

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

WEDNESDAY, JUNE 4, 2014

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, June 4, 2014 at 9:00 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
Jennifer Duffy (Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Loren Lemelle
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Ms. Lemelle, Mr. Lewis-Powder and Mr. Piaia participated in the meeting by telephone conference.

At the Chairman’s request, Charles McKenna, chief executive officer (participating via teleconference); Jason Ballard, chief of staff; Andrew Yosha, executive vice president; Jane Kelly, vice president & assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond Arcario, vice president; Albert Barnes, chief counsel; Manuel DaSilva,

program director; Paul Hamilton, senior program officer; Gregory Voronov, managing director; Sean Murphy, director; Karon Simmonds, director; Susan Pacuta, director; Anthony Gilfillan, director, and Kristen Maclean, 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 presented for consideration and approval the Minutes of the May 7, 2014 Open and Executive Session meetings. 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 Ms. Hassett, the Open and Executive Session minutes of the May 7, 2014 meeting 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 asked Ms. Kelly to provide the Members with the report of the CEO on behalf of Mr. McKenna. Ms. Kelly provided the Board with an update on project activity. She reported that the leases for temporary space for the Trenton Central High School project (TCHS) have been executed and that fit-out activities for the temporary spaces have been initiated within the Board approved dollar values. Ms. Kelly explained that those values will require an adjustment

in order to complete the entirety of the needed scope. She added that, in concluding negotiations with the landlords for the temporary space, the square footage of the spaces was finalized as were negotiations with the landlord's contractor. Ms. Kelly said that, as the result of both activities it was determined that there is a need for an adjustment to the overall cost of the temporary space. Ms. Kelly informed the Members that, with the inclusion of storage space costs as well as information technology fit-outs, the dollar value is about \$8 million which is approximately \$2 million higher than was projected earlier. She said that the adjustment was approved to advance by the Real Estate Committee at its May meeting and will be presented to the full Board today in Executive Session. In continuing, Ms. Kelly added that scoping activities are progressing for the demolition activities related to the existing school building. She said that programming interviews with TCHS staff and faculty have begun in relation to design development for the new school. Ms. Kelly noted that, as has been previously reported, the District has formed several committees, inclusive of district and community participation, relating to school programming and design, communication, etc. She said that the SDA is participating in the work of those committees, as appropriate, for coordination with design and procurement activities for the new project.

With regard to other SDA projects, Ms. Kelly reported that Mr. McKenna and other SDA staff visited the New Brunswick Redshaw project in May. She informed the Members that finish work is progressing and that the quality of the work is excellent. She said that the contractor (Hall Construction Co., Inc.) is making significant progress. She explained that project will be delivered earlier than September 2015, which is the date originally required in the contract. Ms. Kelly noted that the contractor believes that the building will be ready for September, 2014 occupancy but SDA Management believes that the date will be a bit later, perhaps mid-October.

She said that SDA Management has met with the contractor and the District to discuss its concerns and will continue to monitor the situation along with the District to coordinate when the building will be ready for occupancy. She said that the District has expressed the desire to occupy the building as soon as possible and will move in whenever the building is ready.

Ms. Kelly advised the Board that Mr. McKenna recently visited the Elizabeth Academic High School where work is progressing well and structural steel erection activities are ongoing. She said that Executive Staff also visited the Long Branch Catrambone project in mid-May, where work is on track for a September 2014 opening.

In continuing, Ms. Kelly reported that a limited notice to proceed (NTP) has been issued for the Bridgeton Buckshutem project for “footings and foundations” and for the Newark Oliver Street Project for “under slab activities”. She said that, in each case, the contractor can begin construction work once Department of Community Affairs (DCA) and all other applicable permits are obtained.

With regard to procurement activities, Ms. Kelly advised the Board that the procurement for design-build services for the Gloucester City New Elementary/Middle School project was advertised on March 4. She said that three (3) responsive technical proposals were received on May 21 and interviews with the design-build teams are scheduled for June 9. She added that the bid opening is scheduled for June 12.

Next, Ms. Kelly reported that the procurement for design-build services for the Elizabeth New Elementary School project is scheduled to be advertised in early June. In addition, she reported that procurement for Internal Auditing Services for design-build projects was advertised on May 16 and that technical and price proposals are due on June 11.

