

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

WEDNESDAY, JUNE 5, 2013

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, June 5, 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)
Jennifer D’Autrechy (Treasury)
Bernard Piaia (NJDOE)
Kevin Egan
Loren Lemelle
Robert Nixon
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Mario Vargas

being a quorum of the Board. Mr. Egan, Ms. Lemelle, Mr. Lewis-Powder and Mr. Piaia participated in the meeting via teleconference.

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; Corrado Minervini, program director; James Adams, program director; Aidita Milsted, program director; Sean Murphy, director; and Sherman Cole, controller

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. 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 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 minutes of the Open and Executive Session meetings of the Board held May 1, 2013 and of the Special Board Open Session Meeting Minutes of May 10, 2013. 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, seconded by Ms. D'Autrechy, and with Mr. Nixon abstaining from the vote only insofar as it pertained to the May 10, 2013 Special Board Meeting due to his absence therefrom, the Open and Executive Session meeting minutes of May 1, 2013 and the Open Session Meeting Minutes of May 10, 2013 were approved, by the Board upon its vote in favor of the resolutions attached hereto as *Exhibit 3a, 3b. & 3c.*

Authority Matters

CEO Report

The Chairman then asked Mr. Larkins to provide his CEO report to the Board. Mr. Larkins said that, during the past month, Authority staff participated in a couple of public events. He said that SDA appeared before the Senate Budget Committee along with the State

Department of Education and responded to questions about the work of the Authority. He said that SDA anticipates releasing its latest biannual report in mid-June which will provide another opportunity to publicly outline the Authority's work.

In terms of other events, Mr. Larkins reported that SDA participated in an event held at the Wilson Avenue School in Newark to recognize success with that project. He reminded the Members that this school facility experienced water infiltration problems following Hurricane Irene. He said that this project, designed and managed in-house, was expeditiously completed and serves as an example of a new approach by the Authority that worked extremely well.

In continuing, Mr. Larkins reported that a final Certificate of Occupancy has been obtained for the new Colin Powell Elementary School in the Union City School District. He said that the school had opened in September with a temporary Certificate of Occupancy, noting that the Authority now is poised to proceed to final completion and close out of the project. He then discussed successful completion of the PS No. 6 project in the Paterson School District which involved the replacement of over 400 windows. He said that this project as well is a testament to the hard work of SDA staff as it was designed, managed and brought to expeditious completion. Mr. Larkins said that SDA also participated in a beam signing at the Long Branch Catrambone school facility. He said that construction on this project is proceeding well. He also discussed the progress of the New Brunswick Redshaw project, noting that steel is now being erected at the project site.

Mr. Larkins then discussed upcoming SDA awards. He said that an advertisement for design for exterior building work (Phase I) has been issued for the Trenton Central High School project. He added that SDA received 15 proposals in the process. He said that evaluations will be

conducted over the next month and staff then will return to the Board with a recommendation for its consideration.

Mr. Larkins said that the design firm working on the Jersey City PS No. 20 project was impacted by Hurricane Sandy resulting in a slight delay in the schedule. However, he noted that proposals are anticipated on July 2 with an expectation that staff will bring a recommendation to the Board in August. He said that a new design build procurement for two projects in Bridgeton was advertised on May 31. He said that this is an addition/renovation project which will substitute for a project initially identified in the 2011 Capital Plan. He said that SDA also anticipates an award for another project in southern New Jersey in the near future along with advertisements for the design-build package for the Keansburg Caruso school project and Paterson PS No. 16. Mr. Larkins then advised that, consistent with a notice that was forwarded to the Members the previous day, Board Agenda Item No. 5b. will not be advancing at today's meeting. In conclusion, Mr. Larkins noted that the Authority is making significant progress and that many projects are moving into construction. He noted the issuance of a Notice to Proceed (NTP) for the Elizabeth Academic High School project. He said that an NTP is also anticipated soon for the Passaic Henry Street project. In response to an inquiry, Mr. Larkins noted that an NTP will be issuing and the constructability phase will be proceeding shortly for the Phillipsburg High School Project. Mr. Walsh then asked that an update be provided at a later point in time regarding the Trenton Central High School project and that a walk-through be arranged for those who would like to participate. He also asked that, at the next School Review Committee meeting (SRC), staff provide an update on the Authority's General Contractor Task Order contracts (GC Task Order).

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon advised the Members that the Audit Committee met on May 20, 2013. He said that management had provided the Committee with the April 2013 New Funding Allocation and Capital Plan Update. He said that management reported a decrease of \$11.1 million in the Unforeseen Events Reserve balance and no change in the Planning Reserve balance. He reported a \$100,000 increase in the 2008 Capital Plan Emergent Projects Reserve balance and a \$6.1 million decrease in the 2011 Capital Plan Emergent Projects Reserve balance.

