

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, NOVEMBER 2, 2016**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, November 2, 2016 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Kevin Luckie (DCA)
Bernard Piaia (DOE)
Matthew Spadaccini (Treasury)
Michael Capelli
Kevin Egan
Loren Lemelle
Michael Maloney
Robert Nixon
Mario Vargas

being a quorum of the Board. Mr. Capelli, Mr. Egan, Ms. Lemelle, Mr. Piaia, Mr. Spadaccini 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; Sean Murphy, director; Karon Simmonds, director; and Lindsey Hoffman, risk and insurance specialist, of the SDA participated in the

meeting. Lisa LeBoeuf of the Governor's Authorities Unit also participated in the meeting by teleconference.

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 5, 2016 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. Maloney and seconded by Mr. Luckie, the Open Session minutes of the October 5, 2016 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 3a.***

Authority Matters

CEO Report

At the request of the Chairman, Mr. McKenna provided the Report of the Chief Executive Officer. Mr. McKenna began his report with an update on the Trenton Central High School (TCHS) project. He said that the work there is moving along and utility work in the existing parking lot is complete.

Mr. McKenna next gave an update on projects in the Bridgeton School District. He said that playground equipment installation was completed the previous month for the Buckshutem Road ES project and the application for a Certificate of Occupancy (CO) will be submitted to the

Department of Community Affairs (DCA) within the next few weeks. For the Quarter Mile Lane ES, he said that the project is moving forward.

With respect to the Camden HS project, Mr. McKenna reported that SDA's environmental consultant, Brinkerhoff, was issued a task order to perform additional investigation work that will inform SDA's development of the school design. In regard to the East Orange George Washington Carver ES project, he said that the SDA Design Studio continues to advance the design of the new school. He also reported that masonry work is ongoing for the Elizabeth New ES project.

At this time Mr. Piaia joined the meeting by teleconference.

For the Garfield James Madison ES No. 10 project, Mr. McKenna reported that structural steel erection commenced late last month. He advised the Board that construction work continues to progress well for the Gloucester ES/MS project and staff is hoping to achieve substantial completion in November. In regard to the Harrison New ES project, he said that a recommendation of award for design-build services is on today's agenda.

Mr. McKenna then informed the Board that management advertised for design-build services in mid-August for the Irvington Madison Avenue ES project and that price and technical proposals are due today. He noted that price proposals are scheduled to be opened November 17 following the review and ranking of the submitted technical proposals. He said that management anticipates presenting a recommendation of award at the December Board meeting.

Mr. McKenna advised the Board that, in October, SDA's design consultant, LAN Associates, completed the pre-design phase for the Keansburg Port Monmouth Road ES project and that staff is reviewing the results. He said that the Jersey City ES No. 3 project is moving forward.

Mr. McKenna reported that management advertised for design-build services on September 30 for the addition and renovation project at the Millville HS and that price and technical proposals are scheduled to be received December 21. With respect to the New Brunswick Paul Robeson ES project, he said that footings and foundation work is ongoing. He added that abatement and site remediation activities are complete and noted that a groundbreaking is scheduled for the following day, November 3.

Turning to projects in the Newark School District, Mr. McKenna said that all punch list items and the area of refuge work has been completed for the Elliott Street ES project. He noted that an application package for a Certificate of Acceptance will be submitted to DCA later this month. With respect to the South Street ES project, he reported that the design-builder, Ernest Bock & Sons, Inc. (EBS), is actively working on the final design phase. He added that footings, foundations, underground utility and masonry work are all ongoing.

Mr. McKenna then gave an update on projects in the Orange School District. He reported that, for the Cleveland ES project, the design consultant, LAN Associates, continues work on the schematic design phase. He said that the Orange HS project is moving forward.

Mr. McKenna reported that management issued a Notice to Proceed (NTP) for footings, foundation, underground work and steel in late October for the Passaic Leonard Place ES project. For the Pemberton Denbo Crichton ES project, he said that working group design meetings are ongoing. With respect to the Perth Amboy Seaman Avenue ES project, he informed the Board that design phase services are ongoing and a Notice of Award for construction management services was issued to Greyhawk the previous month.

