projects are on today's Board agenda. Mr. Larkins then reported that, last year, the SDA executed a number of Regular Operating District (ROD) grants and that the active portfolio is over 1,000 ROD grants representing hundreds of millions of dollars in school improvements. He said that this is inclusive of both State aid and local share. In terms of cost recovery efforts, Mr. Larkins reported that over \$4 million was recouped by the SDA for errors and omissions and through rebate programs.

A resolution pertaining to the approval of the 2012 Annual Report had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the 2012 Annual Report was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 4ai*.

Chairman's Report

Mr. Walsh encouraged the Members to review the Annual Report and noted that there is a lot of good information in the report. He commended Mr. Larkins on the great job that he is doing at the SDA. Mr. Walsh informed the Members that he and Mr. Larkins continue to have discussions regarding advancing more work. He said that it is his belief that more information will follow as to ways that the SDA can get more work out. Mr. Walsh invited the Members to email him if they have any suggestions on improving the process.

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the Board with the report of the Audit Committee. Mr. Nixon advised the Members that the Audit Committee met on March 18, 2013. He said that management had provided the Committee with the February 2013 New Funding Allocation and Capital Plan Update. He said that management reported a \$100,000 decrease in the Unforeseen Events Reserve balance and an increase of \$5.3 million in the Planning Reserve balance. He reported that there was no change in the 2008 Capital Plan Emergent Projects Reserve balance and noted a \$700,000 decrease in the 2011 Capital Plan Emergent Projects Reserve balance. Mr. Nixon advised that the reserve balance for the Regular Operating Districts ("RODs") decreased by \$5 million.

Mr. Nixon then reported that Ernst & Young (E&Y) had presented the Authority's 2012 Financial Statements (Financial Statements) to the Committee. He said that the auditor's report expressed an unqualified opinion that the financial statements present fairly, in all material respects, the financial position of the Authority consistent with generally accepted accounting principles. He advised that E&Y presented their 2012 audit results and required communications which noted that E&Y in-house actuaries are in agreement with the assumptions made in the Authority's report. He said that E&Y also provided an overview of its Management Letter noting that no issues rose to the level of deficiencies. Mr. Nixon then informed the Members that following the regular Audit Committee meeting the Committee met without management present for a discussion with E&Y. Mr. Nixon invited Mr. Guarriello and E&Y to address any questions the Members might have regarding the Financial Statements. Mr. Guarriello introduced Amy Wong of E&Y and indicated that he and Ms. Wong were available for questions or discussion. Mr. Nixon then suggested that the Members approve the 2012 Financial

Statements. Mr. Walsh asked if there were any further questions on the Financial Statements. There were none.

A resolution pertaining to the 2012 Financial Statements had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie and seconded by Ms. Lemelle, the 2012 Financial Statements were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 5a*.

Mr. Nixon then reported that management had advised the Committee that the Audit Recommendations Progress matrix has now been revised to track and report progress on a “recommendation basis” rather than on an “audit basis”. He explained that this change will eliminate multiple reporting of duplicate and/or similar recommendations. He then reported that management had discussed with the Committee four (4) completed recommendations. He said that the four are SDA Owned Real Estate; SDA Central File Project – Phase One; SDA Process for Review/Analysis of Design Consultants (DC) Allowance Balances and SDA Process for Review of Tax Payments and Appeals related to SDA Real Estate.

In continuing, Mr. Nixon said that Management provided the program assessment and development audit of the Dayton Avenue Campus in the Passaic School district. Mr. Nixon then outlined the key points of the Dayton Avenue Campus Audit (“Audit”). He said that the Audit was conducted as a statutorily mandated audit with the objective to ensure that State funds were appropriately expended. He explained that the Audit spanned an eleven (11) year period encompassing many starts and stops. He advised that the majority of the funds were expended on the purchase of a hospital and acreage, noting that the original “campus” plan was to build three (3) schools and administrative space. He said that the campus project encountered adverse environmental conditions and other issues which included the district’s revamping of their Long

Range Facility Plan (LRFP). Mr. Nixon advised that the Audit will be the foundation report as Audit number 1 of possibly three (3) new projects in Passaic. He stated that the Passaic Dayton Avenue Campus Elementary School is identified as a project on the 2012 Capital Portfolio Plan. Mr. Nixon provided additional details regarding the Audit, noting that the Audit had concluded that State funds were spent according to the policies that were then in place and within the legal confines of the SDA. He advised that the Committee had concluded that the adverse issues presented in the Audit could not happen again given the Authority's current policies and procedures. Mr. Vargas asked what the costs were to-date. Mr. Ballard said that the costs are approximately \$42 million, noting that the purchase of the hospital alone was \$28 million. Mr. Nixon stressed that the cost will be divided among the three (3) projected school projects. He added that the cost of the hospital and acreage was competitive given the real estate climate at the time of purchase.

