

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

WEDNESDAY, DECEMBER 4, 2013

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, December 4, 2013 at 9:00 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Kevin Luckie (NJDCA)
David Moore (Treasury)
Bernard Piaia (NJDOE)
Michael Capelli
Kevin Egan
Karim Hutson
Loren Lemelle
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Mr. Piaia, Mr. Moore, Mr. Capelli, Mr. Egan, Mr. Hutson and Ms. Lemelle participated in the meeting via telephone conference.

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; Sean

Murphy, director; and Thomas Schrum, program 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 and Executive Session Minutes of the November 6, 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. Nixon, the Open and Executive Session minutes of the November 6, 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/3b***.

Authority Matters

CEO Report

Mr. Walsh then asked Mr. Larkins to provide the Members with the report of the CEO. Mr. Larkins reported that all SDA staff has now been moved into the 32 East Front Street building. He noted the advantages of all staff being housed in one building. In continuing, Mr. Larkins informed the Members and the public that he had presented at the Alliance for Action Construction Forecast (Alliance) event last month. He explained that the Alliance hosts an event focusing on construction activity, both planned and forecasted for the state over the next two (2)

years. Mr. Larkins noted that, last year, the SDA's forecast was quite accurate for 2013. He said that, this year, the SDA also forecasted projects for 2014 and 2015. In terms of other activity, Mr. Larkins reported that the SDA issued a notice to proceed (NTP) to Epic Construction Company in connection with the Phillipsburg High School project in the Phillipsburg School District. He noted that this is the largest project in the SDA's portfolio. He advised the Board that the new constructability review process yielded approximately one hundred (100) Requests for Information (RFIs) resulting in a change impact of approximately \$250,000. He said that this is a win for the organization and reminded the Board that this is on a project budgeted at approximately \$80 million. Mr. Larkins commended the team and the design group for a job well done. He advised that, with the Design-Build award on today's agenda, the SDAs portfolio of projects awarded in the past eighteen (18) months totals twelve (12). He noted that the cost of the awarded projects is approximately \$450 million, in terms of State investment, and that they will add nine thousand (9,000) new seats for students across the state of New Jersey. He advised that seven (7) of the projects are in construction with the remainder at some stage of pre-construction. He noted the different methods utilized for project delivery. Mr. Larkins said that the remaining seven (7) projects represent six thousand seven hundred and fifty (6,750) new seats with a State investment of approximately \$300 million. He projected that, within the coming year, all of these projects will be under construction. He discussed the upcoming December 5th bid opening for the Millville High School project, reminding the Members that this is the "swap project" involving the district's High School and Middle School. He then noted that the 2014 Budget is being presented to the Board today for approval and highlighted the 30% cost savings reflected in this budget from three (3) years ago. He commended the efforts of SDA staff in achieving great efficiencies. He reported that the consolidation of SDA's offices at 32

East Front Street will result in savings of approximately five hundred thousand (\$500,000) in 2014 with continued projected savings for future years. He explained that the savings included retention of the SDA office space in Newark through a new lease which also achieved significant savings. Mr. Larkins also noted that the 2014 budget reflects salary costs that are directly attributable to projects. He said these costs are approximately fifteen million dollars (\$15,000,000) to sixteen million dollars (\$16,000,000) which brings the operating budget down considerably.

In closing, Mr. Larkins briefly referenced an article he had seen recently focusing on the “twenty (20) worst schools in Newark”. He said that over the last five (5) years, the SDA has touched fifteen (15) of the twenty (20) schools discussed in the article for a total of \$162 million. He provided a brief breakdown of the monies spent at the individual schools. He said that articles such as this, when read by a public which does not have all of the facts, give the impression that the State is ignoring Newark. Mr. Larkins advised that, to-date, the Authority has spent approximately \$8.6 billion of the \$12.5 billion allocated for school construction, with \$750 million of those dollars being invested in Newark. He further projected that, when all \$12.5 billion have been spent, over one billion likely will have been invested in the district of Newark. He stated that the impression that the article gave-- that Newark is being ignored-- is not accurate as evidenced by available data. Karim Hutson joined the meeting at this time.

Chairman’s Report

Mr. Walsh thanked everyone involved with the proposed 2014 Budget. He recognized the time and effort that went into its development. He then inquired as to whether a groundbreaking ceremony is being planned for the Phillipsburg High School project in the Phillipsburg School District. Mr. Larkins said that the SDA is working with the Administration and school district in this regard. Mr. Walsh asked that the Members be advised of the ceremony

date once it has been set. He noted all the hard work that has taken place to advance the twelve schools that are now in preconstruction or construction. He said that positive changes have occurred with the Authority's processes and procedures and that he is looking forward to many more school projects in the coming years. He advised that, with Mr. Larkins assistance, he will be setting up a meeting in January, to include some of Board Members, to discuss advancing even more projects.