Mr. McKenna next gave an update on the Vineland New MS project. He reported that the design-builder, EBS, continues with the design services phase. He said that footings and

foundation work is ongoing. In regard to the West New York Harry L. Bain PS No. 6 project, he said that demolition work has commenced, windows are in fabrication and HVAC work is underway.

Turning next to ongoing procurement activity, Mr. McKenna said that, in addition to the design-build services award for the Harrison New ES project that management will be discussing later in the meeting, other activity currently underway includes procurements for design-build services for the Irvington New Madison Avenue ES and Millville HS projects.

Reporting on events, outreach and other SDA activities, Mr. McKenna reported that, on November 2, Ray Arcario presented at the annual Alliance for Action Construction Forecast Seminar. He said that Mr. Arcario provided attendees with information about the status of projects at the SDA and a forecast of projected advertisements for the coming year.

Mr. McKenna advised the Board that a groundbreaking ceremony for the addition at the Paul Robeson School in New Brunswick will take place the following day, November 1. He said that Communications staff is diligently working to schedule groundbreaking events for the Leonard Place ES project in Passaic City, the new MS in Vineland and TCHS later in the current month.

Mr. McKenna informed the Board that he will be participating in a community meeting this evening in Camden to inform the residents as to what to expect throughout the duration of construction for the Camden HS project.

Audit Committee

Owners Controlled Insurance Program (OCIP III) Builders Risk (Property) Insurance; Business and Real Estate Property Insurance Policy Renewal

At the request of the Chairman, Mr. Nixon provided the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on October 17, 2016. He said that

management had provided the Committee with the September 2016 New Funding Allocation and Capital Plan Update. He said that management had reported no changes in any of the SDA District reserve balances. He advised the Board that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$200,000 during the reporting period due to reductions in state share for grant projects nearing completion.

Next, Mr. Nixon reported that management had presented the proposed 2017 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 prior to its advancement to the full Board in December. He said that the Committee Members were requested to share any preliminary questions or concerns they might have with him but that, to date, no concerns have been raised by any Committee member. He noted that the proposed budget is a lean and fiscally responsible budget.

Mr. Nixon then presented the Committee’s recommendation for the Authority’s purchase of builders risk insurance. Referencing materials that previously had been provided for Board review, he reminded the Members that, in June 2014, the Board approved the award of Owners Controlled Insurance Program (OCIP) Administration and Broker Services to Turner Surety Insurance Brokerage (Turner). He said that a new 5-year OCIP program was implemented in 2015, however, builders risk insurance was not purchased at that time as the Authority’s existing policy was not due to expire until December 31, 2016. Mr. Nixon reminded the Members that builders risk insurance is purchased to insure the Authority’s construction projects from unexpected losses due to fire, lightning, and similar forces during construction. He advised the Board that, in April 2016, the SDA tasked Turner to market a new builders risk insurance

program. He said that the top 3 insurers were shortlisted and the calculated premiums for each insurer were analyzed. Mr. Nixon asked Ms. Simmonds to address the Members regarding the proposed award. Ms. Simmons advised that the total insured value in the solicitation is approximately \$931 million, representing the remaining projects in the current Capital Plan. She also noted that the proposed award includes \$50 million coverage for SDA emergent project additions/renovations. Ms. Hoffman provided additional detail. After a brief discussion, Mr. Nixon advised that, following analysis, management requested, and the Audit Committee recommends, approval to purchase builders risk insurance from HDI Global Insurance Company at a cost not-to-exceed \$1.2 million for a 3-year term program effective December 31, 2016.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Luckie and seconded by Mr. Piaia, the purchase of builders risk insurance for a 3-year term effective December 31, 2016 was approved with the Board's unanimous vote in favor of *Resolution 5a*.

Mr. Nixon next discussed the Audit Committee's recommendation for renewal of various insurance policies in order to continue the Authority's Business and Real Estate Property & Casualty Insurance Program (Insurance Program). Referencing materials that previously had been provided for Committee review, he explained that the renewal policies will be purchased pursuant to the third year of a three (3) year term for broker services with The Safegard Group. He said that the renewal policies will have a one-year term at a cost not-to-exceed \$638,000. Mr. Nixon asked Ms. Simmonds to address the Members regarding reductions in some of the line items contained in the Insurance Program renewal. Ms. Simmonds explained the basis for and reasons behind certain cost reductions as set forth in detail in the materials presented to the

Board. She noted that a decrease in the number of SDA owned properties has resulted in a cost savings. After discussion, the Chairman called for a vote.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Walsh and seconded by Mr. Luckie, the renewal of various Business and Real Estate Property & Casualty Insurance Policies with The Safegard Group for a one-year term effective December 31, 2016 at a cost not-to-exceed \$638,000 was approved with the Board's unanimous vote in favor of ***Resolution 5b***.

