

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, JANUARY 8, 2020**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, January 8, 2020 at 9:15 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Robert Nixon, Chairman
Michael Kanef (Treasury)
Bernard Piaia (DOE)
Stephen Martorana (EDA)
Kevin Luckie (DCA)
Richard Elbert
Lester Lewis-Powder
Loren Lemelle
Michael Maloney
Mario Vargas

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

At the Chairman's request, Manuel Da Silva, 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 (by teleconference) of the SDA, participated in the meeting. Joy Johnson of the Governor's Authorities Unit (GAU) also participated in the meeting.

The meeting was called to order by the Chairman of the Board, Mr. Nixon, 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.

Approval of Meeting Minutes

The Chairman then presented for consideration and approval the Minutes of the December 4, 2019 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. Luckie and seconded by Mr. Elbert, the Board approved the Open and Executive Session minutes of the December 4, 2019 SDA Board meeting with the Members' unanimous vote in favor of ***Resolution 4a/4b***.

Authority Matters

CEO Report

The Chairman then asked Mr. Da Silva for the Report of the CEO. Mr. Da Silva gave an update on projects in the procurement stage. He reported that for the Perth Amboy HS project, the bid protest has been resolved and the notice-to-proceed (NTP) was issued on January 7, 2020. With respect to the Plainfield Woodland ES project, he said that proposals were received on December 17, 2019 from 4 design-build teams (Dobco, Inc., Epic Management, Inc., Ernest Bock & Sons, Inc. and Hall Construction Co.). He noted that the proposals are being reviewed by the selection committee and price proposals are scheduled to be opened on January 9. He added that staff anticipates advancing an award recommendation to the Board at its February meeting.

Next, Mr. Da Silva gave an update on projects in the constructability stage. He reported that the constructability review phase is complete for the Orange Cleveland Street ES project. He said that the Team is finalizing its recommendation for a change order consistent with the Operating Authority and prior to the issuance of a NTP. For the Orange HS project, Mr. Da Silva advised the Members that the constructability review phase is complete and the Board approved a change order representing the cost impact identified by the constructability review. He noted that staff is reviewing documentation required for issuance of a NTP. In regard to the Keansburg Port Monmouth Road School project, he reported that a NTP with constructability review services was issued on December 19, 2019 to Niram, Inc. He added that the construction management services contract with Pinnacle Consulting & Construction Services was executed on December 11, 2019.

Turning to design-build projects in construction, Mr. Da Silva informed the Members that design phase services are ongoing for the Paterson Union Avenue MS project. He said that pile caps and grade beam installation work is ongoing and underground utilities work is commencing. He noted that the remaining design package is being finalized for submission to the Department of Community Affairs (DCA). For the Camden HS project, he reported that Ernest Bock & Sons, Inc. continues with design phase services. He said that masonry work continues in the building. He advised that DCA issued full plan release and permits on December 17, 2019. With respect to the East Orange George Washington Carver ES project, he said that Dobco, Inc., the design-builder, has completed design phase services. He noted that interior mechanical, electrical and plumbing (MEP) finish work is ongoing.

In continuing, Mr. Da Silva informed the Members that for the Harrison New ES project, MEP rough-in and building enclosure work is ongoing, as well as exterior masonry veneer construction. He added that roofing and window installation activities are also ongoing. For the

Millville HS addition and renovation project, he reported that Hall Construction continues with design phase services. He said that Phase II MEP rough-in activities and Phase III footings and foundation work is complete and structural steel activities are ongoing. Mr. Da Silva advised that masonry, site work and vehicle bridge work is being completed and pedestrian bridge renovation work is underway for the Passaic Dayton Avenue Educational Campus project. He said that MEP and framing work are ongoing throughout the building. He noted that exterior brick work has commenced and all HVAC roof top units have been set. He said that, in addition, electrical switchgear has been received and placed and transformers are being set. For the Pemberton Denbo Crichton ES project, he informed the Members that MEP and interior wall work is underway. He added that finish work has begun on first floor areas.

Next, Mr. Da Silva gave an update on projects in the programming stages. He reported that for the Hoboken Demarest ES project, program modifications have been finalized. He added that swing space needs are being reviewed. He said that SDA's engaged design consultant, DRG, has completed its initial report on existing building conditions. For the Union City New Grade 7 to 9 School project, he advised that programming refinement discussions and SDA in-house design development are ongoing. He said that the project will be advanced through a design-build delivery method. He added that SDA has initiated site acquisition activities there.

Turning to Authority events, outreach and other activities, Mr. Da Silva advised that on December 18 SDA held a groundbreaking ceremony for the new middle school in Paterson. He said that staff was happy to be joined by the students, school district officials, Senator Pou, Assemblyman Wimberly, the mayor and local officials.

In concluding his report, Mr. Da Silva informed the Members that staff issued the SDA's Biannual Report the previous month as required by statute. He said that it is available on the SDA website.

Chairman's Report

Mr. Nixon reminded the Members that in 2019, the Authority committed to hire a human resources (HR) consultant. He said that the process will be managed by the Board and that he has asked Mr. Maloney and Mr. Vargas to join him as members of the selection committee to procure the consultant. He added that the process would begin the following day and in a relatively short period of time the Board will receive an update on the selection of the firm that will perform the HR analysis.

