

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, DECEMBER 7, 2022**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, December 7, 2022 at 9:00A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Robert Nixon, Public Member, Chairman

Juan Burgos (EDA)

Kevin Luckie (DCA)

David Moore (Treasury)

Bernard Piaia (DOE)

Richard Elbert, Public Member

Daniel Gumble, Public Member

Michael Maloney, Public Member

Mario Vargas, Public Member

being a quorum of the Board. Mr. Burgos, Mr. Gumble, Mr. Moore and Mr. Piaia participated in the meeting by teleconference.

At the Chairman's request, Manuel Da Silva, chief executive officer; Donald Guarriello, vice president and chief financial officer; Jane F. Kelly, vice president and assistant secretary; and Albert Barnes, chief counsel of the SDA, participated in the meeting. Janice Venables of the Governor's Authorities Unit (GAU) also participated in the meeting by teleconference.

Pledge of Allegiance

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

The meeting was called to order by Mr. Nixon. 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 November 2, 2022 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. Vargas, the Open Session minutes of the November 2, 2022 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3a***.

Next, Mr. Nixon 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 been duly posted on the Secretary of State's bulletin board at 20 West State Street in Trenton, New Jersey and on the SDA Website.

Chairman's Report

Mr. Nixon said that before beginning the meeting, he wanted to remind the Members that Richard Elbert has decided to step down from the SDA Board. He said that, as Chairman, he wanted to say that it's been a pleasure working with Mr. Elbert. He said that Mr. Elbert provided the Board with his expertise as an architect, as an attorney and as a public official and that this has been extremely beneficial to the SDA Board. He said that when Mr. Elbert speaks, he speaks with authority and conviction. Mr. Nixon said that he is grateful for what Mr. Elbert brought to the Board and in his work with Mr. Vargas and the Members of the Real Estate Committee. He also informed the Members that, interestingly, Mr. Elbert was actually appointed to the Board by

Governor Christie on December 7, 2017--exactly five years ago today. Mr. Nixon then thanked Mr. Elbert and wished him well.

Mr. Elbert thanked the Chairman and expressed his appreciation for the opportunity to serve as a Member of the SDA Board. He said that the SDA is a great organization with a great Board and that he is certain that there will be many good things to come for the Authority.

Authority Matters

CEO Report

Mr. Nixon asked Mr. Da Silva for the report of the CEO. Mr. Da Silva said that he would like to echo the Chairman's comments and thank Mr. Elbert for his service to the SDA. He noted that Mr. Elbert's tenure coincided with what was a challenging time for the Board and SDA staff but that Mr. Elbert always stood by the SDA. He added that Mr. Elbert was committed to the Authority and his commitment played a role in the Authority's success in receiving funding to advance nineteen projects. Mr. Da Silva thanked Mr. Elbert and wished him luck in the future.

Mr. Da Silva then gave an update on design-build projects in the design phase. He said that for the Union City New Grade 7-9 School project, the limited notice-to-proceed for construction management (CM) services was issued to Anser Advisory the previous month. He noted that the design-builder, Dobco, Inc. is mobilizing site work.

Turning to design-build projects in construction, Mr. Da Silva reported that for the Perth Amboy High School project, exterior masonry, window and skylight installation work is ongoing to achieve a weather tight building. He said that temporary heat is being engaged to continue interior masonry in all areas. With respect to the Plainfield Woodland Avenue Elementary School project, Mr. Da Silva said that temporary heat is in place allowing all finish work to

continue. He added that ceilings are being installed on all floors and mechanical, electrical and plumbing work is ongoing. He noted that HVAC units are now all set on the roof.

Next, Mr. Da Silva gave an update on design-bid-build projects in the construction stage. He informed the Members that for the Keansburg Port Monmouth Road School project, Area A of the building is now occupied under a temporary certificate of occupancy (TCO). He said that interior finishes work continues in Areas B and C. He noted that playgrounds and flood wall installation is ongoing. He added that a full building TCO is anticipated this month. He advised that final bid documents for the Orange Cleveland Street Elementary School project are under review and being prepared for submission to the Department of Community Affairs and the Office State Comptroller. For the Orange High School project, he reported that dining hall renovations are complete and that the space is being utilized by the students. He added that Phase 2 renovations to the existing High School building are ongoing as HVAC and finish work is being finalized in the elevator areas. He said that staff anticipates completion of these areas this month.

