

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, DECEMBER 6, 2023**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, December 6, 2023 at 9:00A.M. in the Joseph A. McNamara Board Room at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Robert Nixon, Public Member, Chairman

Stephen Martorana (EDA)

Kevin Luckie (DCA)

Anthony Longo (Treasury)

Bernard Piaia (DOE)

John Capo, Public Member

Lester Lewis-Powder, Public Member

Michael Maloney, Public Member

Mario Vargas, Public Member

being a quorum of the Members of the Board. Mr. Capo, Mr. Lewis-Powder, Mr. Longo, Mr. Martorana and Mr. Piaia participated in the meeting by teleconference.

At the Chairman's request, Manuel Da Silva, chief executive officer; Donald Guarriello, vice president and chief financial officer; Janice Venables, vice president and additional assistant secretary; and Albert Barnes, chief counsel and additional assistant secretary of the SDA, participated in the meeting. Dorian Smith of the Governor's Authorities Unit (GAU) also participated in the meeting by teleconference.

Pledge of Allegiance

Led by the Chairman, the Members and all assembled stood and recited the Pledge of Allegiance.

The meeting was called to order by Mr. Nixon, who requested that Ms. Venables read the requisite notice of the meeting. Ms. Venables announced that the meeting notice had been sent to the *Trenton Times* and *Star-Ledger* at least 48 hours prior to the meeting, and was duly posted on the Secretary of State's bulletin board at 225 West State Street in Trenton, New Jersey and on the SDA Website. Ms. Venables then conducted a roll call and indicated that a quorum of the Members of the Board were present.

Approval of Meeting Minutes

The Chairman presented for consideration and approval the minutes of the Board's November 1, 2023 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. Luckie and seconded by Mr. Vargas, the Open Session minutes of the November 1, 2023 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3a***.

Mr. Nixon then presented for consideration and approval the minutes of the Board's November 1, 2023 Executive 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. Piaia, the Executive Session minutes of the November 1, 2023 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3b***.

Authority Matters

CEO's Report

Next, Mr. Nixon asked Mr. Da Silva for the report of the CEO. Mr. Da Silva provided an update on design-build projects in the design phase. He said that for Union City New Grade 7-9 School project, steel erection is nearing completion and final design documents are being reviewed by the design studio.

Turning to design-build project in construction, Mr. Da Silva reported that for the Millville High School Addition and Renovations project, the additional HVAC replacement work in existing Buildings A & B has been released by Department of Community Affairs and the change order is being issued with work anticipated later this month. For the Perth Amboy High School project, he said that finish work is ongoing and final inspections have commenced.

In continuing, Mr. Da Silva provided an update on design-bid-build projects in the construction stage. He advised that for the Orange Cleveland Street Elementary School project, delivery of windows and rooftop units is projected for early January 2024. He added that temporary heat is in place to allow work to continue through the winter months.

Mr. Da Silva gave an update on projects in the procurement stage. He reported that for the Garfield New Elementary School project, the demolition notice of award was issued last month. He said that simultaneously, the bridging architect is preparing the Design Build Information Package for procurement of design builder in 2024. For the Elizabeth New Elementary School Elementary School project, he advised that the demolition and early site preparation bids are due on December 12. He added that simultaneously, the bridging architect is preparing the Design Build Information Package.

Turning to Authority events, outreach and other activities, Mr. Da Silva informed the Members that the SDA will hold a beam signing ceremony next week to celebrate the progress of the new Union City Grade 7-9 School. He said that management expects this to be very exciting as the backdrop of the event will be the 6-story structure that was constructed on the site.

Next, Mr. Da Silva said that November 14 and 15, SDA grants staff provided training to ROD District officials related to the upcoming grant projects that were recently announced. He thanked Kashif Khan, Eric Shteir and Karen Schaffer who provided attendees with detailed information on the grant process. He noted that following the trainings, New Jersey Association of Schools Business Officials (NJASBO) staff said that it was wonderful to watch SDA experts educating and updating Business Administrators and district personnel about the ROD grant program.

