

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, JUNE 6, 2018**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, June 6, 2018 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman

Donna Sullivan (EDA)

Kevin Luckie (DCA)

Bernard Piaia (DOE)

Michael Kanef (Treasury)

Kevin Egan

Richard Elbert

Michael Maloney

Robert Nixon

Mario Vargas

being a quorum of the Board. Mr. Kanef and Mr. Piaia participated in the meeting by teleconference.

At the Chairman's request, Charles McKenna, chief executive officer; Albert Alvarez, chief of staff; Andrew Yosha, executive vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Manuel Da Silva, vice president; and Albert Barnes, chief counsel of the SDA, participated in the meeting. Adam Sternbach 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 33 West State Street 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

The Chairman then presented for consideration and approval the Minutes of the May 2, 2018 Open and Executive Session meetings. Staff had provided a copy of both sets of minutes and a resolution to the Members for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Nixon, the Members unanimously approved the Open and Executive Session meeting minutes of the May 2, 2018 SDA Board meeting.

Authority Matters

CEO Report

Mr. Walsh asked Mr. McKenna for the Report of the Chief Executive Officer. Mr. McKenna opened his report with an update on the Trenton Central HS (TCHS) project. He reported that interior rough-in HVAC, fire suppression, electric, plumbing and framing is ongoing, as is site work and parking lot curb installation.

Mr. McKenna said that for the Camden HS project, demolition of the 1916 building and site leveling work are ongoing. He advised that staff advertised for design-build services in March and proposals are due in July. With regard to the East Orange George Washington Carver ES project, he reported that the design-builder's design phase services are ongoing. He said that

the Department of Community Affairs (DCA) has issued construction permits and construction work is beginning there.

With respect to the Elizabeth New ES project, Mr. McKenna reported that a certificate of occupancy (CO) was issued by DCA last month. For the Garfield James Madison ES No. 10 project which will be opening in September, he said that the design-builder, Brockwell & Carrington, continues with interior finish work and exterior site work. He advised that DCA final inspections are ongoing and substantial completion is expected next month.

Mr. McKenna reported that for the Harrison New ES project, design phase services are ongoing. He added that the installation of piles continues. With regard to the Irvington Madison Avenue ES project, he said that the pouring of floor slabs, masonry and concrete work is ongoing. He noted that detention basin and storm water installation is nearing completion.

Mr. McKenna said that LAN Associates continues with design phase services for the Keansburg Port Monmouth Road ES project. For the Millville HS addition and renovation project, he reported that Hall Construction, the design-builder, continues with design phase services. He added that renovation work and temporary cafeteria installation is ongoing.

Mr. McKenna next gave an update on the New Brunswick Paul Robeson ES project scheduled to open in September. He reported that punch list work is underway and that a temporary certificate of occupancy (TCO) was issued the previous week. He noted that furniture delivery and installation is ongoing. With regard to the Newark South Street ES project, he advised that painting, final electrical, final plumbing, and site work is ongoing, as is ceiling grid installation, flooring and finish work. He added that final DCA building inspections also are ongoing.

Mr. McKenna reported that for Orange Cleveland ES and Orange HS projects, design phase services are ongoing. He said that for the Passaic Leonard Place ES project, interior finish work, exterior building and site work is ongoing. For the Passaic Dayton Avenue Educational Campus project, he advised that design phase services are ongoing, as are underground utility work installation and building pad preparation.

Mr. McKenna informed the Members that for the Paterson Union Avenue MS project (former site of Don Bosco Academy), the early site work contractor is completing final grading work on the property. He said that the design-build procurement is ongoing and proposals are due in July.

Mr. McKenna reported that for the Pemberton Denbo Crichton ES project, design phase services are ongoing. He noted that a limited notice-to-proceed was issued for site preparation work. For the Perth Amboy Seaman Avenue ES project, he said that design phase services, structural steel erection, footings, foundation, site utility and curb installation work all are ongoing, as is exterior building metal framing installation work. He added that concrete masonry unit interior partition work, ductwork and hollow-metal frame installation work are ongoing.