In continuing, Mr. Nixon reported that the results of one real-time construction audit were presented to the Committee. He explained that the audit was conducted in compliance with the statutory requirement that capital portfolio projects costing over \$10 million be reviewed to assess whether state funds were expended properly utilizing contract terms, SDA practices and state rules and regulations. He advised that the audits revealed that the State funds utilized for the projects were expended prudently and consistent with legal requirements.

Mr. Nixon then reported that management had provided the Committee with the September 2016 Monthly Financial Report. He said that Year-to-Date Authority Operating Expenses (Actual vs. Budget), at \$13.8 million, are down \$2.6 million as compared to the operating budget for the corresponding period. He explained that this is largely attributable to the fact that the SDA is currently 24 full time employees under budget. In continuing, Mr. Nixon said that Year-to-Date School Facilities Project Expenditures (Actual vs. Forecast), at \$295.3 million, are \$13.5 million lower as compared to the capital spending forecast for the corresponding period. He advised the Board that this variance is due to lower than anticipated expenditures in construction work; property acquisition; legal claims services; and project insurance. He said that this decrease is offset by increased spending for furniture, equipment and

technology. Mr. Nixon then reported that project expenditures (Actual vs. Prior Year Actual), at \$295.3 million, are \$12 million lower as compared to the corresponding prior year period. He explained that this variance is due to increased spending in construction activity; school furniture, equipment and technology—related to multiple school openings in August and September; and other project related costs. He noted that this increased spending is offset by decreased spending for grant activity; property acquisition, project insurance and legal and claims services.

Mr. Nixon then advised the Members that management has provided the Committee with the 2016 Budget Reforecast. He said that the Committee will continue to monitor the status of this year's budget as the Authority prepares to finalize and present the 2017 SDA Budget to the Committee and Board before the end of the year.

Finally, Mr. Nixon reported that, since program inception, approximately 76% of the funds authorized for SDA districts have been disbursed. Additionally, he said that, since program inception, 96% of all SDA disbursements relate to school facilities projects, while 4% relate to operating expenses. He added that the estimated value of current school facilities project activity remains at approximately \$2.2 billion.

School Review Committee

Design-Build Award and Final Project Charter - Harrison School District – Harrison New Elementary School

Mr. Walsh asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie said that the School Review Committee met on October 17, 2016. He then presented for Board consideration a design-build award and final project charter for the Harrison new ES project (the Project) in the Harrison School District (District). Mr. Luckie said that the SDA's

2012 Capital Plan identified a high priority educational need at the middle school grade levels in Harrison, recognizing that further discussion with the District was required for project definition. He said that the Capital Plan included a project to address needs in the District's middle school grade levels, noting that this was based upon a Long Range Facilities Plan which called for expansion of the existing Middle School to house the District's 5th grade population in order to alleviate overcrowding at the lower grade levels. Mr. Luckie advised the Board that a District, Department of Education (DOE) and SDA Working Group met to review and validate current District needs and to identify and evaluate alternative project scopes to address those needs. He said that this process concluded that placement of the 5th grade population in the MS would not result in sufficient capacity in the District's elementary schools to address District-wide overcrowding. He added that it was also determined that construction of a new Harrison ES would serve to address the District's overcrowding needs. He reported that, when completed, the new Harrison ES will be a 65,500 square foot facility on a District-owned site with the capacity to educate 392 students in grades Pre-K through 1. Mr. Luckie added that, in January 2015, the Board approved a preliminary charter for the Project and authorized its advancement utilizing Kit of Parts components, the design-build delivery approach and in-house staff design resources. He said that SDA staff then developed schematic design documents which were approved by the District and DOE and, with the assistance of the Project's site environmental consultant, developed bridging documents to support procurement of a design-builder. He reported that, in February 2016, the Board approved the award of an early site preparation contract and the early site package scope of work was completed in October 2016. Mr. Luckie said that, in July 2016, a package for design-build services was advertised with "price" weighted as 60% of the overall weight, and "all non-price factors" having a combined weight of 40%. He noted that upon