Audit Committee

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on December 16, 2019 at which time management provided the Committee with the November 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 reported that the reserve balance for the Regular Operating Districts (RODs) increased by \$2.7 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Nixon said that, for informational purposes, management also had provided the Committee with the Authority's 2020 Capital Spending Forecast. He explained that the forecast is based on Treasury Updated Spending Models which help to ensure that there is an optimum level of cash on hand, and that additional funds are appropriately obtained within the State's bonding schedule. He reported that the forecast anticipates expenditure of approximately \$323.6 million for school facilities projects, representing an increase of approximately \$11 million over

the estimated actual spending in 2019. He explained that the increase is attributable to higher than anticipated spending on construction and design services.

Mr. Nixon advised the Board that the Committee was provided with the results of one 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.

Next, Mr. Nixon provided the November 2019 Monthly Financial Report. He advised the Committee that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period totaled \$15.1 million, \$2.9 million lower as compared to the budget for the corresponding period. He explained that the decrease is mainly attributable to lower personnel costs. He added that the lower than anticipated spending related to facilities and general office expenses. He noted that informational systems expenses contributed to the variance. He reported that Year-to-Date Authority Operating Expenses (Actual vs. Prior Year Actual) are \$40,000 lower as compared to the operating budget for the corresponding prior year period. He noted that there has been a savings of approximately \$1 million from the July 2019 reporting period. Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$281 million, \$21 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 than projected payroll expenses and other project related costs. He noted that this variance is offset by spending increases in construction activity and school furniture purchases. Mr. Nixon then reported that project expenditures (Actual vs. Prior Year Actual), at \$281 million, are \$9.8 million lower as compared to the corresponding prior year period. He explained that the variance is due to decreased grant activity, project insurance costs, 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 86% 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. He advised that the estimated value of active school facilities capital, emergent and regular operating district grant projects is approximately \$2 billion.

Lastly, Mr. Nixon presented the Audit Committee’s recommendation for approval of an extension to the Authority’s Owners Protective Professional Indemnity (OPPI) Insurance Policy (Policy). He explained that OPPI is an excess insurance policy that indemnifies the Authority for damages arising out of the professional negligence of its contracted design professionals. He noted that in both 2009 and 2014 the Members approved the purchase of an OPPI policy to cover all projects anticipated to begin construction during the term of the policy. He advised that the current Policy is set to expire. He explained that the policy extension limit, at \$25 million, will also provide pollution liability and third party claims and third party claim expenses that result from demands made directly against the Authority by entities who are not a party to any contract or agreement to provide services on behalf of the Authority. He said that the extended Program will effectively provide excess professional liability coverage for the Authority’s managed school facilities projects anticipated to begin and complete construction through June 30, 2025. Mr. Nixon said that the purchase price of the extension is at a cost not-to-exceed \$704,642, inclusive of contingency. Additionally, he advised that the Policy will continue to have an extended reporting provision of up to eight (8) years beginning on the earlier of substantial completion of a project or the policy expiration date.

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. Elbert, the Board approved the extension of the SDA's Owners Protective Professional Indemnity (OPPI) Insurance Policy, in an amount not-to-exceed \$704,642, inclusive of contingency, with its unanimous vote in favor of ***Resolution 6a.***

Public Comments

The Chairman then opened the Public Comments portion of the meeting. Mr. Nixon invited Charles Kratovil to the podium. Mr. Kratovil said that he is from New Brunswick and is the editor of the newspaper New Brunswick Today. He said that he has not spoken before the Board since 2012. He then asked if the SDA has a position or policy on SDA districts selling school facilities. Mr. Yosha responded that in a situation where the SDA has expended bond funds to purchase a property to deliver a school facility and that facility serves to replace an existing district facility and the entirety of the purchase plan was bought with SDA funds, then the SDA is entitled to consider and weigh in on the school district's divestiture of the replaced facility. Mr. Kratovil said that he wanted to bring to the Board's attention the situation of the Lincoln Annex School in New Brunswick. He noted that the School was not an SDA project. He said that the Lincoln Annex was a Catholic School campus that the district purchased and spent a significant amount of local taxpayer money to refurbish, expand and reopen as a public school. He advised that the School is doing great and is one of the best performing schools in the district. He said that he is very concerned that there are ongoing discussions about potentially selling the School to a private developer who is working with a hospital in the community. He said that he wanted to make the SDA aware of the potential situation. He noted that the Authority has been very helpful in getting some of the school facility needs met in New Brunswick. He said that

losing this facility would set the community back quite a bit. Mr. Kratovil said that he hoped the SDA would take a strong stance against the sale of any facilities in SDA districts. Mr. Kratovil stated that public school facility planning should be done in public and not by rumor. Mr. Nixon noted that all SDA planning is made public, referencing the Authority's strategic plan that will be made public. Mr. Kratovil thanked the Board.

Adjournment

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 January 8, 2020 meeting.

/s/ Jane F. Kelly
Assistant Secretary