Mr. McKenna advised that for the Plainfield Woodland ES project, temporary classroom units are in fabrication and Department of Education (DOE) and DCA submittal will be made later in the month. He advised the Board that the early site package for the project is being re-bid. For the Vineland New MS project, he reported that final DCA building, electrical, plumbing, HVAC and site work inspections are ongoing. He added that a TCO is anticipated in the current month.

Turning next to ongoing procurement activity, Mr. McKenna said that activity currently underway includes procurements for design-build services for the Camden HS and Paterson

Union Avenue MS projects, and demolition services for the Plainfield Woodland Avenue ES project.

Reporting on events, outreach and other SDA activities, Mr. McKenna reported that, on May 22, staff celebrated a groundbreaking for the East Orange new George Washington Carver ES.

Mr. McKenna said that on May 31, SDA joined students and local officials for a beam signing ceremony for the new Seaman Avenue ES in Perth Amboy. He also advised that, on June 1, Karon Simmonds spoke at the 2018 Metro Women's Leadership Summit.

Mr. McKenna thanked the Members for the timely submittal of their Financial Disclosure Statements to the Ethics Commission. Mr. McKenna also reported on the recent graduation ceremony held for participants in SDA's 9-week SMWBE contractor training program. He reminded the Members that the program is taught by in-house professionals and others who instruct small contracting companies on how to run a business generally and how to do business with the SDA specifically. Mr. McKenna said that Mr. Alvarez runs the program with staff and that reviews received from recent participants were uniformly excellent.

Audit Committee

Approval SDA 2017 Audited Financial Statement; Approval SDA 2017 Annual Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on May 21, 2018. He said that management had provided the Committee with the April 2018 New Funding Allocation and Capital Plan Update. He reported that there was a \$400,000 decrease in the Unforeseen Events Reserve balance due to Board approval of a revised final project charter for the Newark Science Park HS project. He noted that the revised charter incorporated revisions to the project scope to

provide for smoke dampers necessary to obtain a CO for the building. He said that there was a \$5.1 million decrease in the Planning Reserve balance following Board approval of a revised preliminary project charter for the Plainfield New Woodland ES. He explained that the revised charter incorporates revisions to the project scope, schedule and budget. He said that there were no changes in the 2008 Emergent Projects Reserve during the reporting period. Mr. Nixon then advised that there was a \$1.9 million decrease in the 2011 Emergent Projects Reserve due to Board approval of the revised emergent project charter for the Camden Cramer ES project to incorporate additional project scope. He explained that the additional project scope included replacement of windows throughout the school.

Mr. Nixon advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$1 million during the reporting period due to a reduction in state share for grant projects nearing completion.

In continuing, Mr. Nixon reported that management is asking the Board to approve the SDA's 2017 Financial Statements (the Statements). He informed the Members that the Authority is in receipt of the 2017 pension allocation amounts from the New Jersey Department of the Treasury's Division of Pension & Benefits (GASB No. 68). He said that the Authority's accrued net pension liability as of December 31, 2017 is \$60.1 million. He noted that the financials have been updated to reflect the revised pension amounts. He explained that the net pension liability is based on an actuarial evaluation. Mr. Nixon explained that the independent auditor's report expressed an unmodified, or clean, opinion that the Financial Statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 consistent with Generally Accepted Accounting Principles. There being no questions, Mr. Nixon asked for a vote on the 2017 Financial Statements.

Staff provided the Members with a resolution pertaining to the 2017 Financial Statements in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. Elbert, the Authority's 2017 Financial Statements were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 5a***.

Mr. Nixon then reported that the Authority's Annual Report for 2017 has been prepared by management in compliance with the SDA bylaws and in accordance with Executive Order No. 37. He explained that the Annual Report is comprised, among other things, of the Authority's audited financial statements and identifies internal controls that govern expenditures, procurement and other financial matters and transactions. He said that management is recommending that the Board approve the Authority's 2017 Annual Report. There being no questions, Mr. Nixon asked for a vote on the 2017 SDA Annual Report.

A resolution pertaining to the 2017 SDA Annual Report had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. Luckie, the Authority's 2017 Annual Report was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 5b***.

Mr. Nixon then reported that the Program Assessment and Development Division had provided the Committee with the results of three draft audits that were conducted to comply with the statutory requirement that Capital Portfolio Projects over \$10 million be reviewed to assess whether State funds were expended in accordance with contractual terms, SDA practices and state rules and regulations.

He noted that the Committee also received an informational overview of a proposed settlement of litigation that would be presented later in the meeting.

Mr. Nixon then provided the April 2018 Monthly Financial Report. He advised that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period totaled \$7 million, \$562,000 lower as compared to the operating budget for the corresponding year. He said that the variance is attributable to timing differences concerning the scheduled replacement of the Primavera Contract Management System. He said that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$97.2 million—\$36.5 million lower as compared to the capital-spending forecast for the corresponding period. He advised the Committee that this variance is due to lower construction costs as well as spending decreases in school furniture, fixtures and equipment and in the grants program. Mr. Nixon then reported that project expenditures (Actual vs. Prior Year Actual), at \$97.2 million, have decreased by \$33.9 million as compared to the corresponding prior year period. He explained that the variance is due to decreased spending in construction (\$9.4 million), the grants program (\$17.5 million) and, school furniture, fixtures and equipment. He noted, however, that this decreased spending is offset by an increase in project insurance resulting, in part, from the 2017 OCIP II premium audit credit for general liability and workers compensation.

In conclusion, Mr. Nixon reported that, since program inception, the Authority has disbursed approximately 80.9% of the funds authorized for SDA districts. Additionally, he said that, since program inception, 96% of all SDA disbursements relate to school facilities projects, while 4% relate to operating expenses. He advised that the estimated value of current school facilities project activity is over \$2 billion.

Public Comments

The Chairman opened the Public Comments portion of the meeting. He asked Mr. Frank Faras to address the Board. Mr. Faras said that he lives across the street from the TCHS project site. He stated that a couple of months ago in a “secret” executive meeting, SDA increased the time and cost of the lease for TCHS (swing space). He inquired as to why the project’s design-builder, rather than the Authority, is not being required to cover this cost, as they did not deliver the project on time. Mr. McKenna said that the project currently is running ahead of the scheduled project delivery date so the contractor likely will deliver the building one year ahead of schedule. He explained that a lease extension option was built into the original lease but that the terms of the extension have been renegotiated to terms that are more favorable. He said that the lease extension option was included to provide the Authority with the ability to terminate the lease at an earlier date if it becomes possible to do so. Mr. Faras asked why the Authority did not build this into the original lease. Mr. McKenna explained that the extension option was built into the original lease. Mr. Faras asked if, at the end of the lease extension when the buildings will not be occupied anymore, the payments would end completely as well. Mr. McKenna replied in the affirmative. Mr. Faras said, “That’s pretty good”. Mr. Walsh noted that the Authority was going to pay for almost an additional year on the lease but, because of the recent favorable re-negotiations, the Authority stands to save a substantial amount of money.

Mr. Walsh then announced that the Board would be adjourning into Executive Session. Ms. Kelly said that the Board has resolved to adjourn into Executive Session to discuss three matters; 1) a recommendation for the settlement of litigation between the SDA and Sambe Construction Co., Inc. relating to the Egg Harbor Township HS project; 2) a recommendation for settlement of outstanding issues and closeout of demonstration project grant agreements relating to the New Brunswick HS, East Orange Pre-K-12 School for the Performing Arts, Trenton

Daylight/Twilight HS and Vineland Gloria M. Sabater ES; and 3) a recommendation for declaration of surplus property, determination of property value and authorization for transfer of real property formerly associated with the Newark University HS project. She said that the Board's vote on these matters would take place upon its 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.

Ms. Kelly said that, following discussion in Executive Session, the School Review Committee recommends that the Board approve the settlement of cost recovery litigation relating to the Egg Harbor Township HS project. Upon motion duly made by Mr. Vargas and seconded by Mr. Maloney, the Board approved the Committee's recommendation in this matter with its unanimous vote in favor of ***Resolution A1***.

Ms. Kelly said that the Committee also recommends that the Board approve the settlement of outstanding issues and closeout of demonstration project agreements relating to the New Brunswick HS, East Orange Pre-K-12 School for the Performing Arts, Trenton Daylight/Twilight HS and Vineland Gloria M. Sabater ES. Upon motion duly made by Mr. Luckie and seconded by Mr. Maloney, and with Mr. Egan recused and abstaining, the Board approved the Committee's recommendation in this matter in favor of ***Resolution A2***.