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 November 18, 2013. He said that Management had provided the Committee with the October 2013 New Funding Allocation and Capital Plan Update. He advised that Management had reported that there were no changes in any of the reserve balances for the reporting period. He reported that the reserve balance for the Regular Operating Districts ("RODs") increased by \$2.8 million during the reporting period. He noted that this increase is due to a reduction in state share for grant projects nearing completion and the release of budgeted funds for completed SDA managed projects.

Mr. Nixon next reported on Management's presentation regarding the SDA's Builders Risk Insurance Policy that is expiring at the end of December. He cited Ms. Simmonds' hard work in negotiating a purchase price for renewal of the Policy with the Zurich American Insurance Company which resulted in a cost not-to-exceed \$485,000 for a three (3) year term beginning December 31, 2013.

Referencing material that had been provided to the Members in advance of the meeting, Mr. Nixon advised the Board that the Audit Committee is recommending Board approval of the proposed Internal Auditing Consultants Services Award. He explained that the consultants will

perform a cost review audit of the construction phase of four projects utilizing a design-bid-build delivery methodology. He said that, following a competitive procurement process to obtain these services, Management and the Audit Committee recommend Board approval of the Internal Auditing Consultant Services Award to Experis USA, Inc. for a total lump sum of fee of \$300,000. Mr. Nixon noted the advantages of real-time auditing. Mr. Walsh said that he believes that, in the long run, this type of auditing will save money, time and effort. Mr. Vargas asked if only four audits are planned. Mr. Larkins replied that the audits are being advanced as a package to achieve the most value. He noted that these first four audits are for projects utilizing the same delivery method and that similar audits will most likely be conducted on the design-build delivery projects going forward.

A resolution pertaining to the Internal Auditing Consultant Services Award had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas and seconded by Mr. Nixon, the resolution attached hereto as *Exhibit 5b*, was unanimously approved by the Board.

In continuing, Mr. Nixon reported that Ernst & Young (E&Y) had presented the 2013 SDA Audit Plan to the Committee. He advised that the E&Y financial auditors outlined the areas of emphasis and thought processes utilized in the development of the audit. He said that there was a discussion regarding financial reporting in accordance with the requirements of the General Accounting Standards Board (GASB) practices. He noted that, at the conclusion of the regular meeting, the Committee Members met privately with E&Y and the Authority's internal auditors without Management present.

Mr. Nixon then presented the 2014 Operating Budget ("Budget") that had been provided to the Members in advance of the meeting. He advised that the Budget had been discussed in

detail at the November Audit Committee meeting, noting that he had had several meetings with Mr. Larkins and staff relative to the Budget as had others. He said that this is a budget that does more with less considering the amount of projects underway. He reported that the Audit Committee has unanimously agreed to advance the Budget, as presented, to the full Board with a recommendation for approval. Mr. Luckie asked about the reforecast figure. Mr. Guarriello replied that the reforecast was conducted in July based on the first half of 2013 expenditures. Mr. Luckie noted that there are still open positions that have not be filled to-date. Mr. Larkins said that this was correct. Mr. Vargas asked for a clarification of his understanding regarding the approximately \$300 million attributable to the six (6) projects now in construction and whether this equates to 12% as against the \$35 million operating budget. Mr. Larkins responded that the Authority's portfolio of work is much broader than just those projects. He explained that the fairer comparison would be to equate the \$300 million against the \$2.2 billion value of the SDA portfolio bringing the percentage figure to between two (2%) and three (3%) percent. Mr. Vargas said those figures are very impressive. Mr. Walsh added that SDA staff is doing more directly on its jobs than in past years when most of the work was outsourced. Mr. Walsh noted the impressive savings being realized by outsourcing less. 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 2014 Operating Budget.

The resolution pertaining to the proposed 2014 Operating Budget had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie and seconded by Ms. Lemelle the resolution attached hereto as *Exhibit 5c*, was unanimously approved by the Board.

School Review Committee Report

Design/Build Award and Approval of Final Project Charter – PS #16 – Paterson School District

The Chairman then requested that Mr. McNamara provide the report of the School Review Committee. Mr. Larkins asked that the discussion of the Design/Build Award for PS #16 in the Paterson School District be moved to executive session due to a need to first discuss certain bid protests that have been filed regarding the award. It was agreed that the discussion would take place in Executive Session with the Committee Report to be provided and the vote on the Paterson PS #16 matter to be taken when the Board returned to Open Session.

Reports

The Chairman asked if there were any questions regarding the reports. There were none. Mr. Vargas noted that the New Brunswick Redshaw project is moving along very impressively and that everyone there is very happy. Mr. Walsh agreed that it is going very well and that it will be a valuable exercise to analyze the project upon its completion. Mr. Larkins noted that the project completion is scheduled for June 2014 with the school opening anticipated for September that same year.

