

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, DECEMBER 6, 2017**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, December 6, 2017 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Robert Nixon, Vice Chairman

Maureen Hassett (EDA)

Kevin Luckie (DCA)

Bernard Piaia (DOE)

Willem Rijkssen (Treasury)

Michael Capelli

Kevin Egan

Lester Lewis-Powder

Michael Maloney

Mario Vargas

being a quorum of the Board. Mr. Capelli, Ms. Hassett, Mr. Lewis-Powder, Mr. Piaia and Mr. Rijkssen participated in the meeting by teleconference. Mr. Nixon, the Vice Chairman of the Board, chaired the meeting.

At the Vice Chairman's request, Charles McKenna, chief executive officer, Andrew Yosha, executive vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Manuel Da Silva, vice president; Albert Barnes, chief counsel and Anthony Gilfillan, director of the SDA, participated in the meeting.

Thomas Huth of the Governor's Authorities Unit also participated in the meeting by teleconference.

The meeting was called to order by the Vice Chairman of the Board, 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 33 West State Street in Trenton, New Jersey. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

Approval of Meeting Minutes

Mr. Nixon presented for consideration and approval the minutes of the Board's November 15, 2017 Open Session meeting. A copy of the 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. Maloney, the November 15, 2017 Open Session meeting minutes were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 3a***.

Authority Matters

CEO Report

The Vice Chairman asked Mr. McKenna for the Report of the Chief Executive Officer. Mr. McKenna began his report with an update on the Trenton Central HS (TCHS) project. He said that, roofing, exterior sheathing and concrete masonry unit installation work is ongoing. He reported that SDA staff has submitted the final building design to the Department of Community Affairs (DCA) incorporating prior DCA comments and currently is awaiting release of the final

building review. He noted that interior rough-in HVAC, fire suppression, electric, plumbing and framing is ongoing.

Mr. McKenna informed the Members that, for the Camden HS project, abatement activities for the 1916 building are underway and scheduled for completion by January 2018. He said that abatement activities are complete in the Pods and Annex consistent with the schedule. He noted that SDA staff would apply for demolition permits in the current month. He then provided an update regarding litigation that was filed in connection with the project.

With respect to the East Orange George Washington Carver ES project, Mr. McKenna said that design phase services continue and SDA staff has advertised the construction management (CM) procurement for the project. Concerning the Elizabeth New ES project, he reported that the design-builder continues to address punch-list and closeout items. He said that SDA staff expects that the certificate of occupancy (CO) would be issued later in the current month.

Mr. McKenna reported that, for the Garfield James Madison ES No. 10 project, rough interior finish work has begun and roof flashing is being completed. He added that exterior site work is ongoing and progressing well. For the Harrison New ES project, he said that design phase services continue there. He informed the Members that the design-builder has submitted Package No. 1 to DCA for review and SDA staff anticipates that construction activities will begin later this month.

Mr. McKenna said that design phase services continue and footings and foundations work is ongoing for the Irvington Madison Avenue ES project. For the Keansburg Port Monmouth Road ES project, he reported that design phase services continue. With regard to the addition and renovation project at the Millville HS, he said that design phase services continue.

He noted that Phase I abatement has been completed and construction documents for Phase I are under review by DCA.

Mr. McKenna then gave an update on the New Brunswick Paul Robeson ES project. He reported that site work, masonry, HVAC, electrical and plumbing work is ongoing. He added that structural repair to the existing building is complete and associated finish work is ongoing. For the Newark South Street ES project, he said that interior partitions, painting, final electrical and plumbing, and final grading work is ongoing and flooring and bathroom partition installation work has begun. He noted that the school is coming along well. For the Orange Cleveland ES and Orange HS projects, he reported that design phase services continue on both projects.

Turning to the Passaic School District, Mr. McKenna reported that, for the Leonard Place ES project, exterior and interior masonry work is ongoing. He added that building enclosure work also is ongoing in preparation for winter. With regard to the Dayton Avenue Educational Campus project, he informed the Members that SDA staff expects to issue a notice-to-proceed (NTP) with the design phase in early January 2018.

Mr. McKenna said that, for the Paterson Union Avenue MS project (the former site of Don Bosco Academy), abatement work is nearing completion in the main building. He added that SDA staff has initiated demolition work on another building on the site. For the Pemberton Denbo Crichton ES project, he reported that abatement of the Crichton building is continuing and nearing completion. He said that all swing space would be completed for turnover at the start of 2018. He noted that technical and price proposals for design-build services are due December 7.