Turning to Authority events, outreach and other activities, Mr. Da Silva informed the Members that the SDA's Contractor Training Program was held over the last two days. He said that management changed the format of the program to be a two-day, in-person seminar as opposed to weekly sessions. He thanked Edye Maier and Kaitlyn Rothenberger who ran the program and the rest of the SDA team who presented, as well as representatives from the Division of Property Management and Construction, the Economic Development Authority and the Department of Labor.

Next, Mr. Da Silva informed the Members that on Thursday December 1, the US Green Building Council (USGBC) held its annual Leadership in Energy and Environmental Design (LEED) gala. He added that it was the first in-person LEED gala held in the past three years. He

said that the SDA's Camden High School project, which is a certified LEED facility, was selected as the 2022 LEED project of the year in the schools category. He advised the Board that Jeremy Clark of the SDA Design Studio accepted the award on behalf of the Authority. He noted that the project was nominated for the award by the members of the USGBC's New Jersey Marketing Leadership Advisory Board. He added that 5 other awards were presented that night.

Next, Mr. Da Silva provided the Board with a status update regarding the SDA owned property in the Astor Place section of Jersey City. He advised that the SDA is still waiting to hear back from BITE's counsel. He said that in an email earlier this month, BITE's counsel indicated that he continues to await a response from his client to his proposed mark-up of the Sub-License.

Audit Committee

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on November 21, 2022. He noted that prior to beginning its regular meeting, the Committee met privately with both Ernst & Young (E&Y), the SDA's financial auditors, and the Authority's Director of Internal Audits without management present.

Mr. Nixon advised the Board that management provided the Committee with the October 2022 New Funding Allocation and Capital Plan Update. He said that staff informed the Committee that there were no changes in any of the reserve balances for either the SDA or Regular Operating Districts during the reporting period.

Next, Mr. Nixon said that E&Y provided the Committee with the 2022 SDA Audit Plan. He said that E&Y had outlined the audit services and deliverables and provided the Committee with an overview of the audit timetable along with their (E&Y's) processes and procedures. He said that E&Y discussed the digital secured client portal that facilitates the virtual process being utilized in conducting the Audit. He noted that E&Y's presentation also addressed General

Accounting Standards Board (GASB) pronouncements and financial reporting in accordance with the requirements of the GASB rules, and provided a summary of their required communications. Mr. Nixon said that E&Y noted that the 2022 Audit will be reviewing (for implementation) the new accounting pronouncement GASB Statement No. 87 pertaining to the capitalization of leases.

Next, Mr. Nixon provided the October 2022 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$11.5 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 than budgeted, partially offset by lower than projected payroll expense allocation to project costs. He noted that the decrease is also attributable to lower than anticipated spending for contracted services, general office expenses, and information systems. He said that the full time employee (FTE) headcount was 131 as of October 31, 2022, representing a 39 FTE decrease in comparison to year-to-date budget projections. He reported that year-to-date Authority operating expenses (Actual vs. Prior Year Actual), at \$11.5 million, are \$288,000 lower as compared to the operating budget for the corresponding prior year period. He explained that this decrease is mainly attributable to lower spending for personnel and benefit costs, partially offset by lower payroll expense allocation to project costs. He said that the October 31, 2022 number of FTEs, at 131, is down 23 FTEs as compared to the prior year. Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$237.7 million, \$12.2 million higher as compared to the capital spending forecast for the corresponding period. He advised that this variance is the result of higher than forecasted expenditures in grant activity, offset by a decrease in construction activity, project insurance, payroll expense allocation, design services and furniture purchases. He reported that project expenditures (Actual vs. Prior Year

Actual), at \$237.7 million, are \$20.6 million higher as compared to the corresponding prior year period. He explained that the variance is due to an increase in grant activity, offset by a decrease in construction activity, furniture purchases, project insurance, payroll expense allocation and CM services. Mr. Nixon said that since program inception, 77.9% 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 \$1.2 billion.

Mr. Nixon then reported that in compliance with the 2019 Board-approved changes to the SDA Bylaws and Audit Committee Charter, the CEO updated the Committee regarding Authority personnel matters and changes.

