

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS MEETING  
WEDNESDAY, DECEMBER 2, 2015**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, December 2, 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  
Maureen Hassett (NJEDA)  
Kevin Luckie (NJDCA)  
Matthew Murray (Treasury)  
Bernie Piaia (NJDOE)  
Kevin Egan  
Loren Lemelle  
Lester Lewis-Powder  
Michael Maloney  
Joseph McNamara  
Robert Nixon  
Mario Vargas

being a quorum of the Board. Mr. Murray, Mr. Piaia, Ms. Lemelle, Ms. Lewis-Powder, Mr. McNamara 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; Cecelia Haney, senior counsel; Sean Murphy, director; and Robert Carney, manager, 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 November 4, 2015 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. Egan and seconded by Mr. Walsh, the Open Session minutes of the November 4, 2015 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Resolution 3a*.

### *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 TCHS facility have now been abated, that demolition of wings A and D is ongoing and foundation crushing and backfill operations continue. Mr. McKenna noted that addenda have been issued to potential design builders on the project, with bids due on December 17. He said that the Authority has been getting a significant number of questions from prospective bidders with the result that the bid due date may be pushed back to ensure that the bids to be submitted will be good bids.

Turning to the Bridgeton Buckshutem Road ES project, Mr. McKenna advised the Board that the Temporary Certificate of Occupancy for the addition is anticipated to be issued by

December 16 and the building will be turned over to the district. He said that student occupancy is expected for January 2016 and that renovation work will then begin on the portion of the existing school building. Mr. McKenna said that work is proceeding on the Bridgeton Quarter Mile Lane ES project and there are no major changes to report.

Mr. McKenna reported that Design Ideas Group, LLC (DIG) is actively working on the site feasibility investigation for the Camden HS project.

Turning to projects in the Elizabeth School District, Mr. McKenna said that all major trades continue to work well and interior finishes are ongoing on the Elizabeth Academic HS project. On the Elizabeth New ES project, he reported that Department of Community Affairs (DCA) has released the footings, foundations and underground utilities documents; that the design-builder has placed construction trailers on-site in preparation for the start of construction upon permit issuance; and that a pre-construction meeting was held by the project team and the district.

Mr. McKenna advised the Board that, for the Garfield James Madison ES No. 10 project, the constructability review process will begin upon SDA approval of proposals from the construction manager and general contractor.

Mr. McKenna said that construction work continues to progress well on the Gloucester ES/MS project. He said that for the Harrison New ES project, the early site package was advertised in November. He added that a pre-bid meeting was held on November 24 and bid opening is scheduled for January 6, 2016 for that project.

Turning to the Irvington Madison Avenue ES project, Mr. McKenna advised the Board that the early site package was advertised on November 19 and bids are due January 12, 2016. He said that staff expects to present a recommendation for award at the February Board meeting.

In continuing, Mr. McKenna reported that exterior and interior masonry work, roof installation, HVAC, plumbing, and electrical work continues on the Keansburg Caruso ES project. He said that SDA has advertised for design services for the Keansburg Port Monmouth Road ES project and that proposals are due on December 15.

Turning to projects in the Jersey City School District, Mr. McKenna advised the Board that work is progressing well on the Jersey City PS 20 project. He said that all construction trailers have been removed so that site work can be completed. He noted that a September school opening is anticipated. With respect to the Jersey City ES No. 3 project, he reported that the steel is up and exterior masonry work is progressing well.

With respect to the addition and renovation project at the existing Millville HS, Mr. McKenna reported that the preliminary schematic design submission remains under review. He said that Hall Construction, the design-builder on the New Brunswick Paul Robeson ES project, has begun the preliminary design phase.

Mr. McKenna then turned to projects in the Newark School District. He advised the Board that construction continues for the Newark Elliott Street ES and Newark Oliver Street ES projects along with DCA inspections toward the anticipated substantial completion of Elliott Street ES on December 21. He said that the district and SDA staff are coordinating move-in logistics in preparation for student occupancy in January. He added that the Oliver Street ES will be opening in September. Mr. McKenna added that the Notice to Proceed was issued to Ernest Bock and Sons on November 20 for the Newark South Street ES project. He said that the initial project meeting is scheduled for later today.

In continuing, Mr. McKenna advised the Board that pre-design services are on-going and staff continues to work closely with the district to develop the preferred conceptual option for the Orange HS project. With respect to the Orange Cleveland ES project, he said that pre-design

services are on-going, project deliverable submittals are on schedule and the acquisition of the third of the three adjacent parcels is proceeding.

Turning to projects in the Passaic School District, Mr. McKenna reported 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. He said that a recommendation of award for design-build services is on today's agenda for the Passaic Leonard Place ES project.

Mr. McKenna reported that the contractor, Ernest Bock and Sons is progressing well with all finishes and with completion of all building systems for the Paterson Marshall Street ES project. He said that, for the Paterson PS 16 project, design-builder Hall Construction has begun installation of permanent windows to make the building weather tight. He said that roof and masonry work is nearing completion on the project.

Mr. McKenna advised the Board that pre-design services, including options development, are on-going for the Pemberton Denbo Crichton ES project.

Turning to the Phillipsburg HS project, Mr. McKenna said that exterior masonry work is 90% complete and the building is nearly enclosed to facilitate temporary heat to allow for interior construction throughout the winter. He noted that a September opening is anticipated. Mr. McKenna said that technical and price proposals for design-build services are due December 8 for the Vineland New MS project and the bid opening is scheduled for December 18. He said that there are no changes to report regarding the Perth Amboy Seaman Avenue ES project.

Mr. McKenna then discussed the Authority's ongoing procurement activity. He said that, in addition to the furniture, fixtures and equipment term contract and design-build services award for the Passaic Leonard Place ES project, other activity currently underway includes procurements for: design-build services for the Vineland MS No. 2 project; design-build services for the TCHS project; demolition services for the Harrison New ES project; demolition services

for the Irvington Madison Avenue ES project; construction management services for the West New York Harry L. Bain PS No. 6 project; design services for the Keansburg Port Monmouth Road School project and professional staffing services. At this time, Mr. Lewis-Powder joined the meeting by teleconference.

In terms of events, outreach and other activities, Mr. McKenna said that SDA Vice President Raymond Arcario presented at the 31st Annual Alliance for Action Construction Forecast event on Friday, November 13. He reported that the SDA also will be participating in the Governor's Annual Season of Service Initiative. He advised the Board that this effort started with Jason Ballard volunteering at the Open Door Pantry in Freehold the previous week. He indicated that he and other SDA staff will be volunteering at two food banks in New Jersey, in the coming weeks.

Regarding upcoming events, Mr. McKenna said that the SDA will hold a ground breaking ceremony for the new Elizabeth ES the following day at 1:00 PM. He said that the Authority also will be holding a community meeting on December 7 to discuss the Jersey City ES No. 3 project with the residents in the surrounding area. He explained that the area surrounding the school is "tight" with the result that the neighborhood is impact by the construction activity. Accordingly, he said, it is important to explain the process to the affected residents. Mr. McKenna said that staff is in the process of finalizing the SDA's Biannual Report and will forward it to the Board as soon as it is completed. Finally, Mr. McKenna thanked all of the Members for promptly completing their required Ethics Training for 2015.

Upon the conclusion of Mr. McKenna's formal report, Mr. McNamara asked if there was an estimate available regarding the budget that can be anticipated next year for construction activity. Mr. Guarriello informed the Members that this issue will be discussed in the December

Audit Committee meeting. Mr. Carney noted that he would expect the funding level to be similar to that of the current year budget.

### *Audit Committee*

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on November 16, 2015. He advised the Board that management had provided the Committee with the October 2015 New Funding Allocation and Capital Plan Update. He said that management reported that there was a change in only one of the reserve balances for SDA Districts. Specifically, he advised that there was a decrease of \$2.9 million in the Planning Reserve balance following the Board's approval of the final project charters for the Garfield New James Madison ES and Newark South Street ES. He reported that the decrease was mainly due to increased construction costs and an increase in the budgets for furniture, fixtures, technology and equipment fit-out to reflect more recent project experience. He noted that the reserve balance for the Regular Operating Districts ("RODs") increased by \$2.3 million during the reporting period.

Next, Mr. Nixon reported that Ernst & Young (E&Y) had provided the Committee with the 2015 SDA Audit Plan. He said that E&Y had outlined the areas of emphasis and thought processes utilized in the development of the audit and discussed financial reporting in accordance with the requirements of the General Accounting Standards Board (GASB) practices, along with changes relating to government auditing standards. Mr. Nixon advised the Board that, at the conclusion of the regular meeting, the Committee Members met privately with E&Y in accordance with Executive Order 122 and then with the Authority's director of internal auditing without management present.