Mr. Nixon then advised the Members that the Committee is recommending that the Board approve a one year contract extension for Ernst & Young for independent auditor services. He noted that this second and final one year extension, at a cost of \$95,700, would cover the Authority's 2013 financial statement audit. He advised that a new procurement for independent auditor services will be conducted by the Audit Committee in 2014. Mr. Nixon then asked that the Members approve the Ernst & Young contract extension as proposed by the Committee. Mr. Walsh asked if there were any questions. There were none.

A resolution pertaining to the Ernst & Young contract extension for the 2013 Financial Statement Audit had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara and seconded by Mr. Vargas, the Ernst & Young contract extension was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 5a*.

Mr. Nixon then reported that management had discussed with the Committee one (1) completed audit recommendation. He said that the SDA Invoice Approval of Contracts, PMF

Architectural and Professional Services approval process has been changed with the result that CMD no longer approves payment of an invoice, but instead makes a recommendation to program operations for approval of the invoice. He advised that the Committee also was provided an update by management on Contract Close-out; Policies and Procedures and Lessons Learned/Best Practices.

In continuing, Mr. Nixon said that management had provided the Committee with the results of a statutorily required audit on a Section 15 Grant focusing on processes and procedures. He said that the audit looked at documentation supporting execution of the grant and the disbursement of funds from September 2003 through August 2012. He advised that the audit determined that the state funds were expended in accordance with the grant agreement, applicable laws and regulations.

Mr. Nixon then reported that the Committee was provided with the April 2013 Monthly Financial Report with management advising that, as of April 2013, the Authority's operating expenditures totaled \$12.4 million which is \$1.5 million lower than budget for the period. He said that this is a \$739,000 decrease from the corresponding period in the prior year. Mr. Nixon added that, as of April 2013 year to date, project expenditures, at \$53.6 million, are up \$3.6 million as compared to the corresponding prior year; and down \$29.5 million compared to the 2013 Capital spending forecast. He said that the year-over-year variance is attributable to an increase in construction costs (\$13.4 million) and personnel expenses (\$5 million) which are now allocated to project costs and not operating expenses as in previous years. He said that this is offset by a decrease in grant activity (\$3.6 million) and other project related costs (\$11.2 million). Mr. Nixon reported that, since inception, 66.5% 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. Mr. Vargas inquired about the \$739,000 decrease in operating expenditures. Mr. Cole explained that the decrease was mainly attributable to fewer full time employees (FTEs). Mr. Larkins noted that the Authority has had some resignations that were not anticipated which have offset new hirers. Mr. Yosha then discussed recent job offers and acceptances that have occurred for Program Operations staff positions.

School Review Committee Report

1) Release of Funds from Program Reserve-Burlington City School District – Captain James Lawrence Elementary School – Emergent Project – Roof Replacement; 2) Release of Funds from Program Reserve, Award of Contract and Approval of Final Charter – Irvington Public Schools – University Middle School – Emergent Project – Roof Repairs or Replacement, Masonry Repairs and Lintel Replacement or Repairs; 3) Release of Funds from Program Reserve, Award of Contract and Approval of Final Charter – Salem City School District – Salem Middle School – Emergent Project – Roof Repairs or Replacement, Masonry Repairs, and Lintel Repairs or Replacement; 4) Construction Manager Award – Newark School District – Elliott Street Elementary School – Construction Management Services; 5) Construction Award – Camden School District – H. B. Wilson Elementary School – Demolition; 6) Design-Build Award and Approval of Final Project Charter – Jersey City School District – New Elementary School No. 3

Mr. McNamara advised the Members that the School Review Committee (Committee) met on May 20, 2013 and discussed various issues. He reported that the Committee recommends that the Board approve the release of funds from the program reserve in the amount of \$782,000 for an emergent project roof replacement for the Captain James Lawrence Elementary School (Lawrence ES) in the Burlington School District. He noted that an architect has been retained and a scope of work is forthcoming.

A resolution for approval of a release of funds from the program reserve for Lawrence ES 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 was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6ai*.

Mr. McNamara then reported that the Committee recommends that the Board approve the release of funds from the program reserve in the amount of \$3,641,797.00, a contract award to The Bennett Company (Bennett) in the amount of \$2,816,095.00 and approval of the final charter for the University Middle School project (UMS) in the Irvington School District for an emergent project for roof repairs or replacement, masonry repairs and lintel repairs or replacement. He noted that the award is a time-and-materials task order.