Next, Mr. Nixon advised that two matters were presented to the Committee by management that require Board action. He said that the first item for Board consideration is management's proposed 2023 Staffing Plan (Plan). He reminded the Members that in 2019, in an effort to strengthen the Board's oversight of personnel issues generally, the Board revised the SDA Bylaws to require that, on an annual basis, the CEO present and request Board approval of, a Staffing Plan for the upcoming year. He noted that the Bylaws require that the Plan represent the "resources required to satisfy the SDA's mission, goals, commitments and operating needs correlated to the volume and type of work activities to be advanced". He said that the Bylaws also require that the Plan be developed through a process that includes data-driven analytics. Mr. Nixon reported that at the November 21 Audit Committee Meeting, the CEO presented the Committee with a detailed Plan that was prepared consistent with the requirements of the Bylaws. He advised that the Plan was developed based on anticipated 2023 project work and other work including a review of the activities and staffing required to address that work on a

monthly basis for the entirety of the next year. Mr. Nixon reported that for 2023, management anticipates work to proceed on fourteen Capital Plan projects and thirteen emergent projects in various phases of their life cycle. He noted that next year's efforts will include advancement of the sixteen new projects included in the 2022 Capital Plan. Mr. Nixon added that, of the fourteen Capital Projects to proceed next year, three of them are from the sixteen projects included in the 2022 Capital Plan. In continuing, Mr. Nixon advised that the Plan analysis conducted by management evaluated each staff member's activities related to those needs in order to determine the resources required to support the Authority's projects. He said that the analysis focused on each staff member's anticipated activities for each month tied to the overall work that would advance over the course of that month. He advised the Board that this analysis concluded that 150 staff members, as broken down by functional area, is the number of staff required to satisfy the SDA's commitments and operating needs throughout 2023. He explained that the materials provided to the Board for review focus on (1) Staff Utilization by Activity Type for the SDA overall; (2) Staff Utilization by Activity Type by Operating Area; and (3) Staff Utilization Dedicated to Projects. Mr. Nixon advised that the analysis concluded that 68% of SDA staff activities are dedicated to school facilities projects; 7% are activities required to be performed in satisfaction of statutory, regulatory or other governance requirements and 25% are activities related to required organizational operations and support. After reviewing the Plan, the Board determined that it is comprehensive, data-driven and reflects the Authority's current needs. Mr. Nixon said that the Committee recommends that management take all necessary steps to ensure that the Authority has sufficient staff—at the level of 150 FTEs-- in order to ensure that it can competently and efficiently advance its current work demands. He noted that currently SDA has 128 FTEs.

Mr. Nixon added that, to put this in perspective it is important to keep in mind that at year-end 2021, the Authority had 152 staff members—24 more than the present count and 2 more than management is proposing as needed in the 2023 Plan. He said that SDA executive management and the Audit Committee recommend that the Board approve the 2023 Staffing Plan as proposed. He asked if the Members had any comments. The Members inquired as to the reason(s) why the Authority's workforce is so depleted. Mr. Da Silva acknowledged the low staffing numbers and said that it is critical that staffing levels be increased given the need to advance the new projects included in the Capital Plan. By way of example, he stressed the need to hire in the design studio to move the projects to the next level. Addressing whether the Authority's salary scale will enable it to hire as needed, Mr. Da Silva said that the current salary structure was produced by outside consultants who evaluated and restructured it following comprehensive review and analysis. Mr. Da Silva advised the Board that the Authority is very stretched right now. He said that there are 10,000 more seats needed in New Jersey's schools and needs will continue to grow as the state's school buildings continue to deteriorate. Mr. Vargas noted that the Authority's staffing levels are at their lowest level since he joined the Board (2010) and this concerns him given the amount of work that remains to be done.

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. Vargas and seconded by Mr. Luckie, the Board approved the 2023 SDA Staffing Plan as presented with its unanimous vote in favor of ***Resolution 5a.***

Mr. Nixon then presented the SDA's proposed 2023 Operating Budget (Budget) for Board consideration. He said that the Budget was discussed with the Audit Committee at its October and November meetings and the Committee's input has been incorporated into the Budget that is before the Board today. He advised that the proposed Budget, at \$15.9 million,

represents an increase of \$157,000 as compared to the current year's budget. He explained that, consistent with prior years, a portion of the Authority's employee salary and benefits costs will be appropriately charged to school facilities projects based upon weekly employee time sheets. He said that the estimated amount of \$11.1 million would be charged to school facilities projects for budget year 2023. Mr. Da Silva noted that the Budget is reflective of the Staffing Plan. He thanked Bill Coonahan of SDA staff for preparing the Plan, noting that Mr. Coonahan is genius with his analytical and number crunching abilities. Mr. Guarriello said that this is a responsible Budget. Mr. Da Silva acknowledged Robert Carney and James Wiegartner for their work in preparing the Budget. Mr. Vargas noted that there is a reduction in budget and staffing but a raise in productivity which is rare and speaks to the process that is in place at the SDA allowing work to continue.