Mr. Nixon then presented the 2016 Operating Budget ("Budget") that had been provided to the Members in advance of the meeting. He advised that the Budget was discussed in detail at

both the October and November meetings of the Audit Committee. He noted that the Audit Committee's input has been incorporated into the proposed budget. He reported that the proposed 2016 Budget totals \$21.2 million, representing an increase of \$288,000 as compared to the current year budget. He said that the Budget includes a proposed headcount of 257 full time employees (FTEs), which is unchanged from the current Budget. He added that, looking back over a 5 year period, the budget remains very lean—indeed, less than the 2012 budget—all while the Authority is working on a greater number of construction projects. He said that the Audit Committee recommends Board approval of the 2016 Budget as presented by management. Mr. Guarriello provided additional Budget highlights as set forth in detail in the materials presented to the Board, specifically noting that the proposed budget reflects a 30.2% reduction from the start of the present administration. Mr. Nixon asked if there were any questions or comments regarding the Budget. Hearing none, he called for a vote to approve the 2016 Operating Budget.

A resolution pertaining to the proposed 2016 Operating Budget had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie and seconded by Mr. Walsh, the resolution attached hereto as *Resolution 5a*. was unanimously approved by the Board.

In continuing, Mr. Nixon advised the Board that the SDA's Internal Auditing Unit (IAU) had presented the Committee with the Matrix East Front Street Operating Company, Inc. LLC (Matrix) - Common Area Maintenance (CAM) Fees Audit (Audit). He advised that the Audit was conducted to review the validity of the 2014 CAM fees charged by Matrix to the SDA. He informed the Board that the Audit determined that the objectives were met and operating costs were found to be allowable, properly allocated and calculated, and adequately supported and recorded in the proper accounting period. He reported that no observations were noted. He added that having no observations to report is a testament to the due diligence of SDA staff and the landlord. Mr. Nixon advised that SDA's auditing group also shared the results of four



statutorily required audits in connection with which a revised audit approach was utilized. He noted that response actions were forwarded to the Special Projects Cost Recovery Unit as deemed appropriate. Additionally, Mr. Nixon reported one audit update was presented.

Mr. Nixon then said that the Committee was also provided with the October 2015 Monthly Financial Report. He said that management reported that year-to-date Authority operating expenses (actual vs. budget), at \$14.6 million, are down \$3.3 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 \$2.6 million.

He said that year-to-date school facilities project expenditures (actual vs. forecast), at \$345.7 million, are \$3.7 million higher as compared to the capital spending forecast for the corresponding period. He reported that operating expenses (actual vs. prior year actual) have increased by \$108.6 million as compared to the corresponding prior year. He explained that this variance is due to increased spending of \$49.6 million in construction related activity, \$25.8 million in grant activity, \$7 million in project insurance — including the payment for the 3 year OCIP renewal agreement — along with property acquisition costs for the Paterson Catholic HS property.

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.

## *School Review Committee*

**Design Build Award and Approval of Final Charter – Passaic School District – Leonard Place ES – NT-0550-B01; Approval of Awards – Furniture, Fixtures and Equipment – GP-0223-F01; De-Obligation of Unused Contract Balance – Credit Amendments; Proposed Re-adoption With Amendments: Preconstruction Activities N.J.A.C. 19:34; Proposed Re-adoption with Amendments: Section 13(a) Delegation Agreement Rules N.J.A.C. 19:34A**

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 design build award and final project charter for the Passaic Leonard Place ES project (the project). He reported that the Leonard Place ES project will consist of an approximately 105,000 square foot 4-story building to educate approximately 700 students in grades Kindergarten through 5 in the Passaic School District. He said that, in September 2014, the Board approved the project for advancement along with a preliminary project charter recommending a design-build approach. He explained that a package for design-build services was advertised on August 13, 2015, with "price" equaling 60% of the overall weight, and all non-price factors having a combined weight of 40%. He said that, upon completion of the competitive procurement process, staff recommended award of a contract for design-build services in the amount of \$32,750,000 to Dobco, Inc. for the project and, subsequently, Dobco, Inc. confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. Mr. Luckie advised the Board that SDA has received two bid protests in connection with this award and that their validity is pending a final determination by the Chief Financial Officer in consultation with Chief Counsel. He said that management is seeking approval to move forward with the award to Dobco Inc. in the event that neither protest is deemed to be valid. He advised the Board that, in the event that one or both of the bid protests are validated and a new recommended awardee is determined, management will bring the matter back to the full Board for approval at a later date. It was agreed that issues pertaining to the bid

protests would be discussed in Executive Session in advance of a vote on this matter by the Board.

