

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, OCTOBER 7, 2015**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, October 7, 2015 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Matthew Murray (Treasury)
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
Susan Kutner (NJDOE)
Kevin Egan
Lester Lewis-Powder
Joseph McNamara
Robert Nixon
Mario Vargas

being a quorum of the Board. Mr. Egan, Ms. Hassett, Ms. Kutner, Mr. Lewis-Powder, Mr. McNamara, Mr. Murray and Mr. Vargas participated in the meeting by teleconference.

At the Chairman’s request, Charles McKenna, chief executive officer (by teleconference); 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; Albert Barnes, chief counsel; and Susan Pacuta, director of the SDA participated in the meeting. Michael Collins of the Governor’s Authorities Unit also participated in the meeting.

The meeting was called to order by the Chairman of the Board, Mr. Walsh, 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 Board's September 2, 2015 Open and Executive Session meetings. 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. Luckie and seconded by Mr. Nixon, the Open and Executive Session minutes of the September 2, 2015 meeting were approved by the Board upon its unanimous vote in favor of the resolutions attached hereto as ***Resolutions 3a/3b***.

Authority Matters

CEO Report

The Chairman requested that Mr. McKenna provide the report of the Chief Executive Officer. Mr. McKenna updated the Members regarding the Trenton Central HS (TCHS) project. He said that four sections of the facility have now been abated and demolition activities are on-going in the B and C Wings. He said that the SDA Design Studio is preparing bridging documents and incorporating final revisions into the schematic design documents which were the result of district and Department of Community Affairs (DCA) review. He noted that Department of Education (DOE) schematic approval is anticipated within the next week. Finally, he advised the Board that management advertised on September 29 for design-build services for the new high school.

Turning to other projects, Mr. McKenna said that work is proceeding on the Bridgeton Buckshutem Road ES and Bridgeton Quarter Mile Lane ES projects and that there are no major changes to report.

Mr. McKenna informed the Members that management issued a Notice to Proceed for pre-design services to the DIGroup (DIG) for the Camden HS project. He said the kick-off and first project meetings were held in September.

Regarding projects in the Elizabeth School District, Mr. McKenna said that all major trades continue to work well towards completion of the Academic HS project. He said that he, along with Mr. Arcario, recently inspected the project and it is moving along well. With regard to the Elizabeth New ES project, he noted that the design-builder's revised final design submission was resubmitted and is being reviewed.

Next, Mr. McKenna gave an update on the Garfield James Madison ES No. 10 project. He informed the Members that technical and price proposals for construction services were received on September 9 from five firms. He said that the selection committee reviewed the technical proposals and that price proposals were opened on September 24. Mr. McKenna reported that Brockwell & Carrington Contractors, Inc. is the highest ranked bidder and that a contract award recommendation is on today's agenda. He advised the Board that a bid protest was filed in connection with this matter by Dobco and is under review by staff. He added that a Notice of Award (NOA) was issued to the McCloud Group to provide construction management services for the project.

In regard to the Gloucester ES/MS project, Mr. McKenna said that underground utility, footings and foundation installation work is on-going. He added that structural steel erection work is progressing well.

Mr. McKenna then reported that SDA's Design Studio is proceeding with the schematic design phase for the Harrison New ES project. He said that management anticipates advertising an early site package later this month.

Next, Mr. McKenna said that SDA's Design Studio is proceeding with the schematic design for the Irvington Madison Avenue ES project. He noted that the early site package was advertised on September 30. He added that management anticipates presenting a recommendation for award at the December Board meeting.

In continuing, Mr. McKenna said that concrete slab, exterior masonry, roof installation, HVAC, plumbing, and electrical work is all on-going for the Keansburg Caruso ES project. In regard to the Jersey City PS 20 and Jersey City ES No. 3 projects, he said that both jobs are progressing and there are no changes to report. He advised the Board that the preliminary schematic design submission is being reviewed for the existing Millville HS project. He reminded the Board that a contract award for design-build services was approved in September for the New Brunswick Paul Robeson ES project. He said that the NOA has been issued and staff anticipates issuance of the NTP later this month.