completion of the competitive procurement process, management is recommending award of a contract for design-build services in the amount of \$25,899,600 to Brockwell Carrington, Inc. who has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. Mr. Luckie suggested that, before taking a vote on this matter, the Board adjourn into Executive Session so that counsel can discuss the details of a bid protest that has been filed in connection with this award. He further suggested that the Board vote on the matter upon its return to Open Session. At the Chairman's request, Mr. Murphy then offered additional details regarding the procurement process that was followed in connection with the recommended award. Also, at the Chairman's request, Mr. Ballard provided the Board with a brief update regarding SDA's project close out initiative.

Public Comments

The Chairman then opened the Public Comments portion of the Board Meeting. He asked Mr. Frank Faras, a resident of the City of Trenton, to address the Board. Mr. Faras said that he lives across the street from the TCHS site. He reminded the Members that at SDA's June Board meeting, the Members had discussed two projects that were underway at the Hedgepeth-Williams ES which is located behind the TCHS site. He said that one project involved the water delivery system to the school and the other involved replacement of the school's roof. He indicated that he had filed an Open Public Records Act request to the state DOE seeking documentation regarding authorization for these projects and learned that the Trenton School Board had never applied to the DOE for approval of the roof work. He said that as a taxpayer he views it as "suspicious" when work which has not been approved is moving forward. He said that he is seeking help in understanding how this could happen. Mr. Walsh said that the Board would look into this.

Mr. Faras said that, last year, the Chairman was supposed to respond to him regarding another issue he had raised regarding the “vetting” of the TCHS project. He explained that he had asked for information as to why a proper study was not conducted regarding new construction vs. renovation of the then-existing TCHS facility. He expressed skepticism with regard to SDA “looking into it and getting back to him” and asked how he can get answers. He criticized the one study that was done regarding TCHS as inadequate. Mr. McKenna said that if Mr. Faras believes that he (Mr. McKenna) was acting in such a manner as to have grossly violated his responsibilities he could take legal action. Mr. Faras responded that he does not have the financial resources to do so. Mr. Faras also referenced the Camden HS project and stated that the SDA is about to now do the same thing there—proceed without doing the appropriate studies regarding cost vs. renovation. Mr. McKenna explained that other factors go into a determination as to how SDA will proceed with a given project—e.g. educational, structural. Mr. Faras said that SDA did not look at the entire TCHS building as the law requires. Mr. McKenna asked Mr. Faras to provide the law that he claims SDA is violating. Mr. Faras also said that, contrary to the law, Mr. McKenna lacks construction experience. Mr. Faras then concluded his remarks.

Mr. Maloney then addressed Mr. Faras. He said that every month he hears Mr. Faras criticize the SDA and the work it is doing. He said that he is also a taxpayer and that he is proud of the work that the SDA has done at TCHS and at schools throughout the state. He said that it is his opinion that Mr. McKenna is doing a great job. He suggested that one day Mr. Faras should come in and just say “thank you”. Mr. Faras disagreed that Mr. McKenna is doing a good job and said that, as a member of the Board, Mr. Maloney should take on the responsibility of

making sure the money is spent properly. Mr. Maloney responded by saying that his conscience is clear.

Ms. Kelly then announced that the Board would be adjourning into Executive Session to discuss two items: 1) pertaining to the Harrison new ES project and 2) a recommendation for settlement of cost recovery litigation in relation to the Orange Park Avenue ES facilities project. She said that the Board's vote on these matters would occur upon return to Open Session.

Thereafter, upon motion by the Chairman 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 the settlement of cost recovery litigation relating to the Orange Park Avenue ES facilities project had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Mr. Maloney, the recommended settlement of cost recovery litigation was approved with the Board's unanimous vote in favor of ***Resolution A1.***

A resolution pertaining to the award of a contract in the amount of \$25,899,600 to Brockwell & Carrington, Inc. for design-build services and a final project charter for the Harrison new ES project had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Mr. Maloney, the recommended contract award and final project charter were approved with the Board's unanimous vote in favor of ***Resolution 6a.***

There being no further business to come before the Board, 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 2, 2016 meeting.



Jane F. Kelly
Assistant Secretary