Mr. Luckie then discussed management's request for Board approval of contract awards for furniture, fixtures and equipment (FF&E). He said that the SDA previously procured term contracts for the manufacture, delivery and installation of FF&E and the current contracts expire in February 2016. He advised the Board that, in May 2015, SDA advertised a procurement for FF&E term contracts and 61 firms submitted their qualifications for consideration. He said that a new pool of 31 firms will form the content of a "catalog" of available items for selection by school district officials who will, with SDA guidance, furnish and equip schools constructed or renovated by the SDA. Mr. Luckie said that the contracts will have a three (3) year term with an SDA option to extend for one (1) additional year. He noted that the total not-to-exceed amount for this procurement, including all awardees, is set at \$12 million.

A resolution pertaining to the award of contracts for furniture, fixtures and equipment 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 contract awards were approved with the Board's unanimous vote in favor of *Resolution 6b*.

Mr. Luckie then discussed management's request that the Board approve credit amendments to de-obligate unused contract balances. He said that, in August 2013, the Board approved the execution of fourteen credit amendments in the amount of \$15.8 million to administratively close out previously suspended design consultant contracts. He explained that, at the same time, the Board delegated authority to the SDA CEO to execute credit amendments to administratively close out an additional ninety-two previously suspended design consultant contracts in the amount of \$90.4 million. Mr. Luckie advised the Board that, as of October 2015, 90 of the total 106 design consultant contracts identified for close out have been closed, resulting

in the de-obligation of \$91.7 million in contract values. He said that the remaining 16 contracts identified for close out are pending internal review. Mr. Luckie said that the Committee recommends that the Board approve the execution of credit amendments to finalize contract close out or, as appropriate, partial contract close out, of 8 contracts with remaining contract values totaling \$11.7 million. He said that the amount of each of these proposed credit amendments exceeds \$100,000 and that their execution will de-obligate the remaining funds in these contracts and reduce the contract balances to zero.

A resolution pertaining to the de-obligation of unused contract balances 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 credit amendments were approved with the Board's unanimous vote in favor of *Resolution 6c*.

Next, Mr. Luckie presented management's request for Board approval of the re-adoption of two rules that will expire on December 8, 2015. First, Mr. Luckie discussed management's request for Board approval of the Authority's preconstruction activities rules. He advised the Board that the Chapter 34 rules were last re-adopted effective December 8, 2008 and provide guidance to school districts on the SDA's undertaking and funding of preconstruction activities authorized by N.J.S.A. 18A:7G-5. He said that, as described in the Board memorandum, the proposed amendments and repeals to the current regulations are primarily technical in nature and intended to incorporate applicable statutory and regulatory updates and provide efficiency and clarification to the practices of the SDA with respect to its preconstruction activities. He said that the Committee recommends that the Board approve the re-adoption of the preconstruction activities rules as presented, along with the issuance of the Notice of Re-adoption and the filing of the Notice with the Office of Administrative Law.

A resolution pertaining to the proposed re-adoption with amendments of the N.J.A.C. 19:34 preconstruction activities rules had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Mr. Egan the rule re-adoption as presented was approved with the Board's unanimous vote in favor of *Resolution 6d*.

Mr. Luckie then discussed management's request for approval of its Section 13(a) delegation agreement rules. He advised the Board that Chapter 34A, last re-adopted effective December 8, 2008, governs the delegation of capital maintenance school facilities projects to SDA school districts pursuant to a delegation and grant agreement under Section 13(a) of the Educational Facilities Construction & Financing Act (EFCFA). He said that the proposed amendments and repeals to the current rules are primarily technical in nature and intended to ensure that the rules conform to interim statutory changes and SDA practices with respect to the administration of the delegation program and the disbursement of grant funds. He said that the Committee recommends that the Members approve the re-adoption of the delegation agreement rules as proposed and presented along with the issuance of the Notice of Re-adoption and the filing of the Notice with the Office of Administrative Law.

