

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

WEDNESDAY, NOVEMBER 6, 2013

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, November 6, 2013 at 9:00 AM 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)
Bernard Piaia/Frank LoDolce (NJDOE)
Michael Capelli
Kevin Egan
Loren Lemelle
Michael Maloney
Joseph McNamara
Robert Nixon

being a quorum of the Board. Ms. Lemelle, Mr. Piaia, Mr. LoDolce, Mr. Capelli, Mr. Egan and Mr. Maloney participated in the meeting via telephone conference. Mr. Piaia represented the Department of Education (DOE) Commissioner from commencement of the meeting until 9:30 AM. Mr. LoDolce then served as the DOE designee for the remainder of the meeting.

At Mr. Walsh’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; James

Adams, program director; Ritchard Sherman, director; Gregory Voronov, managing director; Cecelia Haney, senior counsel; Corrado Minervini, program director; Karon Simmonds, director and Jacqueline Howard, director, of the SDA participated in the meeting. Amy Herbold 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, who 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 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 for consideration and approval the Open Session Minutes of the October 2, 2013 Board Meeting. A copy of the minutes and a resolution 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 Session minutes of the October 2, 2013 meeting of the SDA Board of Directors were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a*.

Authority Matters

CEO Report

Mr. Walsh then asked Mr. Larkins to provide the Members with the report of the CEO. Mr. Larkins informed the Members and the public that the Authority is in the final stages of relocating its administrative offices from One West State Street to 32 East Front Street in

Trenton. He noted that today's meeting is the last meeting that will be held at One West State Street and that all future meetings will convene at 32 East Front Street.

In terms of public events, Mr. Larkins reported that, in October, Mr. Ballard represented the SDA at a well-attended public event in the Neptune School District. He reported that the district received Green Ribbon awards for the Midtown Community School and Summerfield Elementary School, signifying federal recognition of Neptune for its environmental commitment and efforts.

Next, Mr. Larkins reported that, to date, the SDA has awarded eleven (11) construction contracts from the 2012 Capital Program. He said that the Keansburg Joseph C. Caruso Elementary School project on today's meeting agenda brings that number to twelve (12). Mr. Larkins informed the Members that another design-build project in the Paterson School District is due to be presented to the Board in December.

Next, Mr. Larkins discussed a half dozen active construction projects that are moving along well. He said that the New Brunswick Redshaw Elementary School (Redshaw), and Long Branch Catrambone Elementary School (Catrambone) projects are expected to open in time for the next school year. He noted that Elizabeth New Academic High School (Academic) is moving along with foundations and footings and the Passaic City New Henry Street Elementary School (Henry Street), Newark Elliott Street Elementary School (Elliott Street) and Newark Oliver Street Elementary School (Oliver Street) projects are in the early phases of construction.

Next, he reported that the SDA is working to break ground in the next week or two on the Phillipsburg New High School (Phillipsburg) project and that the Paterson New Marshall Street Elementary School (Marshall Street) and Jersey City New PS #20 (PS No. 20) projects are moving into construction. Next, Mr. Larkins discussed the Authority's emergent projects. He

reported that several projects involving heating system work have been completed, and that a number of boiler replacement jobs were performed in the Newark School District as well as one in the Trenton district for Trenton Central High School West (TCHSW).

In terms of procurements, Mr. Larkins reported that the South Street project on today's agenda will advance an early site preparation package. He noted that this is a large award due to the enormous remediation effort involved. Mr. Larkins also reported that the SDA advertised for design services for the Millville High School project which recently received Board approval.

Finally, Mr. Larkins informed the Members that they will be asked to consider the SDA budget at the next Board meeting. He said that the Audit Committee will review the proposed budget this month and hopefully will present it for Board approval in December.

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on October 21, 2013. He said that management had provided the Committee with the September 2013 New Funding Allocation and Capital Plan Update. He advised that management had reported that there were no changes in any of the SDA district reserve balances for the reporting period. He added that the reserve balance for the Regular Operating Districts ("RODs") increased by \$100,000 during the reporting period.