With respect to the Perth Amboy Seaman Avenue ES project, Mr. McKenna reported that design phase services, site utility and curb installation work and footings and foundation work is

ongoing. For the Vineland New MS project, he said that masonry, steel erection, roofing, electrical, plumbing, window installation, HVAC and site work is ongoing. He added that interior painting has commenced.

In continuing, Mr. McKenna gave an update on the Salem MS project. He said that all of the ceiling work is completed and that SDA staff anticipates a CO next week.

Reporting on the Authority's procurement activities, Mr. McKenna said that, later in the meeting, management will be presenting awards for CM system software and implementation services. He said that other activity currently underway includes procurements for design-build services for the Pemberton Denbo-Crichton ES project; CM services for the East Orange George Washington Carver ES project; and OCIP IV administration services.

Turning to Authority events, outreach and other activities, Mr. McKenna reported that, on November 21, SDA joined Paterson School District officials at an event announcing the start of demolition.

Next, Mr. McKenna said that, on November 28, Manuel Da Silva attended a groundbreaking ceremony for a project at the Freehold Learning Center. He noted that SDA is funding this project through the ROD grant program.

In continuing, Mr. McKenna informed the Members that SDA staff again would be participating in the Season of Service initiative. He said that staff will be working at food banks in both Northern and Southern New Jersey this month.

Mr. McKenna then invited the Members to join staff at the SDA staff holiday party scheduled for December 20.

Audit Committee

Approval of Awards – Contract Management System Software and Implementation Services; 2018 Operating Budget

The Vice Chairman then provided the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on November 20, 2017. He said that management provided the Committee with the October 2017 New Funding Allocation and Capital Plan Update. He advised the Board that the only SDA District Reserve Balance that experienced a change was the Unforeseen Events Reserve Balance which decreased by \$1.9 million due to the revised final project charter for the New Brunswick City Paul Robeson Community ES. He said that Change Order No. 1 in the amount of \$1.54 million was needed to address structural repairs and necessary contingency funds for the Robeson project. In addition, he said that \$320,000 was needed for the construction management award and necessary contingency for the Millville Senior HS Project. He reported that the reserve balance for the Regular Operating Districts (RODs) increased by \$500,000 during the reporting period due to reductions in state share for grant projects nearing completion.

Mr. Nixon then presented the awards for contract management system software and implementation services respectively. He advised that this significant issue was discussed by the Audit Committee at its October and November meetings. Referencing material that previously was distributed for Board review, he reminded the Members that, at the November Board Meeting, management informed the Members of the Authority's need to purchase new construction management system software. He gave a brief recap of the history of the Authority's existing Contract Manager (CM) software which, after 11 years, has reached obsolescence. He noted that CM system software is critical to effective and timely project and

contract management by the Authority. He reminded the Members that in order to support the evaluation and selection of a system to replace the current system, the Authority established a Contract Manager Software Evaluation Project team (CMSEP). He explained that a multi-step process was utilized to select the most suitable system software to meet the SDA's business requirements. He said that the Authority also had obtained the input of a systems expert who was familiar with the available systems and with the needs of the SDA. He said that the proposed system would have all of the functionality of the current system plus additional functionality needed to support ongoing operations and additional system enhancements. He said that, in considering SDA's system needs and the costs associated with installation and implementation of the available systems, management recommends that the Board approve contract awards to PMWeb and Critical Business Analysis, Inc. for the contract management system software and implementation services respectively. He explained that the proposed cost of software and implementation services for the first year is in the not-to-exceed amount of \$1.5 million; and that the second year cost for implementation, maintenance and support services is in the not-to-exceed amount of \$1 million. He noted that the cost of the proposed system is appreciably less than the other systems considered. He explained that recurring maintenance and support services would be \$300,000 annually. He informed the Members that the cost of the first year of the contracts is included in the 2018 proposed Budget to be considered next on the Meeting agenda. Mr. Vargas inquired about the security of the proposed replacement system. Mr. Gilfillan advised that while the current CM system has had some security issues, the proposed replacement system would have appropriate next generation firewalls in place. He explained that the proposed system would allow for migration while still providing access to the existing system. Mr. Gilfillan noted that there will be a perpetual right to use the product and

further explained the phasing, integration and training that will take place to facilitate a smooth transition. Ms. Hassett asked if the proposed system is purely project driven or if it ties in to SDA internal ledger and accounting system. Mr. Gilfillan explained that there is a bridging interface application that will communicate with the SDA general ledger payment system.

