

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, APRIL 6, 2016**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, April 6, 2016 at 10:30A.M. at the A. Chester Redshaw Elementary School at 216 Livingston Avenue, New Brunswick, New Jersey.

Participating were:

Robert Nixon, Acting Chairman

Maureen Hassett (NJEDA)

Kevin Luckie (NJDCA)

Bernie Piaia (NJDOE)

Michael Capelli

Kevin Egan

Michael Maloney

Joseph McNamara

Mario Vargas

being a quorum of the Board. Mr. Capelli and Mr. McNamara participated in the meeting by teleconference.

In the absence of the Chairman, Mr. Nixon served as Acting Chairman.

At Mr. Nixon's request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Andrew Yosha, executive vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond Arcario, vice president; and Albert Barnes, chief counsel of the SDA, participated in the meeting. Christopher Howard of the Governor's Authorities Unit also participated in the meeting.

The meeting was called to order by Mr. Nixon 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.

Ms. Kelly then advised the public that, in an Executive Session held prior to the meeting, the Board had discussed a matter pertaining to the potential divestiture of certain SDA owned property.

Approval of Meeting Minutes

Mr. Nixon presented for consideration and approval the minutes of the Board's March 2, 2016 Open and Executive Session meeting minutes. A copy of both meeting 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. Piaia, the Open and Executive Session minutes of the March 2, 2016 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 3a/3b***.

Authority Matters

CEO Report

Mr. Nixon asked Mr. McKenna to provide the report of the Chief Executive Officer. Mr. McKenna began by thanking the New Brunswick School District (District) for hosting the SDA's April Board Meeting. He said that SDA has enjoyed a great relationship with the District and has built great schools here including the Redshaw ES where the meeting is taking place. He commended the District on the fine job that it does in maintaining its schools.

Mr. McKenna then offered an update on the Trenton Central HS (TCHS) project. He reported that foundation crushing and backfill operations are anticipated to end this month. He

said that management issued a Notice of Award (NOA) to Terminal Construction for design-build services last month and anticipates issuing the Notice to Proceed (NTP) for design within the next few weeks. Mr. McKenna advised the Members that management advertised for construction management (CM) services on March 18, with proposals due on April 15. He said that, following review and ranking of the technical proposals, price proposals will be opened on May 13 and management anticipates presenting a recommendation to award at the June Board meeting.

Turning to projects in the Bridgeton School District, Mr. McKenna advised the Members that the Buckshutem Road ES and Quarter Mile Lanes ES projects are moving along very well. In regard to the Buckshutem ES project, he said that the district has moved into the renovation portion of the renovation/addition. He added that renovation work is getting underway on the Quarter Mile Lane ES.

In regard to the Camden HS project, Mr. McKenna said that Design Ideas Group is working on pre-design phase services. He said that a meeting is scheduled soon between SDA and the Camden Mayor and district officials.

Turning to projects in the Elizabeth School District, Mr. McKenna said that all major trades continue to work well and interior finishes are ongoing for the Academic HS project. He said that the project team has begun the FFT&E process and the school is on target for September occupancy. He added that the school is going to have an interesting architectural design. Regarding the Elizabeth New ES project, Mr. McKenna reported that construction activities are progressing well. He said that management expects that the final design package will be re-submitted to the Department of Community Affairs this month.

In continuing, Mr. McKenna reported that negotiations for a constructability change order are nearing completion for the Garfield James Madison ES No. 10 project. He said that construction work continues to progress well on the Gloucester ES/MS project.

In regard to the Harrison New ES project, Mr. McKenna advised the Members that Ambient was issued a Notice to Proceed (NTP) for early site work. He said that a kick-off meeting was held with Ambient last month and the work is expected to start on April 15. He added that demolition activities are anticipated to begin within the next few weeks

Mr. McKenna reported that, for the Irvington Madison Avenue ES project, an award recommendation for early site work was approved at the March Board meeting and a NOA was issued last month. He said that, as he mentioned at the March Board meeting, one of the bidders commenced litigation challenging SDA's rejection of its bid protest. He said that the Essex County Law Division rejected the proposed Order to Show Cause and dismissed the matter with prejudice for lack of jurisdiction. He informed the Members that SDA denied a request by the protesting firm to stay issuance of the NTP and the protesting firm subsequently filed an appeal with the Appellate Division, along with an application for emergent relief. Mr. McKenna added that the Appellate Division rejected the application for emergent relief on the same day. He said that, while the appeal remains pending, there is presently no stay, or even a request for a stay, that precludes the SDA from moving forward at this time. He advised the Members that, upon the advice of outside counsel, an NTP was issued to D&K Construction Company on April 4, 2016. He noted that the Design Studio is advancing the design of the new school.