Mr. Nixon asked if there were any questions or comments regarding the Budget. Hearing none, he called for a vote to approve the 2023 SDA Operating Budget.

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. Vargas and seconded by Mr. Luckie, the Board approved the 2023 SDA Operating Budget with its unanimous vote in favor of ***Resolution 5b***.

Public Comment

The Chairman then opened the Public Comment portion of the meeting. He invited Nikki Baker of the Healthy Schools Now/Work Environment Council to address the Board. Ms. Baker reminded the Members that she joined the Healthy Schools Now organization in April, filling the position previously held by Heather Sorge. Ms. Baker thanked the Board for the welcome she received and expressed appreciation for the work that the Board is doing in support of the SDA's mission. Ms. Baker said that she recognizes that the SDA is facing tumultuous times and, as an educator herself, she commends management and staff on the work that they are doing. She

expressed appreciation for the Authority's emphasis on constructing safe and healthy schools, noting in particular the SDA's mercury in flooring remediation efforts. She acknowledged that concerns like this will continue to arise. In concluding her comments, Ms. Baker wished the Authority the best in addressing its current staffing situation.

Mr. Nixon then asked for a motion to adjourn the Open Session of the meeting into Executive Session. He asked Ms. Kelly to announce the matters to be considered in Executive Session. Ms. Kelly said that the Board will adjourn into Executive Session to discuss two matters: 1) a proposed Extension of the License Agreement between SDA and City of Newark regarding the property located at 371-395 Ferry Street currently utilized for an Urban Garden; and 2) a proposed Extension of the License Agreement between SDA and City of Union City regarding the SDA property currently utilized by the City's Department of Public Works. She said that the Board will vote on these matters upon its return to Open Session. Ms. Kelly requested that the Chairman present ***Resolution No. 8.***, reflecting the Members' resolve to move into Executive Session to discuss the above-described matters, for Board consideration and approval.

The Chairman then presented ***Resolution No.8.*** for a vote. Upon motion duly made by Mr. Maloney and seconded by Mr. Vargas, the Members of the Authority unanimously voted to approve ***Resolution No. 8.*** and thereby adjourn the meeting into Executive Session.

Following the Board's return to Open Session, Mr. Vargas reported that SDA frequently enters into agreements with public entities so that property the Authority owns but does not currently need for construction can be put to use for good public purposes. He said that in Executive Session today, management requested that the Board approve extensions to two (2) existing License Agreements---one with Newark and one with the City of Union City.

Mr. Vargas reported that the first Agreement involves property SDA owns on Ferry

Street in Newark. He said that the City has been using the land for an Urban Garden since October 2014 pursuant to a License Agreement with SDA and a Sub-License Agreement with the Ironbound Community Corporation. He said that the License and Sub-License Agreements put all the necessary legal protections in place and the Urban Garden has been benefiting the Newark Community for eight (8) years. He noted that the Licensing Agreement is due to expire on January 31, 2023 and both SDA and Newark would like to extend it for twelve months (12) from that date. He advised that management is seeking Board approval to extend the Licensing Agreement with Newark for the Urban Garden and also requesting Board authorization to exercise two future twelve-month extensions in its discretion.

Mr. Vargas said that, following discussion of the matter in Executive Session, the Real Estate Committee supports management's request.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Luckie, and seconded by Mr. Elbert, the Board approved management's recommendation for an extension of the License Agreement between SDA and City of Newark with its unanimous vote in favor of ***Resolution 6a***.

Mr. Vargas said that, similarly, the SDA has had a License Agreement in place since January 2014 with the City of Union City for SDA-owned property there. He advised that the City's Department of Public Works utilizes the property for equipment storage and other purposes and has done so for eight (8) years. He added that this License Agreement has been extended four (4) times and is due to expire in January 2023. He explained that the Authority and the City wish to extend the Agreement for another twelve (12) months and management is seeking Board approval to do so. He noted that under the Licensing Agreement, the City is solely responsible for insurance, maintenance and security costs. He said that management is also seeking approval to extend the Union City Licensing Agreement for two future twelve month

periods if, in the Authority's discretion, this would be in the best interest of the SDA and the State.

Mr. Vargas said that, following discussion in Executive Session, the Real Estate Committee supports management's recommendation in this matter.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Maloney, and seconded by Mr. Elbert, the Board approved management's recommendation for an extension of the License Agreement between SDA and City of Union City with its unanimous vote in favor of ***Resolution 6b***.

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 December 7, 2022 meeting.

/s/ Jane F. Kelly
Assