

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS TELECONFERENCE MEETING
WEDNESDAY, AUGUST 5, 2020**

A teleconference meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, August 5, 2020 at 9:00 A.M.

Participating by teleconference were:

Robert Nixon, Chairman
Michael Kanef (Treasury)
Bernard Piaia (DOE)
Stephen Martorana (EDA)
Kevin Egan
Loren Lemelle
Michael Maloney
Mario Vargas

being a quorum of the Board.

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, of the SDA, participated in the meeting by teleconference. Joy Johnson of the Governor's Authorities Unit (GAU) also participated in the meeting by teleconference.

The meeting was called to order by the Chairman of the Board, Mr. Nixon. The Chairman then asked Ms. Kelly to 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. She said that a call-in number was provided on the SDA Website so that members of the public could participate in the meeting by teleconference. She also advised the Members that

the call-in number for the meeting was posted at the SDA offices earlier in the morning. Ms. Kelly then conducted a roll call and indicated that a quorum of the Board Members was present.

Approval of Meeting Minutes

The Chairman presented for consideration and approval the minutes of the Board's July 1, 2020 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. Vargas and seconded by Ms. Lemelle, the Open Session minutes of the July 1, 2020 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3a.***

Next, Mr. Nixon presented for consideration and approval the minutes of the Board's July 1, 2020 Executive 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. Vargas and seconded by Ms. Lemelle, the Executive Session minutes of the July 1, 2020 SDA Board meeting were approved upon the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3b.***

Authority Matters

CEO Report

The Chairman then asked Mr. Da Silva for the Report of the CEO. At the outset, Mr. Da Silva referenced what a challenging year 2020 has been thus far. He reported that staff continues to exclusively work from the field or from home. Nonetheless, he reported that staff continues to work hard and that SDA schools are on track for delivery, including the three schools that are scheduled for occupancy in September 2020.

Mr. Da Silva said that he wanted to thank the Department of Community Affairs (DCA) for continuing to perform site visits and inspections during this difficult time. He said that he

recognizes that furloughs have impacted DCA's operations and yet DCA staff continues to show up and service SDA's projects as they always do. Mr. Da Silva then thanked the Chairman and the Members of the Board, for timely completing their Financial Disclosure Statements.

Next, Mr. Da Silva gave an update on projects in the constructability stage. He said that for the Keansburg Port Monmouth Road School project, the constructability review phase is reaching completion, with issuance of the constructability review change order and construction notice-to-proceed (NTP) anticipated to occur this month.

Turning to design-build projects in the design phase, Mr. Da Silva reported that the design-builder's design package for site construction work for the Perth Amboy HS project is advancing to DCA for review. He said that for the Plainfield Woodland ES project, the design-builder, Epic Management, has submitted its first design package for SDA review. He added that the notice of award for construction management (CM) services was issued to Cambridge Construction Management last month.

With respect to design-build projects in construction, Mr. Da Silva informed the Members that fireproofing and exterior wall framing is commencing for the Paterson Union Avenue MS project. He said that staff submitted the application for a temporary certificate of occupancy (TCO) to DCA on July 29 for the East Orange George Washington Carver ES project. He noted that the project is anticipated for a September delivery along with the Harrison New ES project. He reported that all system testing is ongoing, and all finish work on the interior is being completed. He added that all exterior work is ongoing. He noted that staff anticipates submission of the TCO application to DCA in mid-August.

In continuing, Mr. Da Silva said that for the Millville HS addition and renovations project, Phase II final inspections have begun and are anticipated to be completed this month. He added that the TCO application for the project is anticipated for submission to DCA mid-August. He reported that for the Passaic Dayton Avenue Educational Campus project, site work is

commencing. He advised that finish work is being completed and DCA inspections are ongoing for the Pemberton Denbo Crichton ES project. He added that the project is anticipated for a September delivery.

Mr. Da Silva then gave an update on design-bid-build projects in the construction stage. He reported that for the Orange HS project, roofing work on the existing school is ongoing. He noted that roofing work for the addition started the previous month.

Turning to projects in the programming stages, Mr. Da Silva said that structural investigations as part of the pre-design phase are complete for the Hoboken Demarest ES project.

Turning to Authority events, outreach and other activities, Mr. Da Silva reported that, utilizing Skype, SDA staff provided an update on the Camden HS (CHS) project to the District's CHS Committee members on Thursday, July 16. He noted that these meetings have happened periodically over the past few years. He added that staff expects the next meeting to take place this fall.

Mr. Nixon said that it's been a long couple of months of shutdown but that the monthly CEO reports demonstrate that the SDA never shutdown. He said that it's a credit to SDA's contractors and trades who are working nonstop to make sure that schools are delivered on time. He said that, on behalf of the Board, he would like to thank everyone in the construction field and all SDA staff for making sure the mission remains completely on track.