Mr. Vargas said that, following discussion in Executive Session, the Real Estate Committee recommends that the Board approve a resolution pertaining to a declaration of surplus property, determination of property value and authorization for transfer of real property formerly associated with the Newark University HS project. A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr.

Vargas and seconded by Mr. Nixon, the Committee’s recommendation in this matter was approved by the Board with its unanimous vote in favor of **Resolution A3**.

Mr. McKenna announced that Mr. Walsh had submitted his resignation as Chairman of SDA’s Board of Directors. He said that for seven years and three months, Mr. Walsh has served as Chairman of the Board. He said that, during this time, Mr. Walsh has overseen many of the changes that have enabled the Authority to run as smoothly as it does. Mr. McKenna said that Mr. Walsh acts as a safety net for the organization; that the Board operates extremely well and that this is due to Mr. Walsh’s leadership. Mr. McKenna said that Mr. Walsh has been a great resource for him personally and a great Chairman of the Board. He said that, hopefully, as the Authority moves forward, Mr. Walsh will continue to be a resource. He thanked Mr. Walsh for his leadership and his stewardship of the SDA. Mr. McKenna then asked Ms. Kelly to read the resolution adopted by the Board to honor Mr. Walsh. Ms. Kelly then read the following resolution, adopted by the Members and presented to Mr. Walsh, into the meeting record:

Board of Directors of the New Jersey Schools Development Authority
Expresses Gratitude to
Edward S. Walsh, Chairman of the Board
March 2, 2011 through June 6, 2018

Resolution

WHEREAS, the “Educational Facilities Construction and Financing Act,” P.L.2000, c.72, and the “Schools Development Authority Act,” P.L. 2007, c. 137 established a comprehensive agenda for planning and predevelopment activities associated with the design, construction and renovation of schools throughout the New Jersey; and

WHEREAS, the school construction program is administered by the New Jersey Schools Development Authority (“NJSDA” or “the Authority”); and

WHEREAS, in 2011, Governor Chris Christie appointed Edward S. Walsh to serve as Chairman of the NJSDA; and

WHEREAS, since that time, Mr. Walsh has demonstrated exceptional leadership in his capacity as Chairman of the Board of the Authority, having overseen the completion and opening of 23 school facility projects and the completion of 79 emergent projects in 22 SDA Districts that address critical infrastructure needs; and

WHEREAS, during Mr. Walsh's tenure, the SDA provided 1,944 grants to Regular Operating Districts to allow for upgrades and improvements, impacting 1,004 facilities in 364 school districts in all 21 counties; and

WHEREAS, Mr. Walsh oversaw the implementation of an expanded constructability review process and innovative building approaches, resulting in significant efficiency and process improvements at the Authority; and

WHEREAS, throughout Mr. Walsh's tenure as Chairman of the Board, countless New Jersey children have benefitted from new or renovated schools, providing them with the educational infrastructure they need to succeed; and

WHEREAS, the Members of the Board of Directors of the NJSDA as well as its executive management and staff express their heartfelt appreciation to Mr. Walsh for the example he has set, for his commitment to serving the public, and for his efforts to ensure excellence in public education.

NOW THEREFORE, BE IT RESOLVED, that the New Jersey Schools Development Authority expresses its gratitude to Edward S. Walsh for his exemplary service to the Authority, to its Board of Directors, and to the State of New Jersey and for his significant contributions which have improved the lives and educational opportunities of countless New Jersey children, and wishes him continued success in all his future endeavors.

Dated: June 6, 2018

Mr. Walsh then addressed the Board, SDA staff and the public. He described his first meeting as Chairman and offered his increasingly very positive impressions of the Authority and its staff. He discussed some of the process changes that were made during his tenure. He commended management for its knowledge of the projects and commitment to the Authority and its work. He expressed his appreciation for the dedication of the Members of the Board and expressed his sincere interest in remaining a resource to the Authority and its Board and staff. He thanked everyone present and said that it has been a great seven years.

Adjournment

There being no further business to come before the Board, upon motion by Chairman Walsh 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 June 6, 2018 meeting.

/s/ Jane F. Kelly
Assistant Secretary