Turning to projects in the Newark School District, Mr. McKenna said that work continues on the Elliott Street ES and Oliver Street ES projects. He said that technical and price proposals for design-build services were received on September 16 from four firms for the South Street ES project. He added that the selection committee reviewed the technical proposals and price proposals were opened on September 25 for the project. He noted that Ernest Bock & Sons, Inc. is the highest ranked bidder and that a contract award recommendation is on today's agenda. Mr. McKenna advised the Board that a bid protest has been filed by Hall Construction in connection with this procurement and that it is currently under review.

In regard to projects in the Orange School District, Mr. McKenna said that pre-design services are on-going for the Orange HS project and that work is moving along well. He informed the Members that the initial project meeting to begin the pre-design phase was held for the Cleveland Orange ES project -- with SDA, district staff and LAN Associates.

Mr. McKenna then gave an update on projects in the Passaic School District. He said that a Temporary Certificate of Occupancy (TCO) was issued by DCA for the Passaic Gifted & Talented Academy (formerly known as the Henry Street ES) project and the school opened on September 9. He added that the SDA, DCA and PSE&G agreed on the installation of heat sensors in an electric power distribution room in order to comply with applicable codes. He said that this work has been completed, inspected and approved. He informed the Members that a ribbon cutting/school opening event was held on September 30 in which the Chairman of the Board participated. In regard to the Passaic Leonard Place ES project, Mr. McKenna said that SDA advertised for design-build services on August 13. He noted that technical and price proposals are due October 22.

Next, Mr. McKenna said that there are no changes to report regarding the Paterson Marshall Street ES project. He added that staff is closely monitoring the Paterson PS 16 project for compliance with the schedule, with special attention being given to achieving a weather tight building for the winter.

In regard to the Pemberton Denbo Crichton ES, Perth Amboy Seaman Avenue ES, Phillipsburg HS and Vineland New MS projects, Mr. McKenna said that there are no changes to report. In regard to the Perth Amboy Seaman Avenue ES project, he reported that efforts have been underway for over a year to secure the district's purchase of land from the Housing Authority to help with overcrowding in the school.

Turning to the Authority's ongoing procurement activity, Mr. McKenna said that, in addition to the Garfield James Madison ES No. 10 and Newark South Street ES projects that are on the meeting agenda, currently underway are procurements for the: Passaic Leonard Place ES project; Vineland MS No.2 project; TCHS project; Irvington Madison Avenue ES project; furniture, fixtures and equipment term contract and legal services.

Reporting on events, outreach and other activities, Mr. McKenna advised the Board that the only event that took place this month was a ribbon cutting ceremony for the new Passaic Gifted and Talented Academy.

Audit Committee

In place of Mr. Nixon, the Chairman then provided the report of the Audit Committee. Mr. Walsh advised the Board that the Audit Committee met on September 21, 2015. He said that management had provided the Committee with the August 2015 New Funding Allocation and Capital Plan Update. He said that management reported no changes in the Unforeseen Events and 2008 Capital Plan Emergent Project Reserve balances. He also reported a decrease of \$7.1 million in the Planning Reserve balance following Board approval of the final project charter for the New Brunswick addition and renovation project. Specifically, he advised the Board that the decrease was due to increased construction costs relating to the award to the design-builder and an increase in the budgets for furniture, fixtures, technology and equipment fit-out which reflected more recent project experience. Mr. Walsh reported that there was a \$300,000 decrease in the 2011 Capital Plan Emergent Projects Reserve balance due to the funding, approved by the CEO, for the Trenton (Hedgepeth-Williams School) emergent roof repairs project.