Mr. Nixon next discussed the Audit Committee's recommendation for renewal of the Authority's Business & Real Estate Property & Casualty Insurance Program (Insurance Program) for a one year term at a cost not-to-exceed \$762,595. He explained that the renewal policies will be purchased pursuant to the third year of a three (3) year term for broker services with The Safeguard Group. Mr. Nixon asked Ms. Simmonds to address the Members regarding

the reductions in some of the line items contained in the Insurance Program renewal. Ms. Simmonds explained the basis for and reasons behind certain cost reductions as set forth in detail in the materials presented to the Board. She outlined credits that the SDA has received and noted an \$11 million decrease in property values resulting from the SDA's move from 1 West State Street to 32 East Front Street (Front Street) in Trenton. Lastly Ms. Simmonds noted that a decrease in the number of SDA owned properties has resulted in a cost avoidance of approximately \$42,000 annually. Mr. Walsh asked if this insurance covers school projects prior to their transfer to their districts. Ms. Simmonds answered in the affirmative. After discussion, Mr. Nixon asked if there were any further questions regarding the recommended renewal. Hearing none, Mr. Walsh called for a vote to approve renewal of the Authority's Business & Real Estate Property & Casualty Insurance Program for a one year term at a cost not-to-exceed \$762,595.

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

Mr. Nixon then reported that Management had shared with the Committee the results of two statutorily required audits involving Section 15 Grants and the processes and procedures followed in connection therewith. Mr. Nixon said that the audits looked at documentation supporting the execution of the grants and disbursement of funds. He said that the audits had determined that the state funds were expended in accordance with the grant agreement, applicable laws and regulations. He advised that no observations were noted.

In continuing, Mr. Nixon reported that Management had shared with the Committee the results of the Matrix East Front Street Operating Company, Inc., LLC (Matrix) – Common Area Maintenance (CAM) Fees Audit (the Audit). He noted that the Audit reviewed the validity of the 2012 CAM fees charged by Matrix to the SDA. He said that the Audit verified the accuracy and validity of the Landlord's spreadsheet formula and calculations. He advised that no observations were noted; however, he reminded the Members that during last year's audit report, the 4% figure used in calculating management fees was not specified in the original lease agreement. He said that this has been corrected in a newly negotiated lease agreement for the term December 2014 through December 2023, with the agreement stating that any management fees included in lessor's operating expenses shall not exceed 3% of the basic rent.

Next, Mr. Nixon advised the Board that the Committee was provided with the September 2013 Monthly Financial Report with Management advising that, as of September 2013, the Authority's operating expenditures totaled \$15.2 million which is \$536,000 lower than the operating budget for the corresponding period. He said that this is an \$11.2 million decrease from actual expenses for the corresponding period in the prior year. He reported that, as of September 2013, the year to date project expenditures are \$157.8 million, down \$36.2 million as compared to the 2013 Capital spending forecast for the corresponding period and \$23.8 million higher as compared to actual expenses in the corresponding prior year. He said that this is attributable to construction costs and personnel expense allocations to facilities project costs.

In conclusion, Mr. Nixon noted that, since inception, 67.2% of the funds authorized for the SDA Districts have been disbursed. He reported that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. In

conclusion, Mr. Nixon advised that the estimated value of current school facilities project activity is approximately \$2.2 billion.

School Review Committee Report

Change Orders/Amendments – 1) SSP Architectural Group, Inc.; 2) Approval of Early Site Package and Revised Preliminary Project Charter – South Street ES – Newark; 3) Design-Build Award and Approval of Final Project Charter – Joseph C. Caruso ES – Keansburg; 4) Construction Management Services - Buckshutem Rd. ES/Quarter Mile Lane ES – Bridgeton; 5) Dayton Avenue Educational Campus – Preliminary Project Charter – Passaic City; 6) Extension of State-Wide Property Management and Maintenance Services Contract (GP-0175-R01); 7) Final Adoption Without Change: Title 19, Chapter 38 – Procedures for Low-Bid Procurement of Construction Contracts for School Facilities Projects, N.J.A.C. 19:38; 8) Final Adoption Without Change: Title 19, Chapter 38A – Procedures for Prequalification of Contractors and Professional Services Consultants for the New Jersey Schools Construction Program, N.J.A.C. 19:38A.

