

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, NOVEMBER 4, 2015**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, November 4, 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)

Bernie Piaia (NJDOE)

Michael Capelli

Kevin Egan

Loren Lemelle

Joseph McNamara

Robert Nixon

Mario Vargas

being a quorum of the Board. Mr. Capelli, Mr. Egan, Ms. Lemelle, Mr. McNamara, Mr. Murray, Mr. Piaia and Mr. Vargas participated in the meeting by teleconference.

At the Chairman’s request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Andrew Yosha, executive vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond Arcario, vice president; Albert Barnes, chief counsel; Ritchard Sherman; managing director; and Karon Simmonds, 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 October 7, 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. Nixon and seconded by Ms. Lemelle, the Open and Executive Session minutes of the October 7, 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 High School (TCHS) project. He reported that all sections of the facility have now been abated, that demolition activities in the B and C wings are complete and that permit applications have been submitted to Department of Community Affairs (DCA) for the A and D wings. Mr. McKenna advised the Board that bridging documents for the new facility have been completed and Department of Education (DOE) schematic approval has been received. He said that SDA advertised on September 29 for design-build services for the new facility, adding that ten potential bidders attended the pre-bid conference on October 8. He noted that bids are due in December and will be opened in January. He said that this contract award will be presented for Board consideration and approval at the February 2016 Board meeting.

Turning to other SDA projects, Mr. McKenna advised the Members that the addition to the Bridgeton Buckshutem Road Elementary School (ES) will be completed and turned over to the district in December. He said that student occupancy is scheduled for January 5, 2016 and then the renovation of the rest of the building will proceed. He also reported that work is progressing well on the Bridgeton Quarter Mile Lane ES project and that there are no major changes to report.

In continuing, Mr. McKenna said that the Authority issued a Notice to Proceed (NTP) to the Design Ideas Group (DIG) for pre-design services for the Camden HS project. He said that site feasibility investigation work is on-going there as well.

Mr. McKenna said that all major trades continue to work well towards completion of the Elizabeth Academic HS project. He added that he, along with Program Operations Vice President Ray Arcario, recently visited the site and work is progressing. He advised the Board that the design-builder submitted a permit application to the DCA for footings, foundations and underground utilities for the Elizabeth New ES project. He noted that the design-builder has construction trailers on-site in preparation for the start of construction once DCA releases the permit.

Mr. McKenna advised the Board that the Garfield James Madison ES No. 10 project is advancing as a design-bid build project with a budget of approximately \$16 million. He added that a Notice of Award (NOA) was issued on October 26 to the general contractor (Brockwell & Carrington). He said that the first activity to proceed will be performance of the constructability review. He reported that a NTP was issued to the McCloud Group to begin construction management (CM) services with the commencement of the constructability review.

Mr. McKenna advised the Members that construction work is progressing well on the Gloucester ES/MS project. He discussed the beam signing event that was held there the previous Monday (November 2).

Mr. McKenna reported that SDA's Design Studio is proceeding with the schematic design phase for the Harrison New ES project. He noted that SDA anticipates advertising an early site package in the current month for the project.

Mr. McKenna then advised the Board that SDA's Design Studio is proceeding with the schematic design phase for the Irvington Madison Avenue ES. He reported that the early site package for the project was advertised on September 30 and the bid opening is scheduled for November 17. He added that the Authority anticipates presenting a recommendation for award at the December Board meeting.

Reporting on the Keansburg Caruso ES project, Mr. McKenna said that concrete slab, exterior masonry back-up wall and veneer, roof installation, HVAC, plumbing, and electrical work is all on-going. He said that work is progressing on both the Jersey City PS 20 and Jersey City ES No. 3 projects and that there are no changes to report.

With respect to the Millville HS (addition/renovation) project, Mr. McKenna advised the Board that the preliminary schematic design submission is under review. He reported that a NTP was issued to Hall Construction for design-build services on the New Brunswick Paul Robeson ES project for which an initial project meeting was held on October 21.

In continuing, Mr. McKenna advised the Board that work continues on both the Newark Elliott Street ES and Oliver Street ES projects with no major changes to report. He said that the Board approved the award for design-build services to Ernest Bock & Sons at the October Board meeting for the Newark South Street ES project and a NOA was issued on October 26. He advised the Board that the Authority had issued a final agency decision with regard to the bid

protest discussed last month, adding that the protesting firm confirmed, in writing, that the SDA decision was acceptable and that no further appeal would be pursued.

Turning to projects in the Orange School District, Mr. McKenna reported that pre-design services are on-going for the Orange HS project. He said that conceptual options were presented to the district mid-October and that SDA staff is working closely with the district to develop the preferred option for moving forward. With respect to the Orange Cleveland ES project, Mr. McKenna advised the Board that pre-design services are on-going and the initial project report was approved by SDA on October 1. He said that land acquisition of three adjacent parcels is proceeding according to schedule.

