

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

WEDNESDAY, MARCH 5, 2014

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, March 5, 2014 at 9:00 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Kevin Luckie (NJDCA)
Jennifer D’Autrechy (Treasury)
Bernard Piaia (NJDOE)
Michael Capelli
Kevin Egan
Loren Lemelle
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

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

At the Chairman’s request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Jane Kelly, vice president & assistant secretary; Andrew Yosha, vice president; Donald Guarriello, vice president and chief financial officer; Albert Barnes, acting chief counsel; Sean Murphy, director; and Manuel DaSilva, program director, of the SDA participated in the

meeting. Amy Herbold of the Governor's Authorities Unit also participated in the meeting. Mr. McKenna participated in the meeting by telephone conference.

The meeting was called to order by the Chairman of the Board, Mr. Walsh, who requested that Ms. Kelly read the requisite notice of the meeting. Ms. Kelly announced that the meeting notice had been sent to the *Trenton Times* and *Star-Ledger* at least 48 hours prior to the meeting, and had been duly posted on the Secretary of State's bulletin board at the State House in Trenton, New Jersey.

Approval of Meeting Minutes

Mr. Walsh presented for consideration and approval the Minutes of the February 11, 2014 Open Session meeting. A copy of the minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Maloney, and seconded by Mr. Vargas, the Open Session minutes of the February 11, 2014 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a./3b.*

Mr. Walsh then presented for consideration and approval the Minutes of the February 11, 2014 Executive Session meeting. A copy of the minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Capelli, and seconded by Ms. Lemelle, the Executive Session minutes of the February 11, 2014 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a./3b.*

Authority Matters

CEO Report

Mr. Walsh then asked Mr. McKenna to provide the Members with the report of the CEO. Mr. McKenna reported that, on February 3, a task order notice to proceed (NTP) was issued to Wu & Associates, Inc. for HVAC work at the Trenton Central High School (TCHS) cafeteria. He then described the HVAC work and provided background information relative to the project. Mr. McKenna noted that the ventilation work is expected to be completed on or around March 7.

Next, Mr. McKenna provided the Members with an update on SDA procurement activity. He said that, on March 4, the SDA advertised for design-build services for the Gloucester City New Elementary School/Middle School project.

He also reported that Management is recommending an award to the #1 ranked firm, for Construction Management Services (CM Services) for the PS #16 project in Paterson. He said that this matter is on today's agenda and that SDA staff will be discussing the details later in the meeting.

Mr. McKenna then reported that SDA staff has scheduled interviews, to be held March 11, with six (6) shortlisted firms for the procurement seeking CM Services for the Keansburg Caruso Elementary School project. He said that the bid opening for this procurement is scheduled for March 12.

Next, Mr. McKenna reported that a bid opening for demolition and early site preparation services for the Garfield James Madison ES # 10 project is scheduled for March 18. He explained that this re-bid was necessitated after earlier bid responses were deemed non-responsive for varying reasons, resulting in a slight increase in cost.

Mr. McKenna then reported that the SDA is currently in fee negotiations with the #1 ranked firm, RSC Architects, for bridging design consultant services for the Millville High School and Lakeside Middle School projects.

In continuing, Mr. McKenna provided the Members with an update regarding the TCHS project. He reported that SDA staff is collaborating with the district to identify potential swing space locations for 1500 high school students. He said that potential swing space facilities are being evaluated as to their fitness to meet educational program needs and in order to determine any fit-out needs. He said that any facility conditions in the temporary space(s) that might require attention are also being reviewed along with logistical and scheduling factors which could impact the Authority's ability to ensure the readiness of the space(s) by the target date. He noted that if swing space is to be provided through a lease between the SDA and a property-owner, a recommendation to enter into any such lease, as well as the associated costs, would be presented to the Board for consideration. Mr. McKenna then referenced a few prospective sites that have been vetted for swing space, including some parochial schools which might be leased from the Diocese of Trenton. Mr. McKenna said that the TCHS charter approved by the Board at its last meeting specified that it did not yet include costs that would be associated with swing space. He said that SDA staff is attempting to identify Trenton's swing space needs in order that they can be presented and discussed with the Members at the SDA's April Board meeting. Mr. McKenna said that the rent for swing space will approximate \$1 million a year for a total of four (4) to five (5) years. Mr. McKenna also noted that educational programming discussions with the Trenton District are being initiated for the new facility.