In continuing, Mr. Da Silva reported this past Monday and Tuesday, SDA had our annual contractor training program. He said that it was well attended and, he along with Ms. Venables received lots of positive feedback yesterday regarding the program. He said that he wanted to thank Edye Maier and all the staff who participated and presented.

Finally, Mr. Da Silva thanked the Board Members for completing their 2023 annual ethics training.

Mr. Vargas asked is if the Perth Amboy High School project is still the largest SDA project and if the project is still ahead of schedule. Mr. Da Silva answered in the affirmative, noting that final inspections are ongoing and the SDA is anticipating a temporary certificate of occupancy in February 2024.

Chairman's Report

Mr. Nixon reminded the Members that every January the Board holds its SDA Organizational meeting. He explained that at the Organizational meeting, it's his responsibility

as Chairman of the Board to appoint Members to the Committees. He added that at this time, he sees no reason to change the Members on the Committee, noting that there is already a really good team structure. He said that if any Member wishes to be part of another Committee or removed from a Committee, to let him know.

Audit Committee

Proposed 2024 SDA Staffing Plan; Proposed 2024 SDA Operating Budget

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on November 20, 2023. He advised that the management provided the Committee with the October 2023 New Funding Allocation and Capital Plan Update. He said that staff informed the Committee that there were no changes in any of the reserve balances for the SDA Operating Districts during the reporting period. He advised that the Program Reserve balance for Regular Operating Districts increased by \$200,000 during the reporting period due to reductions in state share for grant projects nearing completion.

Next, Mr. Nixon said that Ernst & Young (E&Y), the SDA's financial auditors, provided the Committee with the 2023 SDA Audit Plan. He said that E&Y outlined the audit services and deliverables and provided an overview of the audit timetable along with their processes and procedures. He said that E&Y discussed the required communications and standards on quality management overview. He noted that E&Y's presentation also addressed General Accounting Standards Board (GASB) pronouncements and financial reporting in accordance with the requirements of the GASB rules. Mr. Nixon said that E&Y noted that the 2023 Audit will be reviewing, for implementation, the new accounting pronouncement GASB Statement No. 96 pertaining to the subscription-based information technology arrangements.

Next, Mr. Nixon advised that SDA's internal audit (IA) staff and contract auditors, Baker Tilly Virchow Krause, LLP provided the Committee with the results of 2 project audits and 1 operational audit. He said that the Audits were conducted to comply with the statutory requirement that Capital Portfolio Projects with a state share over \$10 million to be reviewed to assess whether State funds were expended in accordance with contractual terms, SDA practices and state rules and regulations. He said that IA also provided the Committee with a report on the current status of open audit recommendations and suggestions for improvement from the various project and operational audits. He noted that following its regular meeting, the Committee met privately with both E&Y and the Authority's director of IA without management present.

Next, Mr. Nixon provided the October 2023 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$10.7 million, \$2.8 million lower as compared to the budget for the corresponding period. He explained that this decrease is mainly attributable to lower employee salary and benefit costs, professional and other contracted services, information systems, facilities and general office expenses, partially offset by a lower than projected payroll and benefits expense allocation to project costs. He reported that the current full time employee (FTE) headcount is 128 as of October 31, 2023, representing a 22 FTE decrease in comparison to year-to-date budget projections. He said that year-to-date Authority operating expenses (Actual vs. Prior Year Actual) at \$10.7 million are \$757,000 lower as compared to the operating budget for the corresponding prior year period. He explained that this decrease is mainly attributable to lower employee salary and benefit costs, and a higher payroll and benefit allocation to project costs. He said that the current number of FTEs, at 128, is down 3 FTEs as compared to the prior year.

Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$212.9 million, \$27.9 million lower as compared to the capital

spending forecast for the corresponding period. He advised that this variance is the result of a decrease in construction activity, grant activity, project insurance, design services, construction management services and lower payroll expense allocation to project costs. He advised that this variance is partially offset by an increase in acquisition costs associated with the purchase of a school facility. He reported that project expenditures (Actual vs. Prior Year Actual), at \$212.9 million, are \$24.8 million lower as compared to the corresponding prior year period. He explained that the variance is due to a decrease in construction activity, grant activity, school furniture and equipment and construction management services. He reported that this variance is partially offset by an increase in the acquisition costs associated with the purchase of a school facility, design services, payroll and benefits expense allocation to project costs, and project insurance.

Mr. Nixon said that since program inception, 80.2% of the funds authorized for the SDA districts have been disbursed. Additionally, he noted that 96% of all SDA disbursements relate to school facilities projects, while 4% relate to operating expenses. He advised that the estimated value of active school facilities capital projects, along with emergent and regular operating district grant projects, is approximately \$1.2 billion.

Next, Mr. Nixon advised that two matters were presented to the Committee by Management that require Board action. He reminded the Members that in 2019, in an effort to strengthen the Board's oversight of personnel issues generally, the Board revised the SDA Bylaws to require that on an annual basis the CEO present, and request Board approval of, a Staffing Plan (Plan) for the upcoming year. He noted that the Bylaws require that the Plan represent "resources required to satisfy the SDA's mission, goals, commitments and operating needs correlated to the volume and type of work activities to be advanced". Mr. Nixon reported that at the November 20 Audit Committee Meeting, the CEO presented the Committee with a

detailed 2024 Plan that was prepared consistent with the requirements of the Bylaws. He advised that the Plan was developed based on anticipated 2024 project work and other work including a review of the activities and staffing required to address that work on a monthly basis for the entirety of the next year. Referencing materials that previously were provided for Board review, Mr. Nixon said that management anticipates that 2024 will see: 3 Capital Plan projects with construction awards; and 11 emergent projects with construction awards. He noted that next year's efforts will include 18 new projects from the 2022 Capital Plan in various phases of their life cycle. In continuing, Mr. Nixon advised that the Plan analysis conducted by management evaluated each staff member's activities related to those needs in order to determine the resources required to support the Authority's projects. He said that, essentially, the analysis reviewed each staff member's anticipated activities for each month tied to the overall work that would advance within that month. He said that, additionally, staff considered the impacts resulting from the roll-out of the 18 remaining projects in the 2022 Capital Plan and the need for additional staff. He said that the assessment resulted in a conclusion that 150 staff members, as broken down by functional area, is the number of staff required to satisfy the SDA's commitments and operating needs throughout 2024. He explained that the materials provided to the Board for review focus on: 1) Staff Utilization by Activity Type for the SDA overall; 2) Staff Utilization by Activity Type by Operating Area; and 3) Staff Utilization Dedicated to Projects. Mr. Nixon advised that the analysis concluded that 65% of SDA's staff activities are dedicated to school facilities projects; 9% are activities required to be performed in satisfaction of statutory, regulatory or other governance requirements and 26% are activities related to required organizational operation and support. After reviewing the Plan, the Board determined that it is comprehensive, data-driven and reflects the Authority's current needs. Mr. Nixon said that the Committee's recommends that management take all necessary steps to ensure that the Authority

has sufficient staff, at the level of 150 FTEs, in order to ensure that it can competently and efficiently advance its current work demands. He noted that currently SDA has 131 FTEs. Mr. Da Silva added that, to put this in perspective, as an example, transactional information shared that over 23,000 transactions occurred in a three year period, or 7,600 transactions annually and just under 640 transactions monthly.

In continuing, Mr. Da Silva staff are actively working to advancing existing projects and new projects. He added that he would like to bring some perspective to the data which is reflective of what we have going on, some of it behind the curtain and not so obvious. He said that that from a grants perspective, there are 154 grants currently being worked on and focused on close-out; We are rolling out the \$450 million grant program impacting 261 school Districts and the administration of over 660 new grants as approved by Department of Education; SDA's work, as shared in past years, results in over 23,000 transactions in a three year period, or an average of 7,600 transactions annually and just under 640 transactions monthly. He added that management expects these numbers to increase as project workload increases.