Ms. Kelly then informed the Members that the procurement for the Site Consultant Services Task Order contract was advertised on May 28 and technical and price proposals are due on June 24.

She further advised the Board that the procurement for Independent Auditor Services is scheduled to be advertised in early June.

Ms. Kelly reminded the Members that Management is recommending an award to Turner Surety and Insurance Brokerage, Inc. for the Insurance Broker & Administration Services procurement and that this matter is on today's agenda. She noted that staff will be discussing it later in the meeting.

With regard to events and other SDA activities, Ms. Kelly reported that Mr. McKenna met with David Sciarra and Elizabeth Athos of the Education Law Center on May 12. She said that the meeting resulted in an interesting flow of ideas and the SDA is hopeful that the Authority and the ELC can find a way to move forward together.

Ms. Kelly reported that Program Directors Corrado Minervini and Thomas Schrum made a presentation before the Construction Managers Association of America to discuss the SDA, its construction managers and their relationship. She said that the presentation was productive and that the SDA is pleased that Mr. Minervini and Mr. Schrum participated in this forum on behalf of the SDA.

Ms. Kelly then reported that, on May 28, Mr. McKenna and SDA staff attended a groundbreaking ceremony for the Marshall Street School in Paterson alongside community advocates, Paterson Superintendent Donnie Evans, the entire legislative delegation, Mayor Jeffrey Jones and Paterson School Board members. She acknowledged Mr. Schrum and his team for their hard work in advancing this project.

In concluding, Ms. Kelly advised the Members that they soon will be receiving a copy of SDA's Biannual Report for the period October 1, 2013 to March 31, 2014. She acknowledged the efforts of the SDA Communications team, and in particular Edye Maier, in putting the report together. Ms. Kelly informed the Members that among the report's good news is that currently there are nine (9) schools in construction and that construction activities are expected to begin on nearly a dozen emergent projects over the summer months while the students are out of school. She said that even more projects are expected to proceed with construction activities, including school projects in Jersey City, Paterson, Bridgeton and Keansburg within the next few months. Mr. Walsh requested an update on the Oliver Street project's "footings and foundations" work. Mr. Yosha reported that soil conditions were revealed to be different from the results of the SDA's site investigation. He said that the situation was immediately remedied and the work progressed within the contract value. Mr. Yosha explained that an allowance had been established to address these types of occurrences.

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 May 19, 2014. He said that Management had provided the Committee with the April 2014 New Funding Allocation and Capital Plan Update and reported a decrease of \$158,000 in the 2011 Capital Plan Emergent Projects Reserve. He noted that there were no changes in any of the remaining Reserve balances during the reporting period. He advised the Board that the reserve balance for the Regular Operating Districts (RODs) decreased by \$109.1 million during the reporting period to allow for the offer of 235 District grant projects approved by the DOE.

In continuing, Mr. Nixon notified the Board of a \$4,800 amendment to the SDA's Network Hardware and Software Support contract. He said that this will allow the provider to assume Domain Name System (DNS) hosting services in addition to other services they currently provide for the Authority. He noted that, while no official action is required by the Members, the SDA Operating Authority (OA) requires that the Board be notified of this amendment.

Next, Mr. Nixon reported that Management shared with the Committee the results of a recent statutorily required audit focusing on the processes and procedures followed on a qualified Section 15 Grants project. He advised that the audit determined that state funds were expended in accordance with the grant agreement, applicable laws and regulations. He said that no observations were noted.

In continuing, Mr. Nixon reported that the Committee was provided with the April 2014 Monthly Financial Report. He said that, year to date, the Authority's operating expenditures total \$7.1 million which is \$1.2 million lower than the operating budget for the corresponding period. He said that this is a \$200,000 decrease from actual expenses for the corresponding period in the prior year. He reported that, as of April 2014, year to date project expenditures are \$61.2 million, down \$35.5 million as compared to the Capital spending forecast for the corresponding period and \$7.6 million higher as compared to actual expenses in the corresponding prior year. He said that this is attributable to increased spending for construction related activity along with the 2013 insurance claim cost recovery for the Elliott Street School (\$8.4 million) offset by a decrease in grant activity of \$9.3 million. Mr. Nixon then noted that 68% 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. Mr. Nixon advised that the estimated value of current school facilities project activity is approximately \$2.2 billion.