Mr. Walsh added that the reserve balance for the Regular Operating Districts ("RODs") increased by \$1.9 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Walsh reported that SDA's internal auditors presented the Committee with the results of the Construction Management (CM) Services Audit (the Audit). He asked Ms. Pacuta to provide additional comments. Ms. Pacuta explained that the Audit sought to identify the main reasons why CM services awards are made to CM firms that are not the low bidders. She said that 9 contracts were evaluated for the Audit. Ms. Pacuta advised the Board that there will be a follow-up discussion at the Audit Committee level. Mr. Walsh raised a related issue regarding how to ensure that selection teams can fairly evaluate CM applicants that previously have not worked on SDA projects when comparing them with those that previously have worked on SDA projects. Mr. Yosha noted that management is taking steps in this regard, including meeting with selection committee members and emphasizing the applicability/value of comparable non-SDA experience.

Next, Mr. Walsh reported that the Committee was provided with the August 2015 Monthly Financial Report. He said that, year-to-date, the Authority's operating expenditures total \$12.4 million which is \$2.3 million lower than the operating budget for the corresponding period. He said that the variance is attributable to lower salary and benefit costs. He reported that, as of August 2015, year-to-date project expenditures are \$280 million, down \$1.6 million as compared to the 2015 Capital spending forecast and \$108 million higher as compared to actual expenses in the corresponding prior year. He said that this is largely attributable to a \$50 million increase in spending for construction activity, \$19 million in grant activity, and \$7 million in project insurance (including the \$5 million down payment for the three-year OCIP renewal), along with property acquisition costs (including the \$30 million payment for the Paterson Catholic HS).

In conclusion, Mr. Walsh advised the Board that, since program inception, 73% 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. Mr. Walsh reported that the estimated value of current school facilities project activity is approximately \$2.2 billion.

School Review Committee

Award of Construction and Approval of Final Project Charter – Garfield School District – New James Madison ES No. 10; Design-Build Award and Approval of Final Charter – Newark Public School District – New South Street ES

Mr. Walsh asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie discussed management's request that the Board approve a contract award and final project charter for the Garfield New James Madison ES No. 10 project (the project). He reported that, when completed, the Garfield New James Madison Elementary School No. 10 will be an approximately 53,000 square foot facility designed to educate 275 students in grades Kindergarten through Five. He said that demolition and early site preparation work on the project was completed on March 27, 2015 and the award for construction management services was approved by the Board on August 5, 2015. He added that, on June 30, 2015, the bid advertisement for construction services for the project was issued with "price" equaling 90% of the overall weight, and all non-price factors having a combined weight of 10%. Mr. Luckie said that, upon completion of the procurement process for construction services, management recommends that the Board approve the award of a contract in the amount of \$16,725,000 to Brockwell & Carrington Contractors, Inc. He noted that the awardee will be required to perform a constructability review prior to initiation of construction to identify any potential conflicts and their resulting cost impacts. Mr. Barnes noted that a bid protest has been filed in this matter. Mr. Walsh then asked that the Members discuss the issues raised by the bid protest in Executive Session prior to voting on the contract award.

Next, Mr. Luckie discussed management's request that the Board approve a contract award for design-build services and the final project charter for the New South Street ES project (the project) in the Newark Public School District. He reported that in March 2012, the Members of the Authority approved the SDA's 2012 Capital Plan which included the Newark New South Street ES project for advancement. He informed the Members that the South Street School, an approximately 103,000 square foot facility designed to educate 597 students in grades Pre-K through 8, will be constructed on an SDA acquired site and will replace the existing South Street ES. He said that planning discussions held in 2011 among the district, DOE and SDA identified model and grade alignment adjustments to better suit the district's needs and enhance overall efficiencies. He noted that these adjustments were recognized in the 2012 Capital Plan. Mr. Luckie said the "Kit-of-Parts" approach developed by SDA was determined to be suitable for this project, and it was also determined advantageous to proceed by way of a two phase project advancement process. He noted that the current proposed final charter reflects final building size and student population, as well as better defined costs associated with construction and related activities. He added that demolition and early site preparation work for the project was completed on June 4, 2015. Mr. Luckie said that a package was advertised as a design-build solicitation on June 29, 2015 with "price" weighted as 60% of the overall weight, and "all non-price factors" with a combined weight of 40%. He said that, following completion of the competitive procurement process, management recommends award of a contract in the amount of \$36,885,000 for design-build services for the project to Ernest Bock & Sons, Inc. He informed the Members that, at the time of review, Ernest Bock & Sons, Inc. confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. Mr. Walsh suggested that the Members discuss this bid protest in Executive Session as well prior to voting on the matter.

