

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS TELECONFERENCE MEETING
WEDNESDAY, NOVEMBER 3, 2021**

A teleconference meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, November 3, 2021 at 9:00 A.M.

Participating by teleconference were:

Robert Nixon, Chairman
Michael Kanef (Treasury)
Bernard Piaia (DOE)
David Nuse (EDA)
Kevin Luckie (DCA)
Richard Elbert
Daniel Gumble
Loren Lemelle
Michael Maloney
Mario Vargas

being a quorum of the Members 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; Albert Barnes, chief counsel; and Karon Simmonds, Director, 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 Mr. Nixon, the Chairman of the Board. The Chairman asked Ms. Kelly to read the requisite notice of the meeting. Ms. Kelly announced that the meeting notice was 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 Members of the Board was present.

Approval of Meeting Minutes

The Chairman presented for consideration and approval the minutes of the Board's October 6, 2021 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 October 6, 2021 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 October 6, 2021 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 Mr. Piaia, the Executive Session minutes of the October 6, 2021 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3b***.

Authority Matters

CEO Report

The Chairman asked Mr. Da Silva for the Report of the CEO. Mr. Da Silva began his report with an update on design-build projects in construction. He reported that Phase IV footings and foundation work has started for the Millville HS addition and renovations project. For the Passaic Dayton Avenue Educational Campus project, he said that furniture deliveries

began this month. He advised that for the Perth Amboy HS project, foundation work is being completed. He added that steel erection is underway. With respect to the Plainfield Woodland Avenue ES project, he said that steel erection is complete and preparation for installation of exterior walls is ongoing. He added that the Department of Community Affairs is reviewing the project's design package 2.

With respect to projects in the programming/pre-design/in-house design stages, Mr. Da Silva informed the Committee that abatement of the acquired properties is commencing this month for the Union City New Grade 7 to 9 School project.

Turning to non-project related matters, Mr. Da Silva informed the Committee that the SDA launched its annual Contractor Training program on Wednesday, October 6. He said that participants are currently in week 5 of the 9 week program. He added that the virtual program will run weekly through to December 15.

Audit Committee

Memorandum of Agreement between SDA and the New Jersey State Police for Investigative Services; Owner Controlled Insurance Program (OCIP IV) Broker Services and Excess Liability Amendment; Business and Real Estate Property and Casualty Insurance Program Renewal

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on October 18, 2021 at which time management provided the Committee with the September 2021 New Funding Allocation and Capital Plan Update. He said that staff informed the Committee that there was a \$2.4 million decrease in the 2011 Capital Plan Emergent Projects Reserve balance due to Board approval of a release of funds for the Newark Malcolm X Shabazz High School emergent boiler room vault structure project. Mr. Nixon said that there were no changes in the remaining SDA District Reserve balances during the reporting period.

He then advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$2.1 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Nixon informed the Board that the Internal Audit Division (IA) provided the Committee with the results of one project audit that was conducted to comply with the statutory requirement that capital portfolio projects with a state share over \$10 million be reviewed to assess whether state funds were expended in accordance with contractual terms, SDA practices and state regulations. He then reported that SDA's outside consultants, Baker Tilly US, LLC, provided the Committee with the results of one operational audit.

Next, Mr. Nixon said that the Committee received a draft 2022 Operating Budget for the Authority that was prepared by management. He advised that management is still in the process of finalizing certain budgetary line items and that a revised proposed budget will be presented to the Committee again later this month. He said that management plans to present the proposed budget to the Board for consideration at the December Meeting.

Next, Mr. Nixon provided the September 2021 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$10.9 million, down \$1.9 million as compared to the budget for the corresponding period. He explained that this decrease is mainly attributable to a decrease in personnel costs resulting primarily from the Authority having 16 fewer FTEs than budgeted, as well as lower spending for facilities and general office expenses training and professional development, professional and other contracted services, information systems and SDA-owned automobiles. He advised that this decrease is partially offset by a lower than projected payroll allocation to project expenditures. Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$192.6 million, approximately \$53.1 million lower

as compared to the capital spending forecast for the corresponding period. He advised the Members that this variance is the result of lower than forecasted expenditures for grant activity, construction activity, school furniture purchases, design services and payroll expense allocations to project expenditures. Mr. Nixon said that project expenditures (Actual vs. Prior Year Actual), at approximately \$192.6 million, are lower by approximately \$25.7 million when compared to the capital spending forecast for the corresponding period. He advised the Members that this variance is the result of lower than forecasted expenditures in grant activity, construction activity, project insurance, design services and property acquisition, offset by an increase in school furniture purchases.

Mr. Nixon said that, since program inception, 91.0% of the funds authorized for the SDA districts have been disbursed. Additionally, he noted that 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 projects, along with emergent and regular operating district grant projects, is approximately \$2 billion.

