

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, DECEMBER 7, 2016**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, December 7, 2016 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Robert Nixon, Vice Chairman
Maureen Hassett (EDA)
Kevin Luckie (DCA)
Bernard Piaia (DOE)
Matthew Spadaccini (Treasury)
Kevin Egan
Loren Lemelle
Michael Maloney
Mario Vargas

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

At Mr. Nixon'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; Gregory Voronov, managing director; Aidita Milsted, director; and Sean Murphy, director, of the SDA participated in the meeting. Labinot Berlajolli of the Governor's Authorities Unit also participated in the meeting.

The meeting was called to order by Mr. Nixon, Vice Chairman of the Board, who chaired the meeting in the absence of Mr. Walsh. Mr. Nixon 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. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

Approval of Meeting Minutes

Mr. Nixon presented for consideration and approval the minutes of the Board's November 2, 2016 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 Ms. Lemelle, the November 2, 2016 Open and Executive Session meeting minutes were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 3a/3b***.

Authority Matters

CEO Report

At Mr. Nixon's request, Mr. McKenna provided the Report of the Chief Executive Officer. Mr. McKenna began his report with an update on the Trenton Central HS (TCHS) project. He reported that the design-builder, Terminal Construction, continues with design phase services. He said that footings, foundations, and under slab utility work is ongoing, noting that a groundbreaking ceremony was held there the previous Friday. He said that Governor Christie and Board Member Michael Maloney participated in the event.

Turning to projects in the Bridgeton School District, Mr. McKenna said that, for the Buckshutem Road ES project, playground surface coating installation will be completed as soon

as the weather permits. He advised the Board that the application for a certificate of occupancy (CO) for the project will be submitted to Department of Community Affairs (DCA) following the installation and subsequent inspection. In regard to the Quarter Mile Lane ES project, he said that renovation work on the existing school is ongoing.

With respect to the Camden HS project, Mr. McKenna reported that SDA's environmental consultant, Brinkerhoff Environmental, was issued a task order and is actively performing additional investigative work that will inform the development of the school design by SDA.

Mr. McKenna said that, for the East Orange George Washington Carver ES project, abatement work is underway in the basement and all other areas where asbestos contaminated material is present. He added that the SDA Design Studio continues to advance the design of the new school.

At this time, Mr. Egan joined the meeting by teleconference.

In regard to the Elizabeth New ES project, Mr. McKenna reported that major site-work activities continue to progress well and that masonry work is ongoing toward anticipated building enclosure by December 31. He said that electrical, mechanical, and plumbing work is also ongoing.

Mr. McKenna said that structural steel erection is ongoing for the Garfield James Madison ES No. 10 project. In regard to the Gloucester ES/MS project, he reported that construction work continues to progress well and SDA staff anticipates achieving the project's substantial completion in December.

In continuing, Mr. McKenna advised the Board that, for the Harrison New ES project, a notice of award for design-build services was issued to Brockwell & Carrington late last month.

He said that a bid protest had been filed by Hall Construction Co. (Hall) and that SDA staff had issued a final agency decision denying that protest. With respect to the Irvington Madison Avenue ES project, he reported that building demolition and site work are complete. He added that a recommendation of award for design-build services is on the meeting agenda.

Mr. McKenna said that the agenda also includes a recommendation to approve a revised planning charter for the Keansburg Port Monmouth Road ES project based upon the current recommended project scope. He added that Board approval of the revised planning charter will enable staff to authorize LAN Associates (LAN) to proceed with design and construction administration phase services for the negotiated fee.

Mr. McKenna reported that, for the Jersey City ES No. 3 project, the district has asked that the turnover of the school take place in April 2017. He said that the adjusted completion schedule anticipates issuance of temporary CO and substantial completion in January 2017.

With respect to the addition and renovation project at the Millville HS, Mr. McKenna said that SDA staff advertised for design-build services the end of September. He added that price and technical proposals are scheduled to be received December 21. For the New Brunswick Paul Robeson ES project, he reported that footings, foundation, and site work is ongoing and structural steel erection began the previous week.