Reporting on projects in the Passaic School District, Mr. McKenna said that the design-builder and SDA are completing the punch list and preparing a request to DCA for issuance of the Certificate of Occupancy for the Passaic Henry Street ES project. He said that, for the Passaic Leonard Place ES project, the SDA advertised for design-build services on August 13 with technical and price proposals due November 5. Mr. McKenna added that the bid opening date is November 19 and management anticipates presenting a recommendation for award at the December Board meeting.

Regarding projects in Paterson, Mr. McKenna said that there are no changes to report on the Marshall Street ES project. He said that the team is closely monitoring the Paterson PS 16 project for compliance with the schedule. He added that special attention is being given to achieving a weather tight building for the winter. He said that the exterior brick work had been going slower than expected but this is being monitored and the building remains on schedule.

In continuing, Mr. McKenna reported that pre-design services, including options development, are on-going for the Pemberton Denbo Crichton ES project. He also reported that, on the Phillipsburg HS project, exterior masonry is 90% complete and the building is nearly

enclosed in anticipation of the start of temporary heat to facilitate interior construction throughout the winter. He added that gas and water connection work is underway there with permanent electricity to follow.

Mr. McKenna said that SDA advertised for design-build services on September 24 for the Vineland New MS project. He noted that technical and price proposals are due December 8. He said that there are no changes to report regarding the Perth Amboy Seaman Avenue ES project.

Turning to the Authority's ongoing procurement activity, Mr. McKenna said that, later in the meeting, management will be presenting and asking for Board approval of the recommended legal services award. He said other activity currently underway includes procurements for design-build services for the Passaic Leonard Place ES project; design-build services for the Vineland MS No. 2 project; design-build services for the Trenton Central HS project; demolition services for the Irvington Madison Avenue ES project; construction management services for the West New York Harry L. Bain ES No. 6 project; and the furniture, fixtures and equipment term contract.

Reporting on events, outreach and other activities, Mr. McKenna said that SDA held a beam signing ceremony for the new Gloucester City ES/MS project on Monday (November 2). He noted that this was a happy event and the people of Gloucester were pleased with the progress being made. He also reported that staff is working to schedule a ground breaking ceremony for the new elementary school in Elizabeth within the next couple of weeks. Finally, Mr. McKenna said that an additional report is included in the monthly reports section of the Members' meeting materials. He explained that this report lists those matters previously considered in Executive Session that are now completed.

The Chairman then asked management to provide the Board with a presentation regarding progress on the TCHS project at the end of the Board meeting.

Audit Committee

At the request of the Chairman, Mr. Nixon then provided the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on October 19, 2015. He said that management had provided the Committee with the September 2015 New Funding Allocation and Capital Plan Update. He reported that management reported no changes in any of the SDA District reserve balances. He noted that the reserve balance for the Regular Operating Districts ("RODs") increased by \$300,000 during the reporting period.

In continuing, Mr. Nixon said that, for informational purposes, management presented its reforecast of the Authority's 2015 budget. He said that, significantly, management plans to expend approximately \$400,000 in the current year for critical Information Systems (IS) projects. He explained that the Authority must purchase a Storage Area Network System (SAN) which also involves network backbone environments to replace systems which have become unreliable. He noted that these upgrades are a necessity as the Authority moves away from paper and more into the electronic storage of records. Mr. Nixon advised the Board that these systems were scheduled to be replaced in 2016 but that a decision was made to proceed in the current year as funds are available in the 2015 budget.

Mr. Nixon said that management also presented the proposed 2016 Budget for initial discussion by the Committee. He said that management discussed budgetary items and year-over-year comparisons in the proposed budget. He advised the Board that the budget draft will be discussed by the Committee again at its November meeting prior to its advancement to the full Board in December. He reported that the Committee had been requested to share any preliminary questions or concerns with executive management or with him but that, to date, no concerns have been raised by any Committee member.

Next, Mr. Nixon reported that management is recommending renewal of various insurance policies in order to continue the Authority's Business and Real Estate Property and Casualty Insurance Program. He explained that the renewal policies will be purchased pursuant to the second year of a three year term for broker services with The Safeguard Group. He said that, as proposed, the renewal policies will have a one year term at a cost not-to-exceed \$771,000, which is inclusive of an approximate 2.5% allowance for potential exposure increases (e.g. increases due to the acquisition of real and/or personal property, automobiles, payroll increases, etc.) during the policy term. Mr. Nixon said that management is also seeking quotes to obtain extended cyber security coverage in the event that the Authority decides to purchase such coverage. He noted that the estimated cost for this coverage would be an additional \$16,000. Ms. Simmonds said that staff is continuing to investigate options available for extended cyber security coverage. Mr. McKenna offered additional detail regarding the protection afforded by cyber security coverage.