Audit Committee

Internal Audit Consulting Services; 2019 Financial Statements; 2019 Annual Report; Sole Source Procurement of Goods and Services – RS Means Database

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on July 20, 2020 at which time management provided the Committee with the June 2020 New Funding Allocation and Capital Plan Update. He advised that there was a \$800,000 decrease in the 2011 Emergent Projects Reserve balance following a CEO-approved release of funds for pre-

design services for the Camden Veterans Memorial School emergent project to address emergent building envelope, structural and site conditions. Mr. Nixon said that there were no changes in any of the other reserve balances for the SDA Districts during the reporting period.

He then advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$1.9 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Nixon provided the June 2020 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$7.8 million, \$2 million lower as compared to the budget for the corresponding period. He explained that this decrease is mainly attributable to lower personnel costs. He reported that year-to-date Authority operating expenses (Actual vs. Prior Year Actual) are \$1.9 million lower as compared to the operating budget for the corresponding prior year period. He explained that this decrease is mainly attributable to SDA having 39 fewer FTEs than the previous year. Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$138.2 million, \$21.9 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 in construction activity, grants, school furniture purchases and property acquisitions. He reported that project expenditures (Actual vs. Prior Year Actual), at \$138.2 million, are \$11.7 million lower as compared to the corresponding prior year period. He explained that the variance is due to a decrease in grant activity, school furniture purchases and construction activity, offset by an increase in expenditures for design services and project insurance. Mr. Nixon then reported that, since program inception, approximately 87.2% 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 the Board that the estimated value of active school facilities capital, emergent and regular operating district grant projects is approximately \$2 billion.

Next, Mr. Nixon advised that management presented the Committee with 3 matters requiring Board action. He said that the first item for Board consideration is management's proposed award for Internal Audit Consulting Services (Consulting Services). He explained that the Consulting Services will supplement the work of the Authority's internal auditing function in performing operational audits and certain project audits required by statute. He informed the Board that the contract will be managed by the director of Internal Audit, Peter Green, with specific work assignments to be made by way of "task order". He said that the procurement process for obtaining the Consulting Services was a two-step competitive process advertised beginning on May 15, 2020. Mr. Nixon said that the contract term is 3 years with a not-to-exceed value of \$1.5 million. He reported that responsive proposals were received from seven firms. He explained that the Members of the Authority are requested to approve the proposed award of a contract for the Consulting Services to Baker Tilly Virchow Krause, LLP. Mr. Nixon said that Internal Audit Consulting Services have been procured previously by the Authority. He noted that, presently, the Internal Auditing Division is comprised of only 3 staff members. He reiterated the Authority's statutory obligation to conduct school construction audits.

A resolution pertaining to the matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Ms. Lemelle, the Board approved the proposed Internal Audit Consulting Services contract award with its unanimous vote in favor of ***Resolution 5a***.

In continuing, Mr. Nixon said that the Board is being requested to consider management's recommendation for approval of the SDA's 2019 Financial Statements (the Statements). He noted that the financial statements were presented at the July 20, 2020 Committee Meeting. He said that the Statements reported no corrected misstatements or material uncorrected

misstatements. 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, 2019 consistent with Generally Accepted Accounting Principles. He thanked everyone for facilitating the Audit process. Mr. Nixon asked for a vote on the 2019 Financial Statements.

Staff had provided the Members with a resolution pertaining to the Financial Statements in advance of the meeting. By motion duly made by Mr. Vargas and seconded by Ms. Lemelle, the Authority's 2019 Financial Statements were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 5b***.

In continuing, Mr. Nixon advised the Members that, in accordance with Executive Order No. 122, at the conclusion of the July 20 Audit Committee Meeting, the Committee met with Ernst & Young privately, without management present. Additionally, Mr. Nixon advised that the Committee also met privately with the director of Internal Audit without management present.

Next, Mr. Nixon reported that the Authority's Annual Report for 2019 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, procurements and other financial matters and transactions. He said that management is recommending that the Board approve the Authority's 2019 Annual Report and asked that a vote be taken. Mr. Da Silva highlighted the 4 schools that were delivered in 2019 that represented approximately \$306 million and a student capacity of 3,850. He advised that during the year the SDA has been working on 7 capital projects in construction and 3 in constructability review, along with 13 emergent projects, for a total of 23 active projects. He also reported that there were 5 grant project executions with associated costs. In conclusion, he advised that, along with all the project work, the Authority has continued working on security advancements at schools

pursuant to Alyssa's Law while continuing to advance the Mercury in flooring initiative. He congratulated all staff for their contributions.

A resolution pertaining to the 2019 SDA Annual Report was provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Vargas and seconded by Mr. Piaia, the Authority's 2019 Annual Report was approved by the Board upon its unanimous vote in favor of the resolution attached hereto as ***Resolution 5c***.