The Chairman then requested that Mr. Luckie provide the report of the School Review Committee. Mr. Luckie advised the Members that the Committee met on October 21, 2013 and discussed various issues. He reported that the Committee recommends that the Board approve amendment No. 14 to SSP Architectural Group, Inc. in the amount of \$250,000 for the New PS No. 20 Elementary School (PS No. 20) in the Jersey City School District. Mr. Luckie explained that, when completed, PS No. 20 will be a 108,867 square foot facility designed to educate 628 students in grades K through 5. He said that the award for construction services and the project's final charter were approved by the Board in August 2013. Mr. Luckie said that this amendment is recommended by the Committee in order to increase the allowance for testing and inspection services required to meet Uniform Construction Code (UCC) requirements and to provide for timely support of construction progress. Mr. Minervini provided the Members with additional details regarding the project.

A resolution for the approval of amendment No. 14 to SSP Architectural Group, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon, and seconded by Mr. McNamara, the proposed amendment was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6a1**.

Next, Mr. Luckie presented the memorandum recommending approval of an early site package award and revised preliminary project charter for the South Street Elementary School (South Street) project in the Newark School District. He reported that the South Street project advanced as part of the SDA's 2012 Capital Program and is planned as an approximately 104,000 square foot facility for educating 640 students in grades Pre-K to 8. Mr. Luckie added that, upon the recommendation of management, the Committee is recommending Board approval of an early site package contract award in the amount of \$8,262,700 to the joint venture of USA Environmental Management, Inc. and Luzon, Inc. for the first phase of the project. He said that approval of the preliminary project charter (representing the current planned scope, schedule and budget for the project) is also recommended. Mr. Adams provided the Members with additional details regarding the project.

A resolution for approval of an early site package award and revised preliminary project charter for the South Street Elementary School project had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Hassett, the proposed early site package award and revised preliminary project charter were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6b**.

Next, Mr. Luckie presented the memorandum recommending approval of a design-build award and final project charter for the Joseph C. Caruso Elementary School (Caruso) project in

the Keansburg School District. Mr. Luckie informed the Members that, in March 2012, the Board approved the Caruso project to advance as part of the Authority's 2012 Capital Plan and that the project's preliminary project charter was approved in October 2012. He said that, when completed, the Caruso project will be a new approximately 122,000 square foot facility designed to educate 758 students in grades K through 4. Mr. Luckie further reported that, in June 2013, the SDA commenced a "price and other factors" procurement for design-build services. He noted that, at the conclusion of the procurement process, management and the Committee are recommending that the Board approve award of a contract for design-build services to Hall Construction Company, Inc. in the amount of \$34,333,000 as well as approval of the final project charter for the Caruso project. Mr. Adams provided additional details regarding the project. Mr. Larkins noted that there were a couple of submitted proposals that were rejected as non-responsive and that there has been at least one bid protest filed.

Following discussion, a resolution for approval of the proposed design-build award and final project charter for the Joseph C. Caruso Elementary School project had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Ms. Hassett, the proposed design-build award and final project charter were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6c**.

In continuing, Mr. Luckie discussed the proposed \$1,697,636 Construction Management Services award for the Buckshutem Rd. Elementary School/Quarter Mile Lane Elementary School (Buckshutem) projects in the Bridgeton School District. He reported that the proposed Bridgeton Buckshutem Road ES project will increase the capacity of the existing facility from 404 to 581 students in grades K-8 and the Quarter Mile Lane ES project will increase capacity

from 254 students in grades K through 8 to 731 students in grades Pre-Kindergarten through 8. Mr. Luckie noted that, in October 2013, the Board approved the final project charters as well as an award to Ernest Bock & Sons for design-build services for the projects. He informed the Members that, following a competitive price and other factors procurement process, management and the Committee now recommend the award of a contract for the projects' construction management services to the firm with the highest final combined score, STV Construction, Inc. for a total lump sum fee of \$1,697,636. Mr. Luckie said that funding for the engagement is available within the project budget approved by the Board in October 2013. Mr. Adams then provided additional details regarding the project.