Next, Mr. McKenna provided the Members with an update regarding the Jersey City PS #20 and Paterson Marshall Street constructability reviews. He said that the Members may recall

that the Board approved construction awards to Dobco for PS #20 in Jersey City (\$28,735,000) and to Ernest Bock & Sons for the Marshall Street Elementary School in Paterson (\$29,345,000). Mr. McKenna reminded the Board that each contractor was then required to engage in a constructability review process wherein the job documents are evaluated for completeness and to ensure lack of conflict, as well as to identify any potential costs associated with addressing any identified item or resolving any such conflict. He noted that the constructability reviews for these projects have been completed and that the SDA has negotiated and resolved consolidated change orders with each contractor. He said that for the Jersey City PS 20 project, the value of the consolidated change order to Dobco is \$159,032 and for the Paterson Marshall Street project, the value of the consolidated change order to Bock is \$372,985. Mr. McKenna said that the SDA has executed each change order and issued an NTP for construction to each contractor. He added that one identified item remains under discussion with each contractor which still must be resolved. He said that the SDA expects construction activities to initiate on both projects in April.

Mr. McKenna then provided an update regarding various other SDA related matters. He reported that, on February 25, a complaint filed against SDA by the American Civil Liberties Union on behalf of the Education Law Center was dismissed in court. He said that the suit challenged SDA's non-disclosure, when requested through the Open Public Records process, of certain SDA preliminary reports. He said that the judge's decision agreed with SDA's contention that these preliminary reports are subject to change and, as such, were not improperly withheld. Mr. McKenna noted that this is a significant victory for the Authority.

Next, Mr. McKenna reported that the 4th offering of the SDA's SMWBE Contractor Training Program commenced on Feb 12. He said that the SDA has 27 participants at locations

in Trenton and Newark. He noted that classes will run through April with a graduation/networking event scheduled for April 30. Mr. McKenna informed the Members that, due to inclement weather, the program started a week behind schedule. He noted the importance of the program which is designed to provide these SWMBEs with skills that will enable them to become involved in the SDA construction process.

In continuing, Mr. McKenna informed the Members that the SDA's lease with DB Realty for the previously occupied 1 West State Street Office space was terminated effective February 28. He said that DB Realty has completed its walk through and that no issues remain. Mr. Piaia then joined the meeting via teleconference.

In concluding, Mr. McKenna informed the Members that he and SDA staff soon will be touring certain Newark School projects (Elliot, Oliver and South Street) with Senator Ruiz. He extended an invitation to the Members to participate. Ms. Kelly noted that the tour is scheduled for March 18 and, once a "time" for the tour has been determined, this will be shared with the Members of the Board.

In response to an inquiry regarding the change orders that resulted from the constructability review process previously discussed by Mr. McKenna, Mr. McKenna confirmed that the resulting change orders were in an amount below the threshold requiring Board approval. Mr. Yosha confirmed that certain of the procurement matters also referenced by Mr. McKenna will be discussed in Committee this month and formally presented to the Board in April.

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on February 20, 2014. He said that

management had provided the Committee with the January 2014 New Funding Allocation and Capital Plan Update. He said that management reported that there were no changes in the Unforeseen Events Reserve and Planning Reserve balances. He advised that there was a \$1.9 million increase in the 2008 Capital Plan Emergent Projects Reserve balance and an increase of \$200,000 in the 2011 Capital Plan Emergent Projects Reserve balance for the reporting period. He added that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$900,000 during the reporting period due to a reduction in state share for grant projects nearing completion.

Mr. Nixon reported that management had discussed the status of audit recommendations with the Committee and reported on 3 completed recommendations. Specifically, he advised that: 1) the SDA centralized filing system is now operational; 2) needed revisions were made to SDA forms to ensure that the signatures are clearly identifiable; and 3) SDA modifications were made to the SIMS database in order to ensure data fields are properly labeled.