Mr. Nixon then reported that the Committee was provided with the February 2013 Monthly Financial Report with management advising that, as of February 2013, the Authority's operating expenditures totaled \$5.1 million which is \$668,000 lower than budget for the period. He said that this is a \$190,000 decrease from the corresponding period in the prior year. Mr. Nixon added that, as of February 2013 year to date, project expenditures, at \$26 million, are down \$1.7 million as compared to corresponding prior year; and down \$14.9 million in comparison to the 2013 Capital spending forecast. He said that the year-over-year variance is attributable to a decrease in grant activity (\$9.1 million), offset by increases in construction (\$5 million) and personnel expenses from the operating expenses. Mr. Nixon reported that, since inception, 66.4% of the funds authorized for the SDA Districts have been disbursed. He advised that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program

administrative and general expenses. In conclusion, Mr. Nixon said that the estimated value of current school facilities project activity is approximately \$2.2 billion.

School Review Committee Report

Design-Build Award and Approval of Final Project Charter – Newark School District – Elliott Street Elementary School; Release of Funds From Program Reserve, Award of Contract and Approval of Final Charter – Trenton Public Schools – Trenton Central High School West Campus– Emergent Project – Replacement of Condensate System; Release of Funds From Program Reserve, Award of Contract and Approval of Final Charter – Passaic City Public School District – Wm. B. Cruise Memorial School #11 – Emergent Project – Masonry Repairs and Lintel Replacement; Release of Funds From Program Reserve – Millville School District – Holly Heights Elementary School – Emergent Project – Roof Replacement; Construction Award – Newark School District – Oliver Street Elementary School – Construction Management Award – Approval of Revised Final Project Charter; Award of Construction Contract and Approval of Final Project Charter – Phillipsburg School District – Phillipsburg High School – Construction of New School

Mr. Luckie advised the Members that the School Review Committee met on March 18, 2013 and discussed various issues. He reported that the Committee recommends that the Board approve a final project charter and award of a design/build contract to Hall Construction Company, Inc. in the amount of \$37,937,000 for Design-Build services for the New Elliott Street Elementary School in the Newark Public School District. Mr. Luckie noted that the Elliott Street School is a 2012 Capital Plan project designed to educate 848 students in grades Pre-K through Eighth. Mr. Murphy provided an overview of the award. In response to Member questions, Mr. Adams also provided background information regarding the project.

A resolution pertaining to the design-build award and final project charter for the Elliott Street project had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the design-build award

to Hall Construction and the final project charter were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6ai*.

Mr. Luckie then presented a memorandum regarding the release of funds from the program reserve, contract award and approval of the final charter for Trenton Central High School West Campus (TCHSWC) in the Trenton School District for a condensate system replacement emergent project. He reported that the Members are requested to approve the award of a construction contract in the amount of \$1,325,000 to Kappa Construction Corporation (Kappa Construction); the release of \$1,878,853 from the Program Reserve to address the emergent project; and the final charter for the condensate system replacement emergent project. Mr. Murphy provided the Members with an overview of the project. Mr. Walsh requested that the School Review Committee (SRC) be briefed at the April SRC meeting as to why only two (2) bidders of the five (5) who had attended the pre-bid conference submitted bids. He asked that staff obtain and share any comments that were made by the three (3) contractors who decided not to submit bids.

A resolution pertaining to the release of funds from the program reserve, contract award to Kappa Construction and final charter for TCHSWC in the Trenton School District for a condensate system replacement emergent project had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Lemelle, the award, final charter and release of funds were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6aii*.

Mr. Luckie then presented a memorandum regarding the release of funds from the program reserve, contract award and the final charter for Wm. B. Cruise Memorial School #11 (Wm. B. Cruise) in the Passaic City School District for a masonry repairs and lintel replacement

emergent project. He noted that the Wm. B. Cruise School educates 1,200 students in grades 1 through 5. He said that the project is advancing following site visits by SDA and DOE and DOE's issuance of a pre-construction approval for an emergent project to address conditions related to the masonry and lintels at the facility. Mr. Murphy provided the Members with an overview of the project.

A resolution pertaining to the release of funds from the program reserve, contract award to Circle A Construction and approval of the final charter for Wm. B. Cruise in the Passaic City School District for a masonry repairs and lintel replacement emergent project had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Perez, and seconded by Mr. Vargas, the award, final charter and release of funds were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6a*.