A resolution for approval of a construction management services award for the Buckshutem Rd. Elementary School/Quarter Mile Lane Elementary School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Ms. Hassett, the proposed construction management services award was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6d.**

Next, Mr. Luckie presented a preliminary project charter for the Dayton Avenue Educational Campus (Dayton Avenue) in the Passaic City School District. He reported that the SDA's 2012 Capital Plan identified the Dayton Avenue project for advancement into pre-development. Mr. Luckie informed the Members that a working group comprised of the district, DOE and SDA reviewed the district's needs and determined that advancement of this project would address district-wide overcrowding in grades Pre K through 8. He said that the Committee recommends that the Board approve the preliminary project charter for the project and authorize

the advancement of in-house design activities and the procurement of necessary professional and construction services. Mr. Sherman then provided an overview of the project.

A resolution for approval of a preliminary project charter for the Dayton Avenue Educational Campus 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 proposed preliminary project charter was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6e**.

Mr. Luckie then presented a memorandum recommending approval of a contract for the Extension of State-Wide Property Management and Maintenance Services (Package No. GP-0175-R01). He explained that, in December 2011, the Board approved award of a contract between the SDA and Bluegrass Hydro-Seeding, LLC for property management and maintenance services for a two-year period with an SDA option to extend the agreement for one year (from January 28, 2014–January 28, 2015). Mr. Luckie said that, upon management’s recommendation, the Committee supports Board approval of the one-year contract extension for property management services for the lump sum amount of \$356,800 and for property maintenance services for the not to exceed amount of \$1 million. Ms. Howard then provided additional details regarding the project.

A resolution for approval of a contract for the Extension of State-Wide Property Management and Maintenance Services 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 proposed contract for the Extension of State-Wide Property Management and Maintenance Services was approved by the Board upon its vote in favor of the resolution attached hereto as **Exhibit 6f**.

Next, Mr. Larkins introduced two rules for final adoption. Specifically, presented for Board consideration for Final Adoption Without Change are: Title 19, Chapter 38 Procedures for Low-Bid Procurement of Construction Contracts For School Facilities Projects; and Title 19, Chapter 38A Procedures for Prequalification of Contractors and Professional Services Consultants for the New Jersey Schools Construction Program. Mr. Larkins said that these rules were not yet approved for advancement when the School Review Committee met in October and so were not formally presented to the Committee at that time. He explained that the rules are both final adoptions without change from the proposals originally approved by the Board. Ms. Haney noted that a sixty (60) day public comment period had been provided and that no questions or comments were received from the public. Mr. Luckie said that Management is seeking Board approval for final adoption of these rules without change.

A resolution for approval of a Final Adoption Without Change: Title 19, Chapter 38 Procedures for Low-Bid Procurement of Construction Contracts For School Facilities Projects, N.J.A.C. 19:38 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 proposed Final Adoption Without Change: Title 19, Chapter 38 was approved by the Board upon its vote in favor of the resolution attached hereto as **Exhibit 6g**.

In addition, a resolution for approval of a Final Adoption Without Change: Title 19, Chapter 38A Procedures for Prequalification of Contractors and Professional Services Consultants for the New Jersey Schools Construction Program, N.J.A.C. 19:38A had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Vargas, the proposed Final Adoption Without Change: Title

19, Chapter 38A was approved by the Board upon its vote in favor of the resolution attached hereto as **Exhibit 6h**.

Reports

At the Chairman's request, Mr. Ballard provided the Members with an update regarding the Project Closeout Report. He said that, in the past month, staff was successful in closing out two (2) Capital projects: Brackman Middle School (Brackman MS) and Elementary School No. 34 (ES No. 34) in the Jersey City School District. Mr. Ballard also reported that staff was successful in closing out the Camden High School Cooling Tower project.

In continuing, Mr. Ballard reported that SDA staff is vetting an offer of settlement on a litigation case in the amount of \$400,000. He said that special projects staff, legal staff and risk management staff are in talks to ensure that this is a sound offer and also discussing what money would have to be paid on the front end by way of a settlement. Mr. Ballard said that an informational memorandum will be provided to the Members in December if a decision is made in this settlement matter.

