

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, OCTOBER 2, 2019**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, October 2, 2019 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Mario Vargas, Vice Chairman

Michael Kanef (Treasury)

Bernard Piaia (DOE)

Juan Burgos (EDA)

Kevin Luckie (DCA)

Kevin Egan

Richard Elbert

Lester Lewis-Powder

Loren Lemelle

Michael Maloney

being a quorum of the Board. Mr. Egan, Mr. Elbert, Ms. Lemelle, Mr. Lewis-Powder, Mr. Maloney and Mr. Piaia participated in the meeting by teleconference.

At the Vice Chairman's request, Manuel Da Silva, interim chief executive officer; Andrew Yosha, vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; and Albert Barnes, chief counsel of the SDA, participated in the meeting. Joy Johnson and Brian Wilton of the Governor's Authorities Unit (GAU) also participated in the meeting.

In the absence of the Chairman, the meeting was called to order by Mr. Vargas, the Vice Chairman, 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 20 West State Street in Trenton, New Jersey. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

Pledge of Allegiance

Led by the Vice Chairman, the Members and all assembled stood and recited the Pledge of Allegiance.

Approval of Meeting Minutes

Mr. Vargas presented for consideration and approval the minutes of the Board's September 4, 2019 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. Luckie and seconded by Mr. Kanef, the Open Session meeting minutes of the September 4, 2019 SDA Board meeting were approved by the Board upon the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 4a***.

Authority Matters

CEO Report

The Vice Chairman asked Interim Chief Executive Officer (CEO) Manuel Da Silva for the Report of the CEO. Mr. Da Silva introduced Deputy Chief Counsel Brian Wilton and Associate Counsel Joy Johnson of the Governor's Authorities Unit. He noted that Ms. Johnson will be replacing Adam Sternbach as the Authority's liaison to the GAU.

Next, Mr. Da Silva gave an update on the September 2019 school openings. He reported that the Authority opened four new schools last month representing over \$300 million in project

costs, 4,182 new seats and 680,000 square feet of new school. He added that the four schools are all occupied.

Mr. Da Silva then discussed the 14 remaining capital plan projects. With respect to projects in design, he said that for the Paterson Union Avenue MS project, design phase services are ongoing. He added that piles, foundations and steel were released by the Department of Community Affairs (DCA) the previous week.

Turning to projects in the procurement stage, Mr. Da Silva reported that for the Perth Amboy HS project, proposals are due this month and staff anticipates advancing a recommendation of award to the Board in November. For the Keansburg Port Monmouth Road School, he said that staff received proposals from four firms in September for general contracting services and, separately, from thirteen firms for construction management services. He added that staff anticipates advancing recommendations of award to the Board in November for both general contracting services and construction management services. In regard to the Plainfield Woodland ES project, he advised that staff advertised for design-build services at the end of August and proposals are due in November.

Mr. Da Silva gave an update on projects in the constructability stage. He said that for the Orange Cleveland Street ES and Orange HS projects, the constructability review phase is proceeding on schedule.

With respect to design-build projects in construction, Mr. Da Silva informed the Members that for the Camden HS project, design phase services and structural steel work continues in the building. For the East Orange George Washington Carver ES project, he said that the design-builder has completed design phase services. He added that interior mechanical, electrical and plumbing finish work is ongoing. He reported that for the Harrison New ES

project, mechanical, electrical and plumbing (MEP) rough-in enclosure are ongoing, as well as exterior masonry veneer construction, roofing and window installation activities.

In continuing, Mr. Da Silva said that for the Millville HS addition and renovation project, design phase services continue. He advised that Phase II addition masonry and MEP rough-in activities and Phase III footings and foundation work is ongoing. For the Passaic Dayton Avenue Educational Campus project, he reported that Terminal Construction has completed all slabs on decks and commenced exterior framing of upper floors to advance roof installation. He noted that staff anticipates the issuance of the full notice-to-proceed (NTP) with construction this month. In regard to the Pemberton Denbo Crichton ES project, he advised that the SDA has issued the full NTP. He added that all interior work is underway.

Next, Mr. Da Silva reported on projects in the programming stage. He said that for the Hoboken Demarest ES project, staff held a design services kickoff meeting. For the Union City New Grade 7 to 9 School project, he reported that SDA in-house design development is ongoing.

Mr. Da Silva gave an update on SDA grant activity. He advised the Members that, as of August 2019, 13 grants impacting 9 districts were closed out during the reporting period, representing \$19.4 million in total project costs and a state share of \$8.6 million.

With respect to emergent projects, Mr. Da Silva said that there are 6 active projects scheduled with substantial completion by the end of 2019 and total project costs of \$4.37 million.

Turning to Authority events, outreach and other activities, Mr. Da Silva informed the Members that on September 5, SDA joined Passaic students and officials for a ribbon cutting ceremony on the first day of school at the Sonia Sotomayor School No. 21. He said it was a great day and SDA staff was happy that Passaic Mayor Lora, Assemblyman Schaer and Assemblyman Calabrese were there to participate in the event.

Mr. Da Silva reported that on September 6, the SDA joined the Trenton School District for a ribbon cutting ceremony for the new High School. He said that it was a wonderful event which was attended by Chairman Nixon and Board Member Michael Maloney. He added that on Monday, September 9, a few SDA staff members were also at TCHS for the first day of school. He said students walked down a red carpet to the gymnasium. He added that all 1,850 students were cheering and singing.

Mr. Da Silva said that on September 19, the SDA joined the Irvington School District for a ribbon cutting ceremony for the new Madison Avenue ES. He added that Irvington Mayor Vauss attended the event, noting that it was a great event.