Next, Mr. Nixon advised the Members that the Committee is advancing 3 agenda items for consideration. First, he discussed the proposed Memorandum of Agreement between SDA and the New Jersey State Police (NJSP) for investigative services (MOA). Referencing materials that were previously provided for Board review, he explained that moral integrity reviews are required by regulation for all vendors who seek to become prequalified with the Authority and/or who work in the SDA Program. He said that the NJSP provides investigation, research, analysis, and other services in support of the SDA's contractor and consultant prequalification process and conducts "moral integrity" screening related to vendor procurements. He explained that a MOA between the SDA and the State Police was first approved in 2008 and formally extended through 2011 with an annual budget of \$500,000. He advised the Board that the NJSP continued to

provide these services to the SDA under similar terms in the absence of any formal agreement memorializing the arrangement. Mr. Nixon said that, this year, management entered into negotiations with the Department of Law and Public Safety, Division of Law on behalf of the State Police to reach an agreement that would govern the arrangement. He said that the MOA presented to the Board today provides the formal terms for a continuation of the services by the State Police for compensation that is fair and reasonable and consistent with prior Agreements. He requested that the Members ratify and approve the MOA at an annual budget of \$500,000 in accordance with the MOA's provisions for an initial term extending from July 1, 2021 through June 30, 2025, with an optional renewal for a 3-year term thereafter.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Luckie and seconded by Ms. Lemelle, the Board ratified and approved the MOA between the SDA and the New Jersey State Police with its unanimous vote in favor of ***Resolution 5a***.

Next, referencing materials that previously were provided for Board review, Mr. Nixon discussed the proposed owner controlled insurance program (OCIP IV) broker services and excess liability amendment. He reminded the Members that in September 2017 Willis Towers Watson/Willis of New York, Inc. (Willis) was awarded the contract for broker services for OCIP IV marketing of multiple types of policies including workers' compensation, general liability and excess liability. He noted that in February 2018 the Members engaged The Hartford as primary insurer, along with various excess liability insurers based on a 3-year term to enroll projects from March 1, 2018 through March 1, 2021 inclusive of an additional 2-years to allow for enrolled projects to complete through March 1, 2023. He explained that the program was priced on an estimated construction value of \$903 million for 13 capital projects and 17 emergent projects. He said that the Board had approved costs based on \$1 billion in construction value to allow for

unanticipated increases in values or enrollment of additional projects into the Program. He explained that during the first quarter of 2020 it became apparent that some project completions were now expected in 2024 and 2025, potentially causing a gap in coverage. Mr. Nixon said that The Hartford initially agreed to extend the policy's expiration date until December 31, 2024. He said that The Hartford then agreed to a further extension until December 31, 2025. He added, however, that 8 current insurers providing various layers of excess liability--having reached their capacities for 5-year coverage—have indicated that they could not extend their expiration dates beyond March 1, 2023, resulting in a potential gap in coverage for the 2 capital projects expected to complete in 2024 and 2025. He said that after exploring various cost effective alternatives, management and the Committee request that the Board approve an amendment to the Willis contract in the lump sum amount of \$25,000 to market a new excess liability program for the 2 projects expected to complete in 2024 and 2025, a combined construction value of approximately \$290 million. He further explained that if the Members ultimately approve the purchase of new excess liability policies, an additional \$25,000 would be owed to Willis to provide policy administration and claims services for the program.

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 Ms. Lemelle, the Board approved the proposed amendment to the OCIP IV broker's services contract with Willis for a lump sum of \$25,000 with its unanimous vote in favor of ***Resolution 5b***.

Lastly, Mr. Nixon discussed the Committee's recommendation for renewal of SDA's Business and Real Estate Property and Casualty Insurance Program (Program). Referencing materials that previously were provided for Board review, he reminded the Members that the SDA maintains a combined property and casualty insurance program for its business and real estate activities separate from its construction activities. He said that in November 2020 the

Board approved a contract award to The Safegard Group (Safegard) for annually placing and servicing the program. He said that the contract was for a 3 year term, inclusive of 2 renewal years for a not-to-exceed value of \$1,560,000 or \$520,000 annually for each of the three years of the contract term. He said that in September 2021 Safegard made outreach to various insurers to obtain pricing for the first renewal policy term commencing December 4, 2021. He explained that the insurance industry is experiencing a “hard market” which is an upswing in the market cycle where premium rates are escalating while the capacity for many types of insurance is decreasing. Mr. Nixon said that management is seeking Board approval to renew various insurance policies to continue the Authority’s Program for a revised annual cost not-to-exceed \$590,000 (inclusive of contingency) for the policy terms commencing on December 4, 2021 and December 4, 2022 respectively. He noted, however, that following the Committee meeting, Ms. Simmonds engaged in discussions with Safegard and that the latter has indicated that they expect pricing for the policies to differ from the pricing they had originally anticipated and that appears in the Board memorandum. He asked Ms. Simmonds to provide the Board with an update based on those discussions. Ms. Simmonds emphasized that the discussions did not indicate the need for a change to the memorandum’s \$590,000 annual figure for the renewal Program. She advised that the hard market is impacting pricing slightly for OCIP IV excess liability, while pricing for workers compensation is down. She noted that the overall impact is a half of a percent higher than what was discussed with the Committee.