Lastly, Mr. Nixon said that management also presented and is seeking Board approval of a sole source procurement. He explained that a sole source procurement is available to the Authority and other public entities when only one vendor is capable of or available to provide particular goods and services at the time they are required. He said that, under the SDA Operating Authority, the Board must approve contracts awarded pursuant to the sole source exemption. He explained that RS Means is the sole source provider of an online library of current comprehensive information on construction material, labor and equipment costs. He informed the Members that SDA's Design Studio and Contract Management staff have utilized the RS Means product since at least 2008 in support of project and change management cost analysis in order to plan and budget for accurate construction costs, create estimates with unit cost assemblies or square foot models, and validate costs for scopes of work. He said that management is seeking to purchase 2 licenses for the purpose of accessing the RS Means' online library for a 1 year term at a cost of \$6,980. Mr. Nixon said that the annual cost for this engagement is included in the 2020 Operating Budget and would be requested in future operating budgets. He said that management recommends that the Board authorize a waiver of advertisement of this procurement and authorize management to award a contract to RS Means based on the sole source exemption regulations. He advised that the SDA CEO has certified that the circumstances of this procurement warrant application of the sole source exemption set forth in Section 16c of Executive Order No. 37. Mr. Nixon next discussed management's request that

the Board authorize annual renewal of the software license without further Board approval so long as RS Means remains the sole source provider and the cost remains below the threshold requiring Board approval in accordance with the SDA Operating Authority. He explained that, prior to upgrade or renewal, the Authority will evaluate the continuing need for RS Means and determine that the RS Means product remains the preeminent industry standard application.

Staff had provided the Members with a resolution pertaining to the matter for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Piaia the Board approved the sole source procurement of goods and services and authorized a contract award to RS Means with its unanimous vote in favor of *Resolution 5d*.

School Review Committee

Construction Manager Award – Bridgeton Public Schools District - Bridgeton High School – Emergent Project - EP-0105-M02

The Chairman asked Mr. Vargas to provide the report of the School Review Committee (SRC). Mr. Vargas reported that the SRC met on July 20, 2020. He said that the Committee considered two items that require Board action today---a CM services award and a proposed settlement of litigation.

First, Mr. Vargas said that management is seeking approval of a CM services award for the Bridgeton HS emergent project (Project). He said that the Bridgeton HS is an approximately 170,000 square foot facility educating approximately 1,300 students in the 9th through 12th grades. He explained that when emergent water intrusion conditions were identified at the School, SDA used the Design Consultant Task Order Contract and engaged a firm to perform design services for roofing replacement, masonry and other repairs related to the emergent conditions. He said that at the Board meeting in July, the Members approved the Project's final charter and a contract award to Ernest Bock & Sons, Inc. for corrective construction work to address the emergent condition at the School. Mr. Vargas advised that the notice of award has

now been issued by management. He reported that, beginning May 19, 2020, a package for CM services was advertised as a “price and other factors” solicitation, with price weighted as 40% and all non-price factors weighted as 60% of the final combined score. He said that, following the competitive procurement process, the highest ranked firm was Greyhawk North America, LLC (Greyhawk), with a price in the amount of \$677,400 for the Project. He added that Greyhawk has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. He noted that management recommends award of the project to Greyhawk. He said that funding for this engagement is available within the project budget consistent with the final project charter approved by the Board.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Piaia and seconded by Mr. Kanef, the construction management services award for the Bridgeton HS emergent project was approved with the Board’s unanimous vote in favor of ***Resolution 6a***.

Mr. Vargas said that in Executive Session, the Committee also will be presenting a proposed settlement of litigation involving the Elizabeth School No. 21 and a contract matter involving the Orange Cleveland Street ES project.

Public Comments

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

Mr. Nixon then announced that the Board would be adjourning into Executive Session. Ms. Kelly announced that the Board will adjourn into Executive Session to discuss a proposed settlement of cost recovery litigation relating to the Elizabeth No. 21 ES and the proposed sub-lease of the Authority’s office space at 375 McCarter Highway in Newark. She added that the Board will vote on these matters upon its return to Open Session. She said that the Board will

also be discussing a contract matter relating to the Orange Cleveland Street ES project. She asked that the Chairman present ***Resolution 9***.

Upon motion duly made by Mr. Maloney and seconded by Mr. Vargas, the Board resolved to adjourn the meeting into Executive Session to discuss the matters so described with its unanimous vote in favor of ***Resolution 9***.

Following discussion in Executive Session, the Board returned to Open Session.

Mr. Vargas announced that in Executive Session, the Board had discussed the SRC's recommendation that the Board approve the proposed settlement of cost recovery litigation in connection with the Elizabeth No. 21 (Victor Mravlag) ES project.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Ms. Lemelle and seconded by Mr. Piaia, the Committee's recommendation in this matter was approved by the Board with its unanimous vote in favor of ***Resolution A1***.

Mr. Vargas announced that in Executive Session, the Board had discussed the Real Estate Committee's recommendation that the Board approve an Amendment to its May 6, 2020 authorization relating to the SDA's Newark Office Space Sublease.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Piaia and seconded by Mr. Kanef, the Committee's recommendation in this matter was approved by the Board with its unanimous vote in favor of ***Resolution A2***.

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 August 5, 2020 meeting.

/s/ Jane F. Kelly
Assistant Secretary