Lastly, Mr. Nixon reported that Management had also discussed with the Committee, and the Committee recommends Board approval of, a contract award to Turner Surety and Insurance Brokerage, Inc. (TSIB) for Insurance Broker and Administration Services. He explained that Turner would serve as an insurance broker to support the construction of school facilities projects statewide. He gave a brief overview of the proposed Insurance Broker and Administration Services award as described in detail in the materials that had been previously provided for Committee review. Mr. Nixon requested that the Members approve the award of contract for Insurance Broker and Administration Services to TSIB for a total lump sum fee not-to-exceed \$555,000 over the initial 3 year term of the agreement. He emphasized that if any of the contract covered services are not required by the Authority, the Authority will not incur charges related to any unused services. He further requested that the Members approve a cost not-to-exceed \$225,000 to address potential increases should the Authority's aggregate construction cost estimate (CCE) reach beyond \$400 million. Mr. Nixon advised the Board that, prior to execution, the contract and related documentation will be subject to review and approval by the SDA Division of Chief Counsel. The Members had questions regarding the price differentials in the lump sum figures set forth in the memorandum's Table #4. Mr. Walsh noted that a full discussion of this proposed contract was held in the Audit Committee and that he is comfortable with this award. Ms. Simmonds provided the Members with the pricing details of the highest ranked firms. She said that Management and SDA staff considered the fee proposal by TSIB to be fair and reasonable for the services to be provided and inclusive of all elements contained in the Scope of Services.

A resolution for approval of the proposed award of contract for Insurance Broker and Administration Services to Turner Surety and Insurance Brokerage, Inc. had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie and seconded by Mr. Vargas the proposed contract award was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 5a*.

School Review Committee Report

1) Molba Carpentry, Inc.; 2) Brockwell & Carrington Contractors Inc.; 3) Release of Funds from Program Reserve - Newark School District – Weequahic High School - Emergent Project – Exterior Masonry Repairs; 4) Release of Funds from Program Reserve - Newark School District – McKinley School - Emergent Project – Roof Replacement

The Chairman requested that Mr. Da Silva discuss the Passaic High School No. 12 (PHS 12) matter which appears on the agenda. Mr. Da Silva provided the Members with a brief overview of Change Order #1 in the amount of \$97,411 for Molba Carpentry, Inc. for the PHS 12 project in the Passaic Public School District. He referenced his memorandum that had been previously distributed to the Members and explained that the change order is needed due to scope changes. He said that the original scope, utilizing the General Contractor Task Order (GC Task Order), contemplated ground level drainage improvements and associated window repairs. He said that, after the investigation was performed, it became clear that a different scope was required. Mr. Da Silva said that the grade level drainage improvements aspect of the work remain the same. He described the scope changes as relating to the windows, lintel repairs and foundation water proofing at grade level He said that these combined to require an increase in the original budget of \$97,411.

A resolution pertaining to Change Order #1 for Molba Carpentry, Inc. 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 resolution attached hereto as *Exhibit 6a1*. was unanimously approved by the Board.

Next, Mr. Da Silva reported that the Members are being asked to approve a credit change order to de-obligate unused funds pertaining to an emergent project for Washington Middle School in the Harrison Public Schools District. He explained that the emergent project involves structural repairs, through utilization of the GC Task Order for design. He noted that Brockwell & Carrington Contractors Inc. was the next firm on the GC Task Order list. Mr. Da Silva provided an overview of the project as outlined in his memorandum that had been previously distributed to the Members and discussed the basis for the overall change in price and credit due. Mr. Da Silva noted that the SDA credit is in the amount of \$222,885.27.

A resolution pertaining to the credit change order for Brockwell & Carrington Contractors Inc. had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie, and seconded by Mr. Nixon, the resolution attached hereto as *Exhibit 6a2*. was unanimously approved by the Board.

Next, at Mr. Walsh's request, Mr. Voronov discussed Management's request for approval of a Release of Funds from the Program Reserve to address the emergent project for Weequahic High School in the Newark School District. He said that Management is seeking the release of \$1,094,816 for exterior masonry repairs. He provided an overview of the project as described in detail in his memorandum that was previously distributed to the Members.

A resolution pertaining to the Release of Funds from the Program Reserve for the Weequahic High School had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. Luckie, the resolution attached hereto as *Exhibit 6b*. was unanimously approved by the Board.

Mr. Nixon then advised the Chairman that he is recused from participating in the discussion and vote on the next matter on the agenda involving the McKinley School in Newark. At Mr. Walsh's request, Mr. Voronov discussed Management's request that the Board approve the Release of Funds from the Program Reserve in the amount of \$1,510,211. He said that this request pertains to a roof replacement emergent project for the McKinley School. He provided an overview of the project as fully described in his memorandum that was previously distributed to the Members. Mr. Maloney inquired as to whether any of the schools that are receiving emergent work are scheduled to be replaced in the future. Mr. Voronov explained that the Newark district is currently under a reorganization plan and any work that the SDA performs will be in line with the reorganization plan. Mr. Yosha and Mr. Voronov clarified that staff routinely determines whether a school is due to be replaced when considering requests for emergent project funding.

A resolution pertaining to the Release of Funds from the Program Reserve for the McKinley School in the Newark School District had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, seconded by Mr. Luckie, and with Mr. Nixon abstaining, the resolution attached hereto as *Exhibit 6c*. was approved by the Board.

Reports

The Chairman asked Mr. Ballard for an update regarding Project Closeouts. Mr. Ballard reported that, last month, SDA staff closed out eight (8) emergent projects, transferred two (2) emergent projects and closed out one Capital Plan project. He noted that the emergent projects were part of the list of the initial seventy-six (76) emergent projects that were pared down to sixty-eight (68). He thanked Mr. Da Silva and his team for their efforts.

Public Comments

The Chairman then opened the Public Comments portion of the meeting. He invited Ellen Simon, a member of the Jersey City School Board (School Board), to address the Members. Ms. Simon introduced herself and said that she was speaking on behalf of the School Board. She said that she is also a Jersey City parent. She advised the Board that she reviewed the SDA emergent project list and saw no projects listed in Jersey City. She said that Mr. McKenna subsequently gave her a list of six projects that had been approved in 2011. She reported that none of these projects have been started. Ms. Simon said that the District came to the SDA with a more extensive list of projects and is eagerly awaiting a status update on these projects. She said that, beyond the six 2011 approved projects which have not gone forward, no projects were approved in either 2012 or 2013. She noted that the District is still waiting to hear about its 2014 request.

Ms. Simon then referenced the two capital projects that the SDA is advancing in Jersey City and asked that the District be given a more granular report on the status of these projects than has been given in the past. Mr. Walsh responded that SDA staff will be in touch with Ms. Simon regarding the emergent projects. Ms. Maclean noted that the SDA website is being retooled to provide more detailed information on the capital project side and that this will be available for review shortly.

Ms. Kelly then advised the Members and the Public that the Board will be adjourning into Executive Session to discuss two matters—a funding authorization adjustment for the TCHS temporary facilities leases and a proposed settlement of prospective litigation relating to conditions at the Old Long Branch High School in the Long Branch School District.

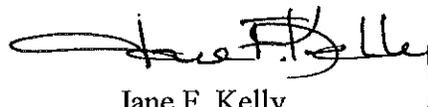
Mr. Walsh then asked for a motion to adjourn the meeting and move into Executive Session. Upon motion and with unanimous consent, the meeting adjourned into Executive Session.

Following discussion in Executive Session, the Board returned to Open Session.

A resolution for approval of the proposed lease funding authorization adjustment for Trenton Central High School (TCHS) temporary facilities leases had been provided to the Members in advance of the meeting. Upon a motion by Mr. McNamara, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit A1*. was unanimously approved by the Board.

A resolution pertaining to the recommendation for settlement of prospective litigation relating to conditions at the Old Long Branch High School had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon, and seconded by Mr. Vargas, the resolution attached hereto as *Exhibit A2*. was unanimously approved by the Board.

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 June 4, 2014 meeting.

A handwritten signature in black ink, appearing to read "Jane F. Kelly". The signature is fluid and cursive, with a large initial "J" and "K".

Jane F. Kelly
Assistant Secretary