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 Ms. Lemelle, the Board authorized renewal of SDA’s contract for various Business and Real Estate Property and Casualty Insurance Programs for a revised annual not-to-exceed cost of \$590,000 with its unanimous vote in favor of ***Resolution 5c.***

School Review Committee

Award of Task Order – Trenton Public Schools District – Trenton Central High School - Safety, Security and Acoustic Upgrades; Notification of Completion of Pre-Design Phase Services and Authorization to Proceed with Design Phase Services, Veterans Memorial Family School, Camden Emergent Project – Building Envelope and Hardscape Repair [INFORMATIONAL]

Mr. Nixon asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie reported that the School Review Committee met on October 18, 2021 at which time two items were discussed. He advised the Board that management is seeking approval of a task order award for safety, security and acoustic upgrades (Project) at the Trenton Central HS (TCHS). He explained that the SDA has implemented revised school security system guidelines for consistency in the designs and to ensure that the designs conform to the 2016 School Security Law and 2018 standards. He said that the SDA is applying these revised standards to all projects currently under contract for design or construction, and has begun applying the requirements to schools that were delivered for opening in September 2019.

In continuing, Mr. Luckie reported that TCHS opened to students in September 2019 and after development of the updated security standards, the SDA design studio provided the Trenton District with a security enhancement scope for TCHS for review. He said that the Project's construction contractor declined interest in performing the security enhancement scope so SDA sought to engage a general contractor through the general construction services task order contract utilizing a rotational task order assignment,. He added that the engagement would require the general contractor to engage the services of a design consultant to complete the design services. He advised that SDA staff contacted Ernest Bock and Sons, Inc. (Bock) and Bock confirmed acceptance of the task order assignment. He added that scope refinement and price negotiations followed. He explained that the package will be awarded on a time and material basis for a not-to-exceed value representing the most extensive scope of work. He noted

that to complete the entirety of the work, the final cost proposal equals a not-to-exceed value of \$1,557,000. Mr. Luckie said that once the design is complete, staff will validate the appropriate scope, along with the final projected cost and schedule for the scope of work and decide to either advance the construction work on a time and material basis at the not-to-exceed value, or establish a fixed cost for the scope of work as defined in the construction documents. He noted that SDA staff will provide construction management oversight for the project. In closing, Mr. Luckie said that management recommends that the Board authorize award of the task order to Bock to provide the safety and security upgrades at TCHS.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nuse and seconded by Mr. Vargas, the task order award for the Trenton Central HS project was approved with the Board's unanimous vote in favor of ***Resolution 6a***.

Next, Mr. Luckie said that management also presented the Committee with an informational item regarding the Camden Veterans Memorial Family School Emergent Project (Project). He advised the Board that SDA is using the design consultant task order contract to advance an emergent project to address building envelope and surrounding hardscape conditions at the Camden Veterans Memorial Family School. He reported that NK Architects (NKA) was hired to perform pre-design phase services (including investigation and testing) in order to provide SDA with recommendations for addressing the conditions. He said that, based upon the results of those pre-design phase services and SDA's review of NKA's Condition Assessment and Options Development Reports, staff determined that the appropriate scope of work to address the conditions includes replacement and repair of portions of the existing masonry façade; replacement of the existing cupola; repair and re-covering of the existing flat roof system; selective removal and replacement of existing paving; selective replacement of the

masonry retaining wall; and replacement and repair of the storm water conveyance system. He explained that performance of this scope of work will provide long-term structural stability and will address the water infiltration condition within the shortest time duration among the options considered, and at a reasonable cost. He noted that this will allow for preservation of the school facility and for vehicular and safe pedestrian use on the courtyard parking/play area. He said that staff expects that the design will be completed by April 2022, followed by the procurement of a general contractor in the 3rd quarter of 2022. He added that construction work will take place between November 2022 and November 2023.

Public Comments

The Chairman then opened the Public Comments portion of the meeting. No member of the public indicated an interest in addressing 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 November 3, 2021 meeting.

/s/ Jane F. Kelly
Assistant Secretary