Mr. Luckie then presented a memorandum regarding the release of funds from the program reserve for the Holly Heights Elementary School (Holly Heights) in the Millville School District for a roof replacement emergent project. He said that the Committee recommends that the Board approve the release of \$750,000 from the program reserve for the emergent roof replacement project at the Holly Heights School, which is a 93,179 square foot facility that educates 534 students in grades K through 5th. Mr. Luckie said that the project is advancing following SDA and DOE site visits and the issuance of a Pre-Construction approval by DOE for an emergent project to address conditions related to the partially failing roof system. Mr. Voronov provided the Members with additional details regarding the project.

A resolution pertaining to the release of funds from the program reserve for Holly Heights Elementary School in the Millville School District for a roof replacement emergent project had been provided to the Members in advance of the meeting. Following discussion,

upon a motion by Mr. Nixon, and seconded by Mr. Vargas, the release of funds from the program reserve was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6aiv*.

Mr. Luckie then presented a memorandum regarding a construction management award and revised final project charter for the Oliver Street Elementary School (Oliver Street) in the Newark School District. He reported that the Committee recommends that the Board approve the award of a contract to Gilbane Building Co. in the amount of \$1,207,951 for Construction Management (CM) Services. He also asked for Board approval of an increase to the Final Project Charter in the amount of \$234,246 to reflect the actual dollar value for the award of the CM contract and appropriate contingency. Mr. Luckie said that the contract is for services to manage the design-build construction of the new Oliver Street Elementary School in the Newark School District. Mr. Luckie noted that the Oliver Street project is advancing as part of the 2011 Capital Plan. Mr. Murphy provided the Members with an overview of the project, noting that the project was advertised as a price and other factors project.

A resolution pertaining to the construction management award and revised final project charter for Oliver Street had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Mr. Nixon, the award, revised final charter and release of funds were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6bi*.

Mr. Luckie then presented a memorandum regarding a construction contract award and final project charter for the new Phillipsburg High School (Phillipsburg) project in the Phillipsburg School District. Mr. Larkins provided the Members with an overview of the project and some background regarding the procurement process and a discussion ensued.

A resolution pertaining to the construction contract award and approval of final project charter for Phillipsburg had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. D'Autrechy, the contract award and final project charter were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6bii*.

Reports

Mr. Walsh referenced the monthly reports and asked Mr. Ballard to update the Members regarding Project Closeouts. Mr. Ballard informed the Members that SDA staff has continued to advance the Trenton and Vineland projects. He said that there should be a resolution to the two (2) projects in the coming weeks and that they likely will be closed out by June. Mr. Ballard also reported that three (3) Capital projects either have been transferred or closed this past month. He said that staff work is ongoing.

Public Comments

Mr. Walsh announced that, consistent with the Open Public Meetings Act, the Public Comments portion of the meeting would begin. He requested, whenever possible, that multiple individuals from the same organization or district come up together to offer comments. He advised that the public comment period is to afford citizens the opportunity to comment on matters pertinent to the Authority's business. He requested that those speaking hold their comments to between three (3) and five (5) minutes.

Referencing a list of those who had indicated an interest in providing public comment, Mr. Walsh then invited Mr. John Rodden to address the Board. Mr. Rodden introduced himself to the Members as the President of the Gloucester City Education Association. He reminded the Board that he also had addressed them at their Board meeting held March 6. He said that he was

present to discuss the Gloucester City MS project, a project that is ten years in the making. He thanked the Board for SDA's responsiveness following his appearance last month, noting that a meeting has since taken place which was very encouraging. He said that it is his understanding that the project has a January 2015 start date and a March 2017 completion date. He noted that dates have fallen by the wayside in the past and asked for assurances that this would not happen here. He said that his members are resolved to seeing this project through to the end and will attend SDA meetings regularly in order to relay timely information to the community and voice concerns going forward. He said that community meetings are being planned for late April/early May and he invited the SDA to participate in these meetings. He said that he would like to connect the SDA directly with the Gloucester City Community. Mr. Rodden said that he will be reaching out to see if the SDA can attend the community meetings to provide an update. He closed by again thanking the Members and expressed the hope that all parties are on the same page.

At the Chairman's request, Marie Blistan approached the podium and addressed the Board. Ms. Blistan introduced herself as a representative of the NJEA and the Healthy Schools Coalition. She said that she has three questions for the Board based on the materials distributed last month. She first thanked the Board for efforts in Gloucester City. She then asked for an update relative to the materials distributed last month, i.e. the status of those projects. Mr. Larkins replied that the Public Comment Period is to afford the public an opportunity to share their concerns with the Members. He said that it is not the forum for an exchange on particular issues and that he hesitated to get into a "back and forth" conversation. Rather, he invited Ms. Blistan to remain until after the meeting or to contact SDA to meet and discuss particular issues of concern. Ms. Blistan referenced Trenton Central High School, noting that it was on the

agenda and reminded the Members of the discussion of that facility last month. Mr. Walsh said meetings regarding TCHS are in process and are ongoing. Ms. Blistan then referenced issues in Irvington and also indicated that she did not understand what had been said earlier in the meeting regarding the Irvington Union School. Mr. Larkins reiterated a willingness to discuss with Ms. Blistan any issues regarding particular projects following the Board meeting or at a future scheduled meeting. Ms. Blistan then asked if any site visits had been conducted following the meeting last month. Mr. Walsh said that he is working on the site visit issue.

Mr. Walsh then asked Moriah Kinberg to address the Board. Ms. Kinberg advised the Board that she represents the Work Environment Council and serves as the coordinator for the Healthy Schools Coalition. She reminded the Board that representatives from a number of districts had addressed the Board last month at which time they had described conditions in the Trenton Central High School (TCHS) facility and other facilities. She said that she had recently attended a TCHS Facility Advisory Board meeting and was advised that SDA has been meeting with that group. She said that the timelines that have been discussed appear to be rather long given the nature of the facility needs, especially the leaky roof. She noted that the other districts represented at the March SDA Board meeting had also commented on the conditions at TCHS and stressed that this is a facility that needs attention. Ms. Kinberg also repeated in some detail the concerns that had been expressed by representatives of the cities of Paterson, Camden and Orange at the March meeting and referenced issues that exist in Irvington and Jersey City as well. Ms. Kinberg asked for a response to these issues. Mr. Larkins stressed that the Authority would like to be open and transparent and repeated his suggestion, as made to previous speakers, that Ms. Kinberg remain to speak with him after the meeting about particular projects and issues or contact SDA and schedule a meeting to discuss these concerns. Ms. Kinberg said that a

meeting request has been submitted to the Authority and that she is awaiting dates. Ms. Kinberg then reiterated issues that had been raised regarding Newark facilities at the March meeting as well as comments made by Trenton resident Denise Millington. Mr. Walsh asked Ms. Kinberg to summarize for him the information she has provided and to email it to him. Ms. Kinberg said that she would do so but that the information was largely taken from notes that the Members have.

Mr. Walsh then asked Elizabeth Smith to address the Board. Ms. Smith said that she is Executive Director of the Statewide Education Organizing Committee, the organized public school parents for Jersey City, Asbury Park, Newark and Elizabeth, and a member of the Healthy Schools Coalition. She said that she would not repeat the statements offered by previous speakers. However, she asked if there is a mechanism to expedite projects that impact the health and well-being of students, staff and others. She said that she recognizes that there are constraints that impact the Authority but questioned whether there can be more efficient advancement of the projects working within those constraints. Mr. Walsh stressed that this is being attended to and efforts continually are being made by the Authority to advance the projects. Ms. Smith also asked that direct communication with the communities be improved and suggested, for example, the establishment of website updates that can be easily understood by a layperson. She expressed her appreciation for the opportunity to address the Board.

Mr. Walsh then asked Deborah Cornavaca to address the Board. She said that she also had addressed the Board in March. She outlined her experience serving as a member of several Boards and indicated that she understands the parameters applicable thereto. She stressed the need for the Board to exercise its oversight role when things are not functioning and “business as usual” is not sufficient. She said that she recognizes the reorganizational efforts that have been

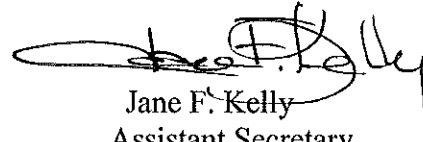
undertaken at SDA but opined that they are not translating into work “on the ground”. She said that something different is needed and stressed that community members want to work with SDA in this process. She said that in this way the communities may become assets or allies of the SDA. She said that a choice can be made as to whether to be allies or adversaries, noting that the latter relationship is how the communities sometimes feel when meeting with SDA. She said that the communities need the ability to understand the issues that are impeding the SDA’s ability to advance projects (be they legislative, regulatory, gubernatorial, statutory or otherwise) so that they can be addressed. She said that if this cannot be done by those currently involved, other people should step in to fix the unacceptable conditions that exist.

Mr. Walsh then asked for a motion to adjourn into Executive Session to discuss a proposed settlement of claims filed by Hunt Construction Co., Inc. Upon motion duly made by Mr. Luckie and seconded by Mr. Nixon, the Board adjourned into Executive Session.

Following discussion in Executive Session, the Board returned to Open Session. Upon motion duly made by Ms. Lemelle, and seconded by Mr. Luckie, the Board approved the proposed settlement of claims submitted by Hunt Construction Group, Inc upon its unanimous vote in favor of the resolution attached hereto as *Exhibit A1*.

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion 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 April 3, 2013 meeting.



Jane F. Kelly
Assistant Secretary