In continuing, Mr. Nixon reported that Management had shared with the Committee the results of one statutorily required audit involving a Section 15 Grant. Mr. Nixon said that these audits look at documentation supporting the execution of the grants and disbursement of funds. He said that the audit had determined that the state funds were expended in accordance with the grant agreement, applicable laws and regulations. He said that no observations were noted.

Next, Mr. Nixon reported that the Committee was provided with the December 2013 Monthly Financial Report. He emphasized that this report’s details are pending the results of the Authority’s financial statement audit. He said that, year to date, the Authority’s operating expenditures total \$20.1 million which is \$22,000 higher than the operating budget for the

corresponding period. He said that this is a \$14.7 million decrease from actual expenses for the corresponding period in the prior year due, mainly, to lower personnel costs and the allocation of personnel expenses, when appropriate, to project costs. He reported that, as of December 2013, year to date project expenditures are \$212 million, down \$59 million as compared to the 2013 Capital spending forecast for the corresponding period and \$22.3 million higher as compared to actual expenses in the corresponding prior year. He said that this is attributable to increased construction costs and personnel expense allocations to facilities project costs.

In conclusion, Mr. Nixon noted that, since inception, 67.6% of the funds authorized for the SDA Districts have been disbursed. He reported that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. In conclusion, Mr. Nixon advised that the estimated value of current school facilities project activity is approximately \$2.2 billion.

School Review Committee Report

The Chairman then requested that Mr. Luckie provide the report of the School Review Committee. Mr. Luckie informed the Members that the School Review Committee met on February 19. He reported that Management is requesting approval of a change order for the Salem High School emergent project in the Salem School District for a partial roof replacement and repairs. Mr. Luckie provided background regarding the change order, noting that Salem High School was built in 1971 and is a 142,841 square foot facility that will educate 450 students in grades 9 through 12. He said that, following Board approval in May, 2013, a construction contract was awarded to Hall Construction Company, Inc. (Hall) to address emergent conditions related to water infiltration impacting roofing at the facility. He said that the project includes

repair or replacement of seven (7) sections of the facility's roof. Mr. Luckie further reported that the award represents work to be performed on a time and materials basis, with a not-to-exceed (NTE) value based upon square footage of the roof identified for repair and replacement. He noted that work was initiated in June, 2013 and was completed in September, 2013. Mr. Luckie also informed the Members that this first change order, in the amount of \$132,645, is required to correct a square footage calculation error and to address the resulting cost impact. Mr. DaSilva was available to answer questions. Mr. Walsh inquired as to why five months had elapsed between completion of the work in September 2013 and staff's presentation of this change order to the Board. Mr. Yosha explained that there was ongoing discussion regarding the exact number of square feet that was omitted. He said that upon the determination of the square footage, SDA staff was able to advance the change order. The Board then engaged in a brief discussion of the matter.

A resolution pertaining to the proposed change order for Hall had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas, and seconded by Mr. Egan, the resolution attached hereto as *Exhibit 6a1*, was unanimously approved by the Board.

Next, Mr. Luckie reported that management had discussed with the Committee a proposed construction award for the Paterson PS #16 school project. He reported that the new school will be a 109,513 square foot facility that will educate 705 students in grades Pre-K through 8th in the Paterson School District. He informed the Committee that the project was approved to advance as part of the SDA's 2011 Capital Plan in March of that year. Mr. Luckie said that early site package activities have been underway at the new school site and certain demolition and related activities were completed in April 2013. He explained that additional activities are expected to be completed by March 30, 2014. He said that, in January 2014, a

design-builder was issued a notice to proceed with remaining design and full construction services for the project. Mr. Luckie also reported that a procurement for construction management services for the project was advertised by the SDA as a “price and other factors” solicitation beginning on December 24, 2013 and, upon completion of the procurement process, management is recommending the award of a contract for construction management services for the project to the firm with the highest final combined score, Greyhawk North America LLC, for a total lump sum fee of \$1,198,800.