A resolution pertaining to the proposed re-adoption with amendments of N.J.A.C. 19:34A Section 13(a) delegation agreement rules had been provided to the Board in advance of the meeting. Upon motion duly made by Ms. Hassett and seconded by Mr. Piaia the rule re-adoption as presented was approved with the Board's unanimous vote in favor of *Resolution 6e*.

In concluding, Mr. Luckie reported that the Committee had also considered one additional item which will be discussed in executive session.

### *Public Comments*

The Chairman then opened the Public Comments portion of the meeting. Ms. Kelly asked Mr. Frank Faras of Trenton to address the Board. Mr. Faras said that he has spoken at the

last number of Board Meetings trying to find out how the SDA got permission to close down TCHS. He said that he had recently submitted an OPRA request to the New Jersey Department of Education (DOE) seeking a letter authorizing the closure of TCHS. He said that no letter was ever generated by the DOE with regard to the closure of TCHS. Mr. Faras questioned how the SDA is able to tear down a school that has not been "closed". He then advised the Board that he had filed an OPRA request with the SDA which came back stating that no "permission letter" was received by the SDA from the DOE. Mr. Faras stated that no feasibility study was done regarding renovation of the existing school in connection with the TCHS project. He also said that there is no study to show whether or not temporarily moving the children affects them detrimentally. Mr. Faras said that "there is a whole list of things that have to be done and those things were not done". He said that for those reasons the DOE did not give the SDA a letter authorizing the closure of TCHS. Mr. McKenna responded that it is his understanding that the DOE informed Mr. Faras that they did not give the SDA a letter of closure because the DOE does not consider TCHS to be closed. He explained that DOE's interpretation is that as TCHS is being rebuilt, it is not "closed". Mr. Faras asked how a building that is gone is not considered closed. Mr. McKenna responded that, in this situation, it is considered a temporary closure until the new building has been completed. He added that TCHS is still open and will remain open for many years to come. Mr. Faras then said that the code uses the term "school facility" and the SDA has destroyed the facility. He again questioned the lack of a feasibility study. Mr. McKenna responded that a feasibility study was conducted and it was determined that construction of a new building was the best course of action. Mr. Faras then raised questions regarding the Trenton Public Schools District's Long Range Facilities Plan. Mr. McKenna responded that the Authority would take Mr. Faras' comments under consideration. Mr. Faras suggested that the Board is simply a "rubber stamp" for Mr. McKenna. Mr. Walsh assured Mr.

Faras that this is most certainly not the case and that the concerns raised by Mr. Faras would be considered.

The Chairman said that the Board would be adjourning into Executive Session. Ms. Kelly announced that the Board will be discussing two items in Executive Session: 1) a global settlement with Design Ideas Group, LLC relating to multiple projects and 2) a Declaration of Surplus Property, Determination of Property Value and Authorization for the Public Sale and Conveyance of SDA owned property located in Asbury Park, New Jersey.

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 a Declaration of Surplus Property, Determination of Property Value and Authorization of the Public Sale and Conveyance of SDA owned land in Asbury Park, New Jersey had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon and seconded by Mr. Walsh, the resolution attached hereto as ***Resolution A2.*** was unanimously approved by the Board.

A resolution pertaining to management's request for authorization to proceed with a global settlement relating to multiple projects with DIG had been provided to the Members in advance of the meeting. Upon a motion by Mr. Nixon and seconded by Mr. Egan, the resolution attached hereto as ***Resolution A1.*** was unanimously approved by the Board.

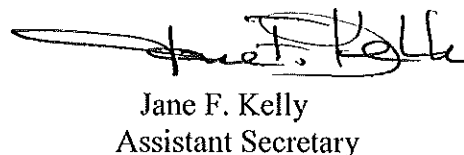
A resolution pertaining to the design-build services award and approval of final project charter for the Passaic Leonard Place ES project matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Piaia and seconded by Ms. Hassett the recommended design-build services award as presented and final project charter for the Passaic

Leonard Place ES project were approved with the Board's unanimous vote in favor of *Resolution 6a*.

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 December 2, 2015 meeting.



Jane F. Kelly  
Assistant Secretary