Next, Mr. Da Silva thanked the SDA staff for all of the hard work they do. He said that as the CEO he is lucky to work with a team of dedicated professionals who make it all happen. He noted that he could not do this without them. He noted that the staff at the SDA do an amazing job.

Mr. Maloney inquired about Bill A4496. Mr. Nixon said that Scarlett Rajski has done a lot of work behind the scenes regarding the Bill A4496. He said that the areas of concern have been addressed. He noted the management has educated the legislators on the work of the SDA.

Mr. Vargas asked if the SDA has access to the money for the unfilled positions and if the money will be allocated for the upcoming year. Mr. Da Silva said that that additional 19-20

positions are part of the budget. He added that 7 positions have already been advertised and the other positions will be advertised as the need arises.

A resolution pertaining to the SDA 2024 Staffing Plan was provided to the Board for review in advance of the meeting. Upon a motion duly made by Mr. Vargas and seconded by Mr. Luckie, the Board approved the 2024 SDA Staffing Plan as presented with its unanimous vote in favor of ***Resolution 5a.***

Mr. Nixon then presented the proposed 2024 Operating Budget (Budget) for Board consideration. He said that the Budget was discussed with the Audit Committee at its October and November meetings and that the Committee's input has been incorporated into the Budget that is before the Board today. Referencing materials that previously were provided for Board review, Mr. Nixon advised that the proposed Budget, at \$15.6 million, represents a decrease of \$293,000 as compared to the current year budget. He explained that, consistent with prior years, a portion of the Authority's employee salary and benefits costs will be appropriately charged to school facilities projects based upon weekly employee time sheets. He said that the estimated amount of \$11.2 million would be charged to school facilities projects for budget year 2024. Mr. Da Silva noted that Budget is reflective of the Staffing Plan. Mr. Guarriello said that James Wiegartner does a great job putting together the Budget with staff input.

Mr. Vargas inquired about the decrease in fringe benefits. Mr. Guarriello said that the annual pension contribution is decreasing over \$300,000 next year which is a major impact on the benefits.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon a motion duly made by Mr. Vargas and seconded by Mr. Piaia, the Board approved the 2024 SDA Operating Budget with its unanimous vote in favor of ***Resolution 5b.***

Mr. Nixon then asked for a motion to adjourn the Open Session of the meeting into Executive Session. He asked Ms. Venables to announce the matters to be considered by the Board in Executive Session. Ms. Venables advised that, the Board will adjourn into Executive Session to discuss two matters. She said that first, the Board will consider a proposed request to lease vacant land as construction staging area at the Elizabeth New Elementary School; and second, the Board will consider the proposed modification of terms and extensions of deadlines in connection with property conveyance to the City of Newark. She said that the Board will vote on these matters upon its return to Open Session.

Upon motion by Mr. Maloney and seconded by Mr. Luckie the Board unanimously voted to approve ***Resolution No. 8.*** and thereby adjourn the Open portion of the meeting into Executive Session.

Following the Board's return to Open Session, Mr. Vargas announced that in Executive Session the Board had discussed management's and the Real Estate Committee's recommendation for a request to lease vacant land as construction staging area at the Elizabeth New Elementary School.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Luckie and seconded by Mr. Piaia the Board, approved the request to lease vacant land as construction staging area for the Elizabeth New Elementary School Project with its unanimous vote in favor of ***Resolution 6a.***

Next, Mr. Vargas said that in Executive Session the Board also discussed management's and the Real Estate Committee's recommendation for a proposed modification of terms and extensions of deadlines in connection with property conveyance to the City of Newark.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Maloney and seconded by Mr. Luckie, and with

Mr. Lewis-Powder recused and abstaining, the Board approved a modification of terms and extensions of deadlines in connection with property conveyance to the City of Newark with the Board's unanimous vote in favor of ***Resolution 6b***.

Adjournment

There being no further business to come before the Board, upon motion by Chairman Nixon 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, 2023 meeting.

/s/ Janice Venables
Additional Assistant Secretary