Turning to projects in the Keansburg School District, Mr. McKenna reported that interior finish work, HVAC, electrical and plumbing work is continuing on the Caruso ES project. He said that the project is on schedule for substantial completion in July and a September opening is

targeted. In regard to the Port Monmouth Road ES project, Mr. McKenna reported that design consultant LAN Associates is working on pre-design phase services.

In continuing, Mr. McKenna gave an update on projects in the Jersey City School District. He reported that the Jersey City PS 20 project is nearing completion and is on target for September occupancy. In regard to the Jersey City ES No. 3 project, he said that all major trades continue to progress well there and interior and exterior masonry work is going forward.

With respect to the Millville HS addition/renovation project, Mr. McKenna reported that bridging design consultant RSC has finalized the schematic design submission which has been submitted to the Department of Education (DOE) for approval. He said that management issued a NTP to RSC to proceed with bridging design services.

In regard to the New Brunswick Paul Robeson ES addition/renovation project, Mr. McKenna said that design-builder Hall Construction is actively working on the preliminary design phase. He added that management advertised for construction management (CM) services last month. He said that management expects the beginning of the addition work will start this summer.

Turning to projects in the Newark School District, Mr. McKenna reported that the district is now fully occupying the Elliott Street ES—a semester ahead of original expectations. In regard to the Oliver Street ES project, he said that management anticipates substantial completion early this month and move-in by the district later this month. He said that the Temporary Certificate of Occupancy (TCO) was received and it is up to the district as to when it will move in to the school. Mr. McKenna advised the Members that Ernest Bock & Sons, Inc. (EBS, Inc.), the design-builder, is actively working on the preliminary design for the Newark

South Street ES project. He added that SDA advertised for CM services for the project last month.

With respect to projects in the Orange School District, Mr. McKenna reported that pre-design services are ongoing for the Orange HS project. In regard to the Cleveland ES project, he said pre-design services are ongoing and there is one last piece of property to acquire.

Mr. McKenna said Dobco, Inc., the design-builder, has begun design work and is anticipating start of construction this summer for the Passaic Leonard Place ES project. He said that the Authority advertised for CM services last month.

In continuing, Mr. McKenna gave an update on projects in the Paterson School District. With respect to the Marshall Street ES project, he said that, with the exception of the fire inspection, all code disciplines have completed inspections supporting recommendations for TCO issuance. He reported that there is a feeder pipe into the building that needs to be changed by the Passaic Valley Water Commission (PVWC). He said that PVWC anticipates completion of the work in April. He added that PVSC will front end the work and once the water line is replaced, the required tests can be conducted so that the fire inspection can be completed. He added that management anticipates receipt of the TCO within a few weeks following the water line installation. In regard to the Paterson PS 16 project, Mr. McKenna said that interior finish work is ongoing, including drywall installation and painting. He noted that management anticipates a September school opening there. Mr. McKenna then discussed the various projects the Authority has pursued in Paterson in recent years.

Next, Mr. McKenna advised the Members that the final draft pre-design report has been received and an internal review is underway for the Pemberton Denbo Crichton ES project. He

said that, on the Phillipsburg HS project, all interior mechanical, electrical and HVAC work is underway and interior building finish work has commenced.

With respect to the Vineland New MS project, Mr. McKenna said that EBS, Inc. continues with the design services phase. He reported that management advertised for CM services in February. He said that proposals were received on March 15 and, following review and ranking of the technical proposals, price proposals will be opened on April 8. He added that management anticipates presenting a recommendation to award at the May Board meeting.

In continuing, Mr. McKenna said that management advertised for design-build services in February for the Perth Amboy Seaman Avenue ES project. He added that technical and price proposals are due on April 19. In regard to the West New York Harry L. Bain PS No. 6 project, Mr. McKenna said that a recommendation to award is on today's agenda for discussion.

In regard to the Trenton Hedgepeth Williams ES project, Mr. McKenna said that the water piping will be replaced throughout the building and the water infiltration on the roof already has been addressed. In continuing, he discussed the status of the lead contamination issue in Newark. He said that in the schools that have tested positive for lead, the children are drinking bottled water to ensure that they are safe. He said that testing is expected to continue and expert opinion will be sought as to how best to move forward.

Turning to the Authority's ongoing procurement activity, Mr. McKenna said that, in addition to the construction services awards for the West New York Harry L. Bain PS No. 6 and the Trenton Hedgepeth Williams MS projects, other activity currently underway includes procurements for design-build services for the Perth Amboy Seaman Avenue ES project; and CM services for the Vineland MS No. 2, TCHS, New Brunswick Paul Robeson ES, Newark South Street ES and Passaic Leonard Place ES projects.