Next, Mr. McKenna gave an update on projects in the Newark School District. He said that the 11-month walk-through of the school was held the previous week for the Newark Elliott Street ES. He reported that SDA and the district are developing a list of items to present to the design-builder as a warranty claim. In regard 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 advised the Board that footings, foundations, and under slab utility work is complete and structural steel erection began the previous week.

Turning to projects in the Orange School District, Mr. McKenna informed the Members that, for the Cleveland ES project, the design consultant, LAN, continues work on the schematic design phase. In regard to the Orange HS project, he said that additional investigative activities by design consultant Kliment Halsband Architects are continuing in order to validate site conditions there.

With respect to the Passaic Leonard Place ES project, Mr. McKenna reported that SDA staff issued a Notice-to-Proceed for footings, foundation, underground work and that the design-builder, Dobco, has mobilized on-site. He noted that a groundbreaking ceremony will take place the following day (December 8). He said that, for the Pemberton Denbo Crichton ES project, working group design meetings are ongoing. In regard to the Perth Amboy Seaman Avenue ES project, he said that design phase services by the design-builder, Epic Management, Inc., are ongoing.

Mr. McKenna advised the Board that the design-builder, EBS, continues with the Vineland New MS project's design services phase. He said that footings, foundations, and under slab utility work are ongoing. With respect to the West New York Harry L. Bain PS No. 6 project, he said that asbestos abatement work is complete, demolition work continues, and window and masonry work has commenced. He added that ceiling, HVAC, and electrical work is ongoing.

Turning next to ongoing procurement activity, Mr. McKenna said that, in addition to the design-build services award for the Irvington New Madison Avenue ES project that management

will be discussing later in the meeting, other activity currently underway includes a procurement for design-build services for the Millville HS project.

Reporting on events, outreach and other SDA activities, Mr. McKenna reported that SDA held a groundbreaking ceremony on November 3 for the addition project at the Robeson ES in New Brunswick. He noted that Board Member Kevin Egan had participated in that event.

Mr. McKenna said that another groundbreaking was held in Vineland on November 17 for the new Lincoln Avenue MS project. He again referenced the groundbreaking ceremony held for the Trenton Central HS project the previous Friday.

Mr. McKenna reported that, as part of the Governor's Season of Service initiative, SDA staff will be volunteering at the Community Foodbank of New Jersey in Hillside on December 12 and at the Food Bank of South Jersey in Pennsauken on December 20. He said that SDA staff will assist the food banks in providing much needy food to the elderly and less fortunate.

Mr. McKenna informed the Board that a groundbreaking event is scheduled for the Leonard Place ES project in Passaic City at 1 PM on December 8. He said that SDA staff also is working to schedule a beam signing event for the James Madison ES project in Garfield in the current month.

Audit Committee

Mr. Nixon then presented the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on November 21, 2016. He said that management had provided the Committee with the October 2016 New Funding Allocation and Capital Plan Update. He advised the Board that management had reported no changes in any of the SDA District reserve balances. He reported that the reserve balance for the Regular Operating

Districts (“RODs”) increased by \$700,000 (during the reporting period) due to reductions in state share for grant projects nearing completion.

Next, Mr. Nixon reported that Ernst & Young (E&Y) had provided the Committee with the 2016 SDA Audit Plan. He said that E&Y had outlined the audit services and deliverables and provided the Committee with an overview of the audit timetable along with their (E&Y’s) processes and procedures. He said that E&Y’s presentation also highlighted areas of audit emphasis and discussed new General Accounting Standards Board (GASB) pronouncements. He said that E&Y also had discussed financial reporting in accordance with the requirements of the GASB rules and provided a summary of their required communications. 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—both meetings without management present.