Mr. Da Silva reported that on September 24, SDA celebrated the last of the 4 ribbon cuttings at the new Rosa M. Lopez ES. He said that Assembly Speaker Coughlin, Assemblywoman Lopez and Mayor Diaz were in attendance.

Audit Committee

Mr. Vargas asked Mr. Kanef to provide the report of the Audit Committee. Mr. Kanef reported that the Audit Committee met on September 16, 2019 at which time management provided the Committee with the August 2019 New Funding Allocation and Capital Plan Update. He advised that, during the reporting period, there were no changes in any of the reserve balances for the SDA districts. He informed the Members that the reserve balance for the Regular Operating Districts (RODs) increased by \$400,000 during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Kanef advised the Board that the Committee was provided with the results of an audit that was 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 contract terms, SDA practices and state regulations. He reported that there were no adverse

findings, adding that the audit revealed that State funds utilized for the project were expended prudently and consistent with legal requirements.

Mr. Kanef then provided the August 2019 Monthly Financial Report. He advised the Committee that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period totaled \$12.2 million, \$1.6 million lower as compared to the budget for the corresponding period. He explained that the decrease is mainly attributable to lower personnel costs. He reported that operating expenses (Actual vs. Prior-year Actual) for the year-to-date period, at \$12.2 million, are approximately \$784,000 higher compared to the operating budget for the corresponding prior year period--largely attributable to the 2018 Authority restructuring. Mr. Kanef added that the Authority is projecting that this increase will gradually dissipate over the remaining months of the year due to the staff reduction in July 2019. Mr. Kanef then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$200.5 million, \$13.7 million lower as compared to the capital spending forecast for the corresponding period. He advised that this variance is the result of lower than forecasted expenditures for grant activity and design services—net of cost recovery settlements, property acquisitions, lower spending on project management and other project related costs. He noted that this variance is offset by spending increases in construction activity. Mr. Kanef then reported that project expenditures (Actual vs. Prior Year Actual), at \$200.5 million, are \$15.7 million lower as compared to the corresponding prior year period. He explained that the variance is due to decreased grant activity, project insurance costs and design services – net of cost recovery settlements, and other project related costs. He reported that this decreased spending is offset by an increase in spending for construction work and school furniture purchases. He said that, since program inception, approximately 84.8% 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 advised that the estimated value of active school facilities capital, emergent and regular operating district grant projects is approximately \$2 billion.

Mr. Kanef then advised that management presented the Committee with a personnel report in accordance with the September 4, 2019 approved amendments to the SDA Bylaws and Audit Committee Charter.

Next, Mr. Kanef advised that 1 item was discussed by the Committee that requires Board action. He said that management presented a proposed Legal Services Award (the Award). Referencing a memorandum that was distributed to the Members in advance of the meeting, he explained that management recommended, and the Committee is advancing for approval, awards to law firms with expertise in seven (7) areas. He listed those areas as: 1) Bankruptcy & Insolvency Proceedings; 2) Environmental Law; 3) Employment Law; 4) Government Contracting, Bid Protests & Procurement; 5) Professional Errors & Omissions & Cost Recovery; 6) Construction Litigation; and 7) Real Estate Law. He said that the Board is requested to approve the proposed award of contracts to 13 firms to provide these services following a competitive procurement process. He noted that these services were similarly procured by the SDA on five (5) prior occasions beginning in 2008 to complement the legal support provided to the Authority through its Office of Chief Counsel and by the Division of Law in the Office of the Attorney General. He advised that the services will be performed for a blended hourly rate of \$200 per hour for attorneys and \$90 per hour for paralegals for the two-year term. He advised the Board that no one firm can be compensated in excess of \$1,500,000 over the term of the engagement, regardless of whether it's engaged in one or more of the specialty areas. Mr. Kanef noted that these are the same terms SDA utilized in the previous procurements.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon a motion duly made by Mr. Luckie and seconded by Mr. Burgos, the Board approved the proposed contract awards for legal services with its unanimous vote in favor of *Resolution 6a*.

School Review Committee

Notification of Completion of Pre-Design Phase Services and Authorization to Proceed with Design Phase Services - Newark Public School District – Ivy Hill Elementary School – Boiler Room Vault Emergent Project – [INFORMATIONAL]

Mr. Vargas asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie reported that the School Review Committee met on September 16, 2019 at which time one informational item was discussed in Open Session. He explained that management is advancing an emergent project at the Newark Ivy Hill ES to address a structural issue and water infiltration issues in the sub-surface boiler vault room. He reported that DRG Architects (DRG) was engaged by the SDA through the design consultant services task order contract to perform pre-design phase services, inclusive of investigation and testing, in order to provide SDA with options for addressing the conditions. He noted that SDA staff will then determine which option to advance. Mr. Luckie said that the design consultant task order engagement, with Board approval, does not provide for or require staff to come to the Board to advance within the phases of that engagement. He added that, this memorandum is presented to the Board to inform the Members that staff will select an option based upon the pre-design work and that all of the options will be for dollar amounts greater than \$500,000. He explained that management will later come to Board for approval because the recommendation toward construction after procurement will be a for a dollar value that will require Board approval.

Public Comments

Mr. Vargas then opened the Public Comments portion of the meeting. No member of the public stepped forward to address the Board.

The Vice Chairman then announced that the Board would be adjourning into Executive Session. Ms. Kelly said that the Board had resolved to adjourn into Executive Session discuss a contractual matter regarding the Millville HS project. She said that no formal action would be taken regarding this item.

Thereafter, upon motion by the Vice Chairman and with unanimous consent, the meeting adjourned into Executive Session.

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 October 2, 2019 meeting.

/s/ Jane F. Kelly
Assistant Secretary