Following discussion, upon motion duly made by Mr. Egan and seconded by Mr. Vargas, the Board approved contract awards to PMWeb for contract management system software and Critical Business Analysis, Inc. for implementation services with its unanimous vote in favor of ***Resolution 5a.***

Mr. Nixon then presented the 2018 Operating Budget (“Budget”) that was provided to the Members in advance of the meeting. He advised that the Committee discussed the details of the proposed Budget at the November meeting of the Audit Committee. He reported that the proposed 2018 Budget totals \$19.3 million—excluding non-cash accruals for other post-employment benefits and pensions (OPEB)—representing an increase of \$538,000 as compared to the current year’s budget. He said that the Budget includes a proposed headcount of 257 full-time employees (FTEs), which is unchanged from the current Budget. He noted that, consistent with prior years, the Authority appropriately charged a portion of its employee salaries and benefits costs to school facilities projects. He advised that the estimated amount of \$15.9 million would be charged to school facilities projects for the 2018 budget year. He said that the Audit Committee recommends Board approval of the 2018 Budget as presented by management. Mr. Guarriello noted that the increase was a result of the \$1.5 million 2018 allotment for the CM replacement system. He said that, absent that, the Budget would reflect a year-over-year reduction of approximately a \$900,000. He also noted that the current headcount is at an all-time low of 213 full time employees. After a brief discussion, Mr. Nixon asked if there were any

further questions or comments regarding the Budget. Hearing none, he called for a vote to approve the 2018 Operating Budget.

Following discussion, upon motion duly made by Mr. Vargas and seconded by Mr. Egan, the Board approved the proposed 2018 Budget with its unanimous vote in favor of ***Resolution 5b***.

Next, Mr. Nixon reported that the Committee reviewed Ernst & Young's (E&Y) 2017 SDA Audit Plan. He said that E&Y had provided the Committee with an outline of the audit services and deliverables and provided the Committee with an overview of the audit timetable along with their (E&Y's) processes and procedures. He said that E&Y's presentation also highlighted areas of audit emphasis and discussed General Accounting Standards Board (GASB) pronouncements. He said that E&Y also had discussed financial reporting in accordance with the requirements of the GASB rules and provided a summary of their required communications. Mr. Nixon advised the Board that, at the conclusion of the regular Committee meeting, the Committee Members met privately with E&Y in accordance with Executive Order 122 and then with the Authority's director of SDA's internal audit unit—both meetings without management present.

Mr. Nixon then provided the Board with the October 2017 Monthly Financial report. He advised the Board that Year-to-Date Authority Operating Expenses (Actual vs. Budget), at \$16.5 million, are down \$2.8 million as compared to the operating budget for the corresponding period. He explained that this is largely attributable to 42 fewer than anticipated full time employees. In continuing, Mr. Nixon said that year-to-date school facilities project expenditures, at \$301.5 million, are \$1.9 million higher as compared to the capital spending forecast for the corresponding period. He said that project expenditures (Actual vs. Prior Year Actual) have

decreased as compared to the corresponding prior year. In concluding his report, Mr. Nixon said that, currently, SDA has disbursed 79.6% of the funds authorized for the SDA Districts. Additionally, he said that, since program inception, 96% of all SDA disbursements relate to school facilities projects and 4% relate to operating expenses.

School Review Committee

Release of Funds from Program Reserve -Newark Public Schools District – Malcolm X. Shabazz High School - Emergent Project – Building Envelope Exterior Masonry, Roof and Courtyard Drainage; Release of Funds from Program Reserve -Newark Public Schools District – Vocational High School - Emergent Project – Building Envelope Exterior Masonry, Roof and Window Replacement; Credit Amendment-Heery International

Mr. Nixon asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie reported that the School Review Committee met on November 20, 2017. He said that the first item the Committee considered was the release of funds from the program reserve for the Malcolm X. Shabazz HS (Shabazz HS) emergent project (the Project) in the Newark Public Schools District. Mr. Luckie said that the Shabazz HS is an approximately 280,000 square foot facility that educates approximately 600 students in grades 9 to 12. He advised the Members that, following joint site visits by SDA and Department of Education (DOE) staff to review potential emergent conditions in the district, the DOE issued pre-construction approval in July 2012 for an emergent project to address exterior masonry, roofing system and courtyard drainage issues which had resulted in water infiltration in the building. He explained that, after receiving pre-construction approval from the DOE, SDA issued a grant offer to allow for advancement of the Project through delegation to the district and, further, that a grant agreement was executed in March 2013. Mr. Luckie added that, following execution of the grant agreement, the Project was placed on hold pending the results of a district-wide assessment of its buildings for possible

consolidation. He said that, upon completion of the assessment, the district informed SDA in May 2016 that the Shabazz HS would continue to be utilized as a school facility for the foreseeable future and that the Project needed to advance for the continued operation of the school. He advised that SDA staff reviewed the Project's scope to ensure that it addresses the identified conditions and does not include work beyond that required to remedy the condition. Mr. Luckie said that the cost of the Project, including appropriate contingency, is \$7,295,174 and management recommends that the Board approve the release of this amount from the program reserve to address the conditions at the Shabazz High School.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Maloney and seconded by Mr. Vargas, the release of funds from the program reserve for the Newark Malcolm X. Shabazz HS emergent project was approved with the Board's unanimous vote in favor of *Resolution 6a*.