Public Comments

Mr. Walsh then called for the Public Comments portion of the meeting to begin. He asked that those wishing to speak come forward together when appropriate and limit their remarks to between three and five minutes. Mr. Larkins asked to make a statement before the public comments portion of the meeting proceeded. He said that he anticipates that some of the comments may pertain to a pending litigation matter. He said that, on the advice of counsel, he

would like to read a prepared statement into the record regarding that OPRA litigation. He then stated as follows:

“The NJSDA is presently in litigation with the Education Law Center. The litigation relates to whether the Education Law Center is entitled under the Open Public Records Act to obtain copies of preliminary drafts of Facilities Conditions Reports relating to several school facilities projects included in the NJSDA’s 2012 Project Portfolio. The NJSDA cannot comment on the details of pending litigation. The trial Court has established a schedule for the parties’ exchange of briefs on the relevant legal issues. The Court will hear argument on the matter on February 6, 2014.”

Mr. Walsh then asked Mr. Karl Flesch of Yardley, Pennsylvania and representing the group “Better High School Plan for Trenton”, to come forward to address the Board. Mr. Flesch said that he wished to provide the Board with an update regarding Trenton Central High School (TCHS). He said that the roof has been replaced excepting a portion of the roof over the library area. He then shared a picture of the area and noted a wire related issue. He asked that SDA begin a complete renovation of TCHS as soon as possible.

Mr. Walsh then asked Mr. Robert Farmer of Camden, New Jersey to address the Board. Mr. Farmer introduced himself as the First Vice President of the Camden Education Association. He said that, although he understands Mr. Larkins’ earlier comments regarding the pendency of litigation in the matter, he is here to ask for the release of the SDA facilities conditions report for Camden. He said that Camden High School is in need of roofing work, structural work, electrical and fire safety repairs. He said that the community has a right to know what SDA is saying about the Camden High School. He said that one way to prevent misinformation is to release the report, noting that he previously was unaware of the pending OPRA litigation. He asked what efforts are being made to reach out to the community when SDA begins its work. He noted that Camden is a high poverty area and efforts should be made to employ the residents of Camden on SDA jobs. He asked how, once the court case is over, Camden can get a copy of the

facilities report. Mr. Larkins indicated that SDA's communications director will advise Mr. Farmer prior to his leaving the meeting today how he might contact the SDA and receive updated information going forward.

The Chairman then invited Mr. Gary Enrico of Hoboken, New Jersey to the podium. Mr. Enrico said that he is the President of the Hoboken Education Association and has been a teacher in the district for 38 years. He asked for the facilities conditions report for the Connors School in Hoboken. He said that, while there is a wealthy population in Hoboken, the children of these residents do not go to the Connors School which is sub-par. He said that the district has done all that it can do to keep the school functioning. He said that Hoboken was hit extremely hard by Hurricane Sandy and briefly discussed the impacts. Mr. Enrico then referenced a 2011 list of Hoboken facilities conditions and shared that list with Mr. Walsh. He asked that the facilities conditions report be released and questioned how children can be allowed to attend sub-par schools. He again asked for release of the facilities conditions report for Hoboken.

Mr. Walsh asked Ms. Mary Karriem of Orange, New Jersey to address the Board. Ms. Karriem introduced herself as the President of the Orange Education Association and reminded the Members that she had appeared before them in March. As she had in March, she again described the conditions at the Cleveland School, as well as those at the high school, in Orange. She asked the Board to reconsider its decision and release funding to address the problems and to release the facilities conditions report. She noted that, at one time, a new addition was supposed to be made to the Cleveland School but that funding ran out and the project was stopped. She asked the Board to correct the problems at the Cleveland School and thanked the Members for the opportunity to speak.

Mr. Walsh then indicated that the Executive Session of the meeting would begin. As previously announced by Mr. Larkins, Management will present certain information regarding the Paterson Public School #16 contract award in Executive Session due to certain bid protest matters filed in connection therewith which require discussion in closed session.

Mr. Walsh then asked for a motion to adjourn into Executive Session. 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.

The Chairman then requested that Mr. McNamara provide the report of the School Review Committee. Mr. McNamara advised the Members that the Committee met on November 18, 2013 and discussed the final project charter and a contract award for the New PS # 16 in the Paterson School District. Mr. McNamara explained that following a competitive procurement process, 60% price/40% other factors, the Committee is recommending Board approval of the final project charter and also the contract award to Hall Construction Co., Inc. He noted that the school will be a 109,513 sq. ft. facility to educate over 700 students. He reminded the Members that the project was Board approved to advance in March 2011 as part of the SDA's 2011 Capital Plan. Mr. Walsh asked for an explanation of the relocation costs of \$6 million as reflected on the final charter. Mr. Schrum explained that all approximately nineteen (19) residential and three (3) commercial properties were obtained through eminent domain and that the prior figures were preliminary. He said that presented are the final and actual figures. Mr. Murphy then provided the Members with additional details regarding the procurement process as outlined in the memorandum.

A resolution for the approval of the design-build award and final project charter for PS #16 in the Paterson School District had been provided to the Members in advance of the meeting.

Upon a motion by Mr. McNamara, and seconded by Mr. Luckie, the proposed design-build award and final project charter was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as **Exhibit 6a**.

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 December 4, 2013 meeting.

/s/ Jane F. Kelly
Assistant Secretary