The resolution pertaining to the proposed construction award for PS #16 had been provided to the Members in advance of the meeting. Upon a motion by Mr. Vargas, and seconded by Ms. D’Autrechy, the resolution attached hereto as *Exhibit 6b*. was unanimously approved by the Board.

Reports

The Chairman asked Mr. Ballard for an update regarding the Project Closeout Report. Mr. Ballard reported that, over the past month, SDA staff has been successful in transferring two projects to the districts and closing one emergent project. He noted that the SDA has one more deed remaining to be transferred to its district. Mr. Ballard said that a temporary certificate of occupancy (TCO) has been awarded at the Paterson International High School and that, upon completion of paper work, the building will be transferred to the district. He congratulated all SDA staff involved in the process.

Next, Mr. Ballard reported that the following three (3) demonstration projects are currently undergoing audits: New Brunswick, Vineland and Union City. He then discussed the status of the Trenton Daylight/Twilight School project audit and of an audit underway in the

Camden District. Lastly, Mr. Ballard reported that an audit of the East Orange project is in its last stages of completion as well. Mr. Lewis-Powder inquired, with regard to the emergent projects, as to whether the five (5) projects noted on the emergent project report as having achieved substantial completion, but which have a completion date of February 14, have reached final completion. Mr. DaSilva replied in the affirmative, confirming that those projects have been completed and that the paperwork is being processed to transfer the projects over to the districts.

Public Comments

Mr. Walsh then called for the Public Comments portion of the meeting to begin.

At the Chairman's request, Ms. Kelly asked Karl Flesch, representing the Better High School Plan for Trenton (BHSPT) to come forward and address the Members. Mr. Flesch thanked the SDA for making TCHS a priority part of its Capital Plan. He then referenced certain historically significant aspects of the school and said that the BHSPT is hoping that more of the building's façade can be saved. Mr. Flesch highlighted various parts of the façade, including its columns, and recommended that they be saved and become a part of the new design of the building. He then reported that the recent repairs on the A Building roof need to be addressed as the roof is leaking again. Mr. Flesch added that the ceiling is falling into the auditorium. Mr. Flesch expressed the view that the rebuilding of TCHS should not just consist of the main campus but, rather, encompass all of TCHS, including the satellite school on Parkside Avenue. He said that the school on Parkside Avenue is actually older than TCHS by at least four (4) years. Lastly, with regard to temporary swing space for the TCHS students, Mr. Flesch asked whether the SDA or the District will be covering the cost of the swing space. He also asked who will bear responsibility for ensuring that the space is "up-to-date" for the students. Finally, he

asked if the cost of the swing space is in addition to the \$130 million approved to build the school or if it is included in that figure. Mr. McKenna responded that, depending on the swing space selected, the cost will be the responsibility of both the SDA and the district. He explained that the rent portion and the cost of readying the space for the students, i.e., the most expensive portion, will be paid by the SDA and that the district will be responsible for maintenance, for heating the facility and securing the space, as well as for transporting students to and from school. Mr. McKenna noted that the cost of swing space is in addition to the \$130 million approved for building the school.

Next, Rebecca Fernandez of the Parents Education Organizing Council (PEOC) of Paterson addressed the Members. On behalf of the PEOC, she thanked the SDA for advancing PS #16. Ms. Fernandez then expressed concerns regarding Paterson's other schools. She said that Paterson's schools are in terrible shape and that the children are freezing in their classrooms during these winter months. Ms. Fernandez explained that, instead of taking notes, they are warming up their hands and such. She said that, even though the children are freezing, they are in class. Again, she thanked the SDA for PS #16, but reminded the Board that the district is waiting for the Hazel Marshall Street School to be built. Ms. Fernandez said that she is aware of some of the issues that have surfaced, but noted that construction needs to commence. She informed the Members that the PEOC will be watching. Mr. McKenna thanked Ms. Fernandez for her comments and stated that the Authority does understand Paterson's needs and hopes to do more for the various districts that are in need. Upon Ms. Kelly's inquiry, no other member of the public expressed an interest in addressing the Board.

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 March 5, 2014 meeting.



Jane F. Kelly
Assistant Secretary