Mr. Luckie said that the Committee is also recommending approval of a release of funds from the program reserve for the Newark Vocational HS emergent project (the Project). He explained that the Newark Vocational HS is an approximately 148,000 square foot facility that educates 100 students in grades 9 to 12. He said that, following joint site visits by SDA and DOE staff to review potential emergent conditions in the district, the DOE issued pre-construction approval for an emergent project to address conditions related to the building's exterior masonry, roofing system and windows—conditions which caused water infiltration in the building. He said that, in March 2013, after receipt of pre-construction approval, SDA executed a grant with the district to allow for the advancement of the Project through delegation to the district. He explained that, similar to the Shabazz HS project, following execution of the grant, the project was placed on hold pending the district's review of its buildings for potential

consolidation. Mr. Luckie reported that, upon completion of this review, the district advised the Authority that the Vocational HS would continue to be utilized as a school facility for the foreseeable future and the Project needed to advance for the continued operation of the school. He noted that SDA has determined that the Project will advance pursuant to SDA delegation for district management. He said that staff has determined that the Project's scope does not include work beyond that which is required to remedy the condition. Mr. Luckie advised that the cost of the Project, including appropriate contingency, is \$9,004,400 and management recommends Board approval of the release of this amount from the program reserve to address the conditions at the Vocational HS.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Nixon, the release of funds from the program reserve for the Newark Vocational HS emergent project was approved with the Board's unanimous vote in favor of ***Resolution 6b***.

Next, Mr. Luckie said that the Committee is advancing a credit amendment for Heery International (Heery) for the Phillipsburg HS (PHS) project (the Project). He informed the Members that, in December 2002, the SDA engaged Heery to provide PMF services and assigned several projects to Heery including a project for a new PHS. He reported that the new high school, delivered by the SDA in September 2016, was approved to advance as part of the Authority's 2012 Capital Plan after several project suspensions in the intervening period following the initial PMF assignment to Heery. Mr. Luckie said that, with the Project's inclusion in the 2012 Capital Plan, the SDA converted Heery's scope of services from that of a PMF to that of a construction manager. He advised that, over the course of the PHS project, SDA issued several amendments modifying the contract with Heery, including Amendment No. 5 which

added total building commissioning services scope. He said that the Authority determined to revise the needed commissioning services from total building commissioning to commissioning services for mechanical electrical plumbing systems, reducing Heery's fee for commissioning services from \$300,000 to \$176,433.56. Mr. Luckie explained that Amendment No. 10, in the amount of \$123,566.44, would credit the unused balance of funds remaining in the contract that are not required. He said that its execution is necessary for the release of final payment and to advance contract closeout and project closeout activities.

Following discussion, Mr. Luckie said that the Committee recommends that the Board approve the award of the proposed credit amendment for Heery International in the amount of \$123,566.44. Upon motion by Mr. Vargas and seconded by Mr. Nixon, the Board approved the proposed credit amendment for Heery International with its unanimous vote in favor of ***Resolution 6c.***

In continuing, Mr. Luckie said that the Committee is advancing an amendment for Triad Fire Protection Engineering (Triad) for the Newark Science Park HS project (the Project). He reminded the Members that the Authority delivered the Newark Science Park HS (School) in 2006 and the district currently occupies the School pursuant to a temporary certificate of occupancy (TCO). He explained that the Authority is addressing necessary remedial action related to the School's smoke control system in order to obtain a full CO. Mr. Luckie said that Triad was engaged to perform third-party special inspection and testing services in connection with the re-design and performance of the remedial work. He informed the Members that an initial re-design effort, previously reviewed by Triad, failed to fully address the needed remedial activity and the original \$19,900 contract value was depleted during Triad's evaluation of the initial re-design work. He said that management engaged a separate design consultant to provide