Following discussion, Mr. Nixon said that the Committee recommends that the Board approve the purchase of the various business and real estate insurance policies for a one year term and cyber security coverage if deemed advisable by management. By motion duly made by Mr. Walsh and seconded by Mr. Capelli, the Board approved management's purchase of the various policies as proposed upon its unanimous vote in favor of **Resolution 5a**.

Next, Mr. Nixon discussed management's recommended contract award for legal services. He said that the Committee was presented with management's recommendation for a contract award to a new group of law firms with legal expertise in 8 specialty areas. Specifically, he said, the 8 specialty areas are insurance coverage and suretyship; bankruptcy & insolvency proceedings; environmental law; employment law; government contracting, bid protests & procurement; professional errors and omissions and cost recovery; construction

litigation; and real estate law. Mr. Nixon said that, following a competitive procurement process, management is recommending contract awards to 16 firms. He explained that the attorney services will be performed for a blended hourly rate of \$200 with paralegal services at an hourly rate of \$90 for a two-year term. He advised the Board that no one firm can be compensated in excess of \$1,500,000 over the term of the engagement, regardless of whether it is engaged in providing services in more than one of the specialty areas. Mr. McKenna noted the impressive list of top New Jersey law firms included in the legal services award adding that the agreed upon hourly fee rates are very reasonable. Mr. Barnes noted that the rates have not changed from those of previous awards.

Following discussion, upon motion duly made by Mr. Nixon, seconded by Mr. Egan, and with Mr. Walsh abstaining, the Board approved the proposed contract award for legal services as proposed by management upon its vote in favor of **Resolution 5b**.

In continuing, Mr. Nixon advised the Board that the SDA's Internal Auditing Unit (IAU) had presented the Committee with a revised audit program for schools with a \$10 million state share which had remained in "open" status (i.e. with unpaid monies) as of July 8, 2008. He explained that the decision to revise the audit approach for these old projects followed a determination that, since SDA processes and procedures have dramatically changed since the time of these projects, it made sense for the focus of these audits to be on E&O potential. He said that, this way, the audits produce recommendations that are instructive for moving forward, rather than on staff compliance with obsolete, no longer utilized processes and procedures. Mr. Nixon said that the IAU also presented the results of 10 statutorily required audits. He advised the Board that response actions were forwarded to the Authority's Special Projects Cost Recovery Unit (CRU) as deemed appropriate.

Mr. Nixon said that the Committee was also provided with the September 2015 Monthly Financial Report. He said that management reported that year-to-date Authority operating expenses (actual vs. budget), at \$13.2 million, are down \$3 million as compared to the operating budget for the corresponding period. He said that the variance is largely attributable to lower salary and benefit costs of \$2.4 million.

He said that year-to-date school facilities project expenditures (actual vs. forecast), at \$307.4 million, are down \$4.5 million as compared to the capital spending forecast for the corresponding period. He reported that operating expenses (actual vs. prior year actual) have increased by \$105.3 million as compared to the corresponding prior year. He explained that this variance is due to increased spending of \$51.8 million in construction related activity, \$19.1 million in grant activity, \$7.1 million in project insurance — including the \$5 million down payment for the 3 year OCIP renewal — along with property acquisition costs of \$27.8 million including the \$30 million payment for the Paterson Catholic HS.

In conclusion, Mr. Nixon advised the Board that, since program inception, 73% of the funds authorized for SDA Districts have been disbursed. Additionally, he reported that, since program inception, 96% of all SDA disbursements relate to school facilities projects and 4% relate to operating expenses. He reported that the estimated value of active school facilities projects is approximately \$2.2B.

Public Comments

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

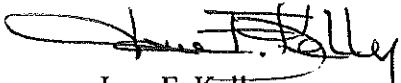
Mr. Faras said that he had recently submitted OPRA requests to both the DOE and the superintendent of schools in the Trenton School District seeking a letter authorizing the closure of TCHS. He said that such a letter is required prior to closure of a school and no letter was ever

generated with regard to TCHS. He said that he was advised by DOE that they never “closed” TCHS. Mr. Faras questioned how the SDA is able to “get away with” knocking down a school that has not been “closed”. Mr. McKenna responded that the Authority would take Mr. Faras’ comments under advisement.

It was agreed that Mr. Sherman would provide the requested impromptu TCHS presentation following formal adjournment of the meeting with the same open to all (Members, staff and public) who wished to remain. Mr. McKenna said that the material to be presented would be forwarded to those Members who were participating in the meeting telephonically.

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 November 4, 2015 meeting.



Jane F. Kelly
Assistant Secretary