Mr. Nixon then presented the 2017 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 2017 Budget totals \$22.9 million. He explained that, excluding non-cash accruals for other post-employment benefits and pensions (OPEB), the proposed budget is \$18.7 million, representing a decrease of \$316,000 as compared to the current year’s budget. He said that the Budget includes a proposed headcount of 257 full-time employees (FTEs), which is unchanged from the current Budget. He said that the Audit Committee recommends Board approval of the 2017 Budget as presented by management. After a brief discussion, Mr. Nixon asked if there

were any further questions or comments regarding the Budget. Hearing none, he called for a vote to approve the 2017 Operating Budget.

A resolution pertaining to the proposed 2017 Operating Budget had been provided to the Members in advance of the meeting. Upon a motion by Mr. Luckie and seconded by Mr. Vargas, the resolution attached hereto as ***Resolution 5a.*** was unanimously approved by the Board.

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. He advised that the audit revealed that the State funds utilized for the project were expended prudently and consistent with legal requirements.

Mr. Nixon then reported that management had provided the Committee with the October 2016 Monthly Financial Report. He said that Year-to-Date Authority Operating Expenses (Actual vs. Budget), at \$15.2 million, are down \$2.9 million as compared to the operating budget for the corresponding period. He explained that this variance is due to the fact that the SDA is currently 27 full time employees under budget. In continuing, Mr. Nixon said that Year-to-Date School Facilities Project Expenditures (Actual vs. Forecast), at \$326.5 million, are \$17.6 million lower as compared to the capital spending forecast for the corresponding period. He explained that this variance is due to lower than anticipated expenditures in construction work; property acquisition; furniture, equipment and technology; and project insurance. Mr. Nixon then reported that project expenditures (Actual vs. Prior Year Actual), at \$326.5 million, are \$19.2 million lower as compared to the corresponding prior year period. He explained that this is due

to increased spending in construction activity and school furniture, equipment and technology—related to multiple school openings in August and September. He noted that this increased spending is offset by decreased spending for grant activity, property acquisition, project insurance and other related project activity.

Finally, Mr. Nixon reported that, since program inception, approximately 76.6% of the funds authorized for SDA districts have been disbursed. He said that 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 – Irvington School District – New Madison Avenue Elementary School; Revised Planning Charter and Design Consultant Services Advancement – Keansburg School District – Port Monmouth Road Elementary School – Addition and Renovation Project

Mr. Nixon asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie said that the School Review Committee met on November 21, 2016. He then presented for Board consideration a design-build award and final project charter for the new Madison Avenue ES project (the Project) in the Irvington School District (District). Mr. Luckie reported that, in January 2014, the SDA Board approved an amendment to the SDA Capital Plan Portfolio authorizing advancement of a project for the Irvington Madison Avenue School. He said that inclusion of the project was based upon the Department of Education’s 2013 Educational Facilities Needs Assessment (EFNA), which identified Facilities Efficiency Standard (FES) Compliance needs in the Irvington District. He informed the Board that the Madison Avenue ES project will be an approximately 73,000 square foot new school facility on the district-owned

Madison Avenue site and will provide capacity to educate approximately 463 students in grades Pre-K through 5. He added that demolition and early site preparation work for the Project was completed in November, 2016. Mr. Luckie said that a package for design-build services was advertised on August 16, 2016 with “price” equaling 60% of the overall weight, and “all non-price factors” having a combined weight of 40%. He advised the Board that, upon completion of this competitive procurement process, management recommends award of a contract in the amount of \$26,800,000 to EBS for design-build services for the Project. He said that, at the time of review, EBS confirmed that its price proposal is inclusive of all scope elements contained in the contract documents.

A resolution pertaining to the award of a contract in the amount of \$26,800,000 to EBS for design-build services and a final project charter for the Irvington Madison Avenue ES project had been provided to the Board in advance of the meeting. Upon motion duly made by Ms. Hassett 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***.