an appropriate resolution and engaged a contractor to perform the needed construction work. He said that, in March 2014, SDA issued a limited NTP to USA Architects (USA) for pre-design services. Mr. Luckie said that, upon completion of pre-design activities, USA was authorized to proceed with design services in July 2015. He said that, in June 2017, SDA awarded a construction contract to Precision Building and Construction, LLC (Precision) to address required corrective work identified as part of USA's design efforts and the scope of work under Precision's contract is now nearly complete. He explained that Amendment No. 2 is required to provide additional consulting services by Triad, including additional testing and inspections needed to certify that the smoke control system at the Science Park HS is satisfactory, fully operational and code compliant. Mr. Luckie advised the Members that this proposed contract amendment, in the not-to-exceed time and materials amount of \$20,000, provides contingency funding beyond Triad's estimated cost should additional services be required above what is currently anticipated. He reported that management recommends Board approval at this time so that the funding will be in place and staff can authorize additional services from Triad as soon as the repair work is completed. He said that this will enable the Authority to avoid potential extended general conditions costs. He noted that the additional funding is available in the project charter budget. Mr. Luckie said that, upon the advice of the Division of Chief Counsel, management recommends approval of Amendment No. 2 for Triad in connection with the Science Park HS project. He added that this matter will be reviewed by counsel for potential cost recovery.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Egan, Amendment No. 2

for Triad Fire Protection Engineering for the Newark Science Park HS project was approved with the Board's unanimous vote in favor of *Resolution 6d*.

Public Comments

The Vice Chairman then opened the Public Comments portion of the meeting. He invited Mr. Frank Faras to address the Board. Mr. Faras said that he resides in the City of Trenton directly across the street from the TCHS project site. He reminded the Members that, the previous month, he had come before the Board to complain about construction noise between the hours of 5:00 AM and 7:00 AM each morning. He said that, since then, nothing has changed. The Vice Chairman asked Mr. Yosha to respond. Mr. Yosha said that the contractor is required to conform to the noise ordinance of the City of Trenton. Mr. Nixon said that this is not an SDA issue; rather, the City enforces compliance with its noise ordinance. He asked whether Mr. Faras had shared his concerns with the City. Mr. Faras said that the Trenton police told him to speak with the SDA. Mr. Nixon said that this matter is not a state matter. Mr. Faras asked if anyone from SDA has spoken with the contractor about this issue. Mr. McKenna said that he did speak with the contractor and asked them to comply with the ordinance. Mr. Faras said that he hopes that the Authority will consider this the next time this contractor seeks work on other SDA projects.

Next, at the Vice Chairman's request, Mr. Jerrell Blakeley addressed the Board. Mr. Blakeley said that he represents the Healthy Schools Now Coalition (HSN). He said that he wanted to follow up regarding the emergent projects process. He reminded the Members that 95% of the projects submitted to DOE for consideration were declined. The Vice Chairman asked Mr. Yosha to respond to Mr. Blakeley. Mr. Yosha said that while DOE is the lead on this

issue, he is aware that DOE has reached out to those districts whose projects were declined and provided them with an opportunity to resubmit. He said that this process is still ongoing.

In continuing, Mr. Blakeley said that he wanted to state for the record that Mr. McKenna has been a good partner with whom to work on these issues during his tenure with the SDA. He said that he is forthright and has made a positive contribution to the students.

Mr. Blakeley said that he hopes that the incoming Governor will make new funding available so that the SDA can continue its work. Mr. Nixon said that he has seen the policy document that HSN prepared. Mr. Blakeley said that the document offers eight recommendations for consideration by the incoming Administration, with increased funding at the top of the list.

Finally, Mr. Blakeley thanked Mr. McKenna for his role in advancing the TCHS project.

Ms. Kelly then announced that the Board would be adjourning into Executive Session to discuss management's recommendation for potential alternative methods for the sale and conveyance of 707-709 Market Street and 108 North 7th Street in the City of Camden amending the January 4, 2017 approval of the Members. She said that the Board's vote on this matter would proceed upon its return to Open Session.

Thereafter, upon motion by the Vice Chairman and with unanimous consent, the meeting adjourned into Executive Session.

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

Mr. Vargas said that the Committee recommends Board approval of alternative methods for the sale and conveyance of 707-709 Market Street and 108 North 7th Street in the City of Camden amending the January 4, 2017 approval by the Members. Upon motion duly made by Mr. Nixon and seconded by Mr. Luckie, the Board approved the Committee's recommendation in this matter with its unanimous vote in favor of ***Resolution A1***.

Adjournment

There being no further business to come before the Board, upon motion by the Vice 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 December 6, 2017 meeting.

/s/ Jane F. Kelly
Assistant Secretary