Public Comments

The Chairman then opened the Public Comments portion of the meeting. He called upon Frank Faras of Trenton to address the Board.

Mr. Faras said that, for months, he has been expressing concerns that have gone unanswered regarding the TCHS project. He referenced a feasibility study that had been submitted in 2009 and stated that his concerns in this regard have been “brushed off”. He said that the County Superintendent must approve the closure of a school facility and that this approval was not obtained in the case of TCHS. Additionally, he raised questions regarding the Trenton Public Schools District’s (district) long range facilities plan and cited various statutes which he believes have been violated throughout the process. In conclusion, Mr. Faras requested a halt to the demolition of the TCHS facility and asked that the Board investigate the questionable practices he has cited. The Chairman and Mr. McKenna thanked Mr. Faras for his comments.

The Chairman then asked Billy Hayes of Trenton to address the Board. Mr. Hayes said that he would like to raise certain “equity” concerns given that the TCHS students are currently located at four different facilities. He also expressed concern that the established \$130 million budget will not cover the required space needs, particularly given that students have moved out from one of the four locations with the result that SDA is using project funds to pay for space that is not occupied. Mr. McKenna assured Mr. Hayes that the vacated space has been sublet and that these rental monies are being applied to the TCHS project budget. He also noted, for informational purposes, that the ongoing air monitoring results for the project site are available on the SDA website.

The Chairman suggested that Mr. Hayes’ concerns regarding the sufficiency of the space to be provided are proper topics for discussion with the district. Mr. McKenna said that staff

conducts a review of anticipated space needs and cost per square foot prior to establishment of the budget. Mr. Walsh noted that adjustments deemed necessary in a given project budget are presented for Board consideration should they arise. He said that such adjustments, within reasonable parameters, are generally approved by the Board. No other member of the public stepped forward to address the Board.

Ms. Kelly announced that the Board would be adjourning into Executive Session. She said that management will be seeking Board authorization to tender a formal offer of judgment in a cost recovery litigation matter and to discuss deliberative issues related to the Garfield James Madison ES No. 10 and Newark New South Street ES project procurements. She said that the Board will vote in connection with each of these matters upon its return to Open Session.

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

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

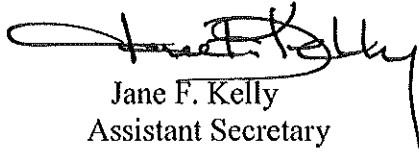
A resolution pertaining to management's request for authority to tender a formal offer of judgment in a cost recovery litigation matter had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie and seconded by Mr. Nixon, the resolution attached hereto as *Exhibit A1*. was unanimously approved by the Board.

A resolution pertaining to the Award of Construction and Approval of Final Project Charter for the Garfield New James Madison ES No. 10 matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Ms. Hassett the recommended construction award to Brockwell & Carrington Contractors, Inc. and final project charter for the Garfield New James Madison ES No. 10 project were approved with the Board's unanimous vote in favor of *Resolution 6a*.

A resolution pertaining to the design-build award and approval of final charter for the New South Street ES in the Newark Public School District matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Mr. Walsh the recommended design-build award to Ernest Bock & Sons, Inc. and final project charter for the Newark New South Street ES project were approved with the Board's unanimous vote in favor of *Resolution 6b*.

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion by the 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 October 7, 2015 meeting.



Jane F. Kelly
Assistant Secretary