At Mr. Nixon’s request, Mr. Luckie then presented for Board consideration a revised planning charter and recommended the advancement of design consultant services for the addition and renovation project at the Keansburg Port Monmouth Road ES. Mr. Luckie said that the Authority’s 2012 Capital Plan identified the Keansburg School District’s Caruso ES project for validation and advancement into pre-development. He reminded the Members that, in October 2012, the Board authorized a unified approach to address overcrowding in the district by approving advancement of projects at two facilities in Keansburg: the first being the recently completed 122,140 square foot Caruso ES and the second being a renovation and addition project at the Port Monmouth Road ES. He advised that, in February 2016, the Members

approved the award of a contract to LAN for the Port Monmouth Road School project and authorized LAN to proceed with pre-design phase services. Mr. Luckie said that management has now reported LAN's pre-design phase findings and recommendations and is seeking Board approval in order to continue LAN's engagement for design and construction administration phase services. He added that the cost is a total lump sum fee of \$1,870,231, inclusive of \$585,330 in allowances. He said that management also recommends approval of the project's revised planning charter which details project advancement recommendations and includes negotiated costs for the remaining design consultant services. He noted that the revised charter also provides estimated project costs for the remainder of the project. Mr. Luckie advised that approval of the revised planning charter will serve to authorize the transfer of funds from the planning reserve to the project.

A resolution pertaining to the revised planning charter and design consultant services advancement for the Keansburg Port Monmouth Road ES addition and renovation project had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Ms. Hassett, the recommended revised planning charter and advancement of the design consultant services by LAN Associates were approved with the Board's unanimous vote in favor of ***Resolution 6b***.

At this time, Mr. Piaia left the call.

Public Comments

At the Acting Chairman's request, Ms. Kelly announced the opening of the Public Comments portion of the Board Meeting. She asked Frank Faras, a resident of the City of Trenton, to step forward and address the Board. Mr. Faras then distributed a copy of a document entitled NJAC 6A:26-3.3(L).

Prior to formally receiving Mr. Faras' remarks, however, Mr. Nixon noted that, at the November 2016 Board meeting, Mr. Faras had asked the Chairman of the Board, Mr. Walsh, for information regarding when SDA was authorized by the state Department of Education (DOE) to proceed with roof work at the Trenton Hedgepeth-Williams ES (School). He said that Chairman Walsh had told Mr. Faras that he would look into the matter, that Mr. Walsh has done so and that at his request, he (Mr. Nixon) would respond to Mr. Faras' inquiry on Chairman Walsh's behalf.

Mr. Nixon referenced SDA's 2012 advancement of a project to address water infiltration at the School. He explained that on July 21, 2014, SDA sent an email to DOE seeking authorization to expand the water infiltration project's Preliminary Eligible Costs for addressing the ongoing water infiltration project to include the needed roof work at the School. He advised Mr. Faras that DOE responded to SDA by email on July 31, 2014 authorizing SDA to expand the project to include the roof work.

Mr. Faras said that it was thus the SDA and not the Trenton School Board who had asked that the roof work be initiated and indicated that this was not the way he understood the process to work. He said that this was a "cozy" situation. He then questioned SDA's response to his previous Open Public Records Act (OPRA) request regarding the project. He requested a copy of the correspondence between SDA and DOE referenced earlier by Mr. Nixon. Mr. McKenna advised Mr. Faras to make an OPRA request for the information. Mr. Faras questioned how he might do that properly and Mr. Nixon said that he would speak with him following the meeting.

Mr. Faras said that, at the previous Board meeting, a question had been raised as to what law requires that a feasibility study be performed before a school is constructed or refurbished. He then referenced the document he had distributed earlier and said that this provision sets forth the requirement. He said that (in connection with the TCHS project) he had requested these

documents that are required by law and has not been provided with them or with the estimated costs. Mr. Nixon responded that the project charter for TCHS provides project cost detail. He noted that the particulars of the TCHS project have been discussed at many previous SDA Board meetings. He also listed the various state entities that play a role in the advancement of SDA projects. Mr. Faras suggested that he would submit an OPRA request for the TCHS project charter.

Mr. Nixon asked if any other member of the public wished to address the Board. He then asked the Members if there remained any further business to bring before the Board.

There being no further business to come before the Board, upon motion by the Mr. Nixon 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 7, 2016 meeting.

/s/ Jane F. Kelly
Assistant Secretary