Public Comments

The Chairman then called the Public Comments portion of the meeting to order. He requested that those members of the public who wish to address the Board please come to the podium together if appropriate.

Mr. Walsh asked the representative of SSP Architects to address the Board. Richard Gaeckle of the law firm Hoagland Longo introduced himself and advised the Board that he was speaking on behalf of SSP Architects. He said that SSP was one of the named design consultant firms involved in the Joseph C. Caruso Elementary School project procurement for design-build

services. He said that the Patock Construction/SSP bid was rejected as non-responsive and that he assisted in the submission of a bid protest, a matter which has not yet been resolved. He asked that the Board consider rescinding its earlier approval of the award for design- build services for the Caruso project until such time as the bid protest is resolved. He said that he believes that the protest could result in a situation advantageous to the state. Mr. Larkins interjected that awards are always subject to resolution of any bid protests that may have been filed. He said that if, upon resolution of the SSP protest, it is necessary to come back to the Board with a recommendation for remedial action, management will do so. Mr. Gaeckle asked that resolution of the bid protest move forward as quickly as possible to avoid a situation where things move too far in the award process and there is a need to go backwards.

Mr. Walsh then asked Deborah Cornavaca to address the Board. Ms. Cornavaca introduced herself as a member of the Healthy Schools Now Coalition (HSN). She said that she wished to discuss four distinct but related issues. She advised the Board that the Department of Education Commissioner recently upheld an Administrative Law Judge decision that the DOE's Office of School Facilities (OSF) had failed to comply with the state law requiring the prompt repair of emergent conditions at school facilities. She said that OPRA requests have been submitted by the Education Law Center to DOE requesting a copy of a report on emergent conditions due to be completed by OSF, per Commissioner directive, by August 31, 2013. She said that four requests for an extension have been made by DOE in response to these OPRA requests. Ms. Cornavaca said that there is no reason why this document has not been shared with the public that this delay is "unconscionable" and that, as she believes that SDA has the report, she would request that a copy be released to her immediately in keeping with SDA's policy in favor of transparency.

Ms. Cornavaca said that, second, she would like to discuss SDA's repeated statements suggesting that the problems in certain school facilities are due to the districts' failure to properly maintain their buildings. She said that this is "insulting" to the conditions in which the children and staff are asked to function. She said that no amount of "paint" and "decorations" can correct these schools' structural problems. She said that she has visited Trenton Central High School (TCHS) with the school's principal, noting that the Governor declined an invitation to visit TCHS. She also noted that her suggestion that SDA hold a Board meeting at TCHS has not been accepted. She said that maintenance staff at the school is doing masonry work, mold remediation, painting and other things beyond routine maintenance activities. She asked for an increased sensitivity and awareness when statements are made regarding district failure to maintain. She noted that routine maintenance is also extremely difficult when overcrowding situations exist.

Third, Ms. Cornavaca said that the TCHS situation has gotten significant public attention, including nationwide attention. She said that rhetoric blaming the community has got to stop. She said that whatever course is to be followed---new school or renovation---immediate action is required at the school. She then read a definition of "emergent repair" into the record. She suggested that the discussion of remedial fixes has got to stop. She described Hurricane Sandy-related repairs in other districts that have been completed. She said "where there is a will, there is a way" and that SDA must get out there and get the job done.

Finally, Ms. Cornavaca referenced an art exhibit that was recently held by HSN. She passed out a leaflet and brochure from the event and suggested that the pictures reflected thereon be used to decorate the SDA offices. She offered to provide SDA with copies for such purposes.

Mr. Walsh then asked if there were any other members of the public present who wished to address the Board. With no response forthcoming and at the Chairman's request, Ms. Kelly then described the two items to be discussed in Executive Session. She said that the first is a proposed comprehensive settlement of all claims for additional compensation by Bergen Engineering Company relating to Elizabeth School No. 28; and the second is a proposed lease extension and modification for SDA administrative office space in Newark, New Jersey.

Upon motion and with unanimous consent, the meeting adjourned to Executive Session.

Following Executive Session and the return to Open Session, Mr. Walsh 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 November 6, 2013 meeting.



Jane F. Kelly
Assistant Secretary