Reporting on events, outreach and other activities, Mr. McKenna informed the Members that SDA met with members of the Harrison community to discuss upcoming early site work that will be happening there. He said that this is part of SDA's effort to ensure open communication with the communities affected by its school facilities projects.

In concluding, Mr. McKenna reported that Communications staff plans to schedule a community meeting and ground breaking ceremony in Garfield later this month.

Audit Committee Report

Mr. Nixon then provided the report of the Audit Committee. He advised the Board that the Audit Committee met on March 21, 2016. He said that management had provided the Committee with the February 2016 New Funding Allocation and Capital Plan Update, He said that there was a change in only one of the SDA District reserve balances—specifically, a \$1.1 million decrease in the Planning Reserve balance for the reporting period due to an increase in commitments associated with Board approval of the revised preliminary project charter for the Harrison New Elementary School project. He noted that the revised charter incorporated the award value and contingency for necessary early site preparation construction which was anticipated at the time of the preliminary project charter approval but unquantified at that time. He added that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$3.8 million due to a reduction in state share for grant projects nearing completion.

Approval of Memorandum of Understanding (MOU) Between the New Jersey Motor Vehicle Commission and the New Jersey Schools Development Authority

Mr. Nixon then informed the Members that the Audit Committee is recommending execution of a Memorandum of Understanding (MOU) between the SDA and the New Jersey Motor Vehicle Commission (MVC). Referencing materials that had been previously provided

for review, he noted that the MVC maintains a database of driver licenses, vehicle records of licensed individuals and vehicles and vessels registered in New Jersey. He said that the SDA periodically requires access to the MVC database to validate the license status of SDA employees who are authorized to utilize Authority vehicles. He advised that the previous agreement was executed in 2011 and was effective for 5 years. Mr. Nixon then recommended Board approval of the proposed MOU between the SDA and the MVC to ensure SDA's continued access to the data base for a period of one year at a cost of \$150.

A resolution pertaining to the proposed MOU between the SDA and the NJMVC for access to the latter's data base had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie and seconded by Mr. Vargas, the MOU between the SDA and the MVC was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 5a.***

Mr. Nixon then reported that the Internal Auditing Unit (IAU) staff had outlined for the Committee the process followed to determine the audits proposed for 2016. He added that IAU staff also presented the results of one statutorily required audit. He noted that response actions had been forwarded to the Special Projects Cost Recovery Unit (CRU) as deemed appropriate.

In continuing, Mr. Nixon then reported that Ernst & Young (EY or the Auditors) had presented a brief overview of the Authority's 2015 Financial Statements (Financial Statements). He said that the Auditors advised that the final audited Financial Statements will be presented following receipt of the Governmental Accounting Standards Board (GASB) Statement No. 68 pension allocation amounts from the Department of the Treasury's Division of Pension & Benefits. He noted that EY did report that the Financial Statements, to date, present fairly, in all material respects, the financial position and changes in the financial position of the Authority,

consistent with Generally Accepted Accounting Principles. He reported that EY outlined the areas of emphasis and thought processes utilized in the development of the audit. He said that the Financial Statements contained no corrected misstatements or material uncorrected misstatements. He reported that EY did not find any matters that would rise to the level of either a material weakness or significant deficiency. He advised that EY noted the outstanding cooperation and professionalism that SDA staff provided throughout the audit process.

In continuing, Mr. Nixon informed the Members that, in compliance with Executive Order 122, following the regular March Audit Committee meeting, the Committee met with EY without management present.

Next, Mr. Nixon said that the Committee was also provided with the February 2016 Monthly Financial Report. He said that management reported that year-to-date Authority operating expenses (actual vs. budget), are down \$375,000 as compared to the operating budget for the corresponding period. He said that the variance is largely attributable to lower salary and benefit costs. He said that year-to-date school facilities project expenditures (actual vs. forecast), are \$11 million lower as compared to the capital spending forecast for the corresponding period. He reported that operating expenses (actual vs. prior year actual) have increased by \$8.1 million as compared to the corresponding prior year. He explained that this variance is due to increased spending of \$6.5 million in construction related activity and \$2.3 million for school furniture, equipment and technology.

Mr. Nixon then advised the Members that, as required by the Operating Authority, management had notified the Committee, and the Committee is notifying the Board, of an amendment to the Authority's network hardware and software maintenance services agreement. He explained that the present agreement is due to expire in mid-April necessitating an

amendment to ensure that the services remain available during the interim period until the new procurement is completed within the next 3 to 4 months. He advised that the services will continue to be available at the same rates at which they are currently provided.

Mr. Nixon then welcomed Mr. Aubrey Johnson, Superintendent of New Brunswick Public Schools, to the meeting.

A brief discussion ensued regarding — GASB Statement No. 68. Mr. Nixon noted that the Audit Committee had engaged in a lengthy discussion on the matter. Mr. Guarriello provided additional details regarding the pension allocation amount that the Authority is awaiting from the Department of the Treasury. In response to an inquiry, he assured the Committee that the delayed filing of the Authority’s Financial Statements is due to no fault of the Authority’s and will not result in a penalty. He noted that other state entities are in the same situation.

School Review Committee

Award of Contract, Approval of Final Charter and Release of Funds from Program Reserve – Trenton Public Schools District – Hedgepeth Williams Schools – Emergent Project – Domestic Water Line Replacement; Construction Award and Approval of Final Project Charter – West New York School District – Harry L. Bain Elementary School – HU-0026-C01;

Mr. Nixon asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie noted that there are 2 items on the agenda. Referencing material previously presented for Board review, he said that the first item is a contract award, final charter and release of funds from the program reserve in connection with the Hedgepeth Williams School emergent project (the Project). Mr. Luckie reported that the Hedgepeth Williams School, a 170,000 square foot school built in 1939, currently serves as two separate educational facilities: the Robeson ES, educating approximately 584 students in grades Pre-K through 5 and the Hedgepeth Williams MS, educating approximately 500 students in grades 6 through 8. He advised the Members that

SDA is addressing two distinct emergent conditions: one involving replacement of the facility's domestic water supply to remedy extensive leaking and the other involving roof repairs to eliminate water infiltration. He said the two distinct conditions are being addressed through two separate contracts, while remaining consolidated with one DOE project number. Mr. Luckie informed the Members that, on April 8, 2014, The Design Collaborative was issued a NTP for pre-design services to fully develop the appropriate project scope and identify alternative solutions to address the extent of the deterioration of the domestic water supply components. He said that the services were inclusive of an analysis and remediation costs associated with the domestic water supply replacement to insure the delivery of quality potable water throughout the school. He reported that the separate condition related to the need for roof repair work was determined during a SDA site visit in June 2014 when the SDA identified a potential emergent condition concerning water infiltration throughout various roof areas. In continuing, Mr. Luckie said that, on July 31, 2014, the DOE approved inclusion of the roof system repair work within the existing emergent project to address water infiltration, with construction activities related to the roof system repairs achieving substantial completion in February 2016. He added that SDA is advancing construction related activities to replace the domestic water line and thoroughly address the remaining emergent condition at the school. He advised the Members that funding for the project is available through the emergent project funding allocation approved by the Board in March 2011. He said that SDA staff will provide construction management for the entirety of the Project. He added that Project construction is anticipated to begin June 2016 and substantial completion is anticipated to be reached in September 2016. Mr. Maloney asked that, going forward, the names of a contractor's prime sub-contractors be included in the Board materials. Mr. McKenna indicated that staff will make this change.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made Mr. Vargas and seconded by Mr. Piaia, the contract award, final charter and release of funds from the program reserve for the emergent project at the Trenton Hedgepeth Williams School were approved with the Board's unanimous vote in favor of ***Resolution 6a.***

In continuing, Mr. Luckie discussed management's recommendation for approval of a construction award and final project charter for the Harry L. Bain ES project (Bain Project) in the West New York School District. He said that the currently unoccupied Harry L. Bain ES is a 102,335 square foot, three story facility educating 736 students in grades Pre-K through 6. He informed the Members that, in March 2011, the SDA Board approved the Bain Project for advancement as part of the Authority's 2011 Capital Plan. He said that the Bain Project involves improvements to the school building's exterior and interior systems. Mr. Luckie reported that a package for construction services was advertised on December 29, 2015 as a competitive procurement process. He said that, upon completion of the procurement process, management recommends award of a contract in the amount of \$10,978,000 to Paul Otto Building Co., Inc. (Paul Otto) for the Bain Project. He advised the Members that Paul Otto has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. He added that, prior to execution of the contract, the contract and related documentation will be reviewed and approved by the SDA Division of Chief Counsel.

A resolution pertaining to the contract award to Paul Otto Building Co., Inc. in the amount of \$10,978,000 along with the final project charter for the West New York Harry L. Bain ES project had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Ms. Hassett, the recommended contract award and revised

preliminary project charter were approved with the Board's unanimous vote in favor of *Resolution 6b*.

Public Comments

Mr. Nixon then opened the Public Comments portion of the meeting. He asked if any member of the public wished to address the Board. No member of the public stepped forward.

Adjournment

There being no further business to come before the Board, Mr. Nixon then asked for a motion to adjourn the meeting. Upon motion by the Acting Chairman and with unanimous consent, the meeting was adjourned.

Certification: The foregoing represents a true and complete summary of the actions taken by the Board of the New Jersey Schools Development Authority at its April 6, 2016 meeting.

/s/ Jane F. Kelly
Assistant Secretary