Mr. Walsh inquired as to the potential for costs exceeding the task order contract limit of \$3 million. Mr. DaSilva explained that the contract cost is under \$3 million, noting that the costs presented were a worst case scenario. He said that he is hopeful that the project will be completed under budget. After discussion, Mr. Yosha said that there will be updates provided to the SRC on all the general construction task order engagements. Mr. Vargas asked how and when funds are released from the program reserve. Mr. Larkins explained the procedure noting that project personnel expenses are now allocated to project costs and not operating expenses in an effort to better reflect the actual cost of delivering a project.

A resolution pertaining to the approval of the release of funds from the program reserve, contract award to Bennett and approval of the final charter for UMS had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Walsh, and seconded by Ms. Hassett, the recommendation was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6aii*.

Mr. McNamara then reported that the Committee had considered a release of funds from the program reserve, contract award and approval of final charter for Salem Middle School

(Salem MS) in the Salem City School District for an emergent project for a roof repair or replacement, masonry repairs and lintel repairs or replacement. He said that the Members are requested to approve the award of a construction contract in the amount of \$1,230,364.00 to Wu & Associates, Inc. (WA), the release of \$1,618,348.00 from the program reserve to address the emergent project, and approval of the final charter.

A resolution for approval of the release of funds from the program reserve, contract award to WA and final charter for Salem had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Nixon and seconded by Mr. Walsh, 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.iii*.

Mr. McNamara then presented the Committee's recommendation regarding a construction manager award for the Elliott Street Elementary School project (Elliott Street) in the Newark School District. He reported that the Members are requested to approve the award of contract to the Gilbane Building Company (Gilbane) for a total lump sum fee of \$1,031,178 for construction management services. He noted that the procurement price was weighted at 40% and non-price factors were weighted at 60%. Mr. Murphy then provided the Members with an overview of the project. Mr. Walsh noted that the processes and procedures in place are working well and requested that staff provide an update/analysis on design-build projects at a future SRC meeting.

A resolution pertaining to the contract award to Gilbane for construction manager services for the Elliott Street project 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 award was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6aiv*.

Mr. McNamara then presented a memorandum regarding the demolition of the H.B. Wilson Elementary School (H.B. Wilson ES) in the Camden School District. He reported that the Members are requested to approve the contract award to Silverlands Service, Inc. (Silverlands) in the amount of \$1,072,444. He noted that the bid was approximately 30% below the CCE. Mr. Murphy then provided the Members with an overview of the project. He explained that a conference was conducted in order to understand the differential between the CCE and the bid price. He explained that the differential is due to the contractor's ownership of heavy equipment, use of local recycling and disposal fees along with the subcontractor's ability to use mechanical methods in lieu of a manual removal process for abatement. After discussion, Ms. Milsted advised that an in-house environmental review took place noting that the SDA has received written confirmation regarding the agreed upon abatement process and procedures. Mr. Larkins said that there are always unforeseen events in connection with demolition projects, advising that there is a contingency in place for those events should they occur.

A resolution pertaining to the contract award for H.B. Wilson ES had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Ms. D'Autrechy, the award was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6v*.

Mr. McNamara then discussed the Committee's recommendation of a design-build award for the New Elementary School No. 3 (ES No. 3) in the Jersey City School District. He reported that the Members are requested to approve the contract award to Dobco, Inc. (Dobco) in the amount of \$33,487,500 and the final charter for construction of ES No. 3. Mr. Murphy provided

the Members with an overview of the project noting that price was weighted as 60% with all other factors having a combined weight of 40%.

A resolution pertaining to the design-build award to Dobco for ES No. 3 had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas, and seconded by Mr. McNamara, the design-build award was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 6bvi*.

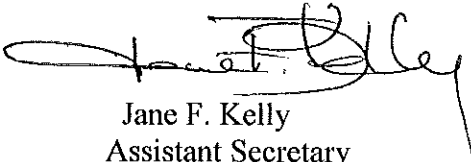
Reports

Mr. Walsh referenced the monthly reports and asked Mr. Ballard to update the Members regarding Project Closeouts. Mr. Ballard provided an update regarding the Project Closeout Status Report. He reported that four (4) Capital projects have been closed, and three (3) additional emergent projects were closed. Mr. Ballard further reported that the Authority had received a check for \$188,000.00 in regards to an environmental settlement. He said that an additional settlement is pending in another litigation matter.

Public Comments

The Chairman, Mr. Walsh, then announced that the Public Comments portion of the meeting would begin. Mr. Walsh asked if there were any members of the public who wished to address the Board. Hearing none, 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 June 5, 2013 meeting.



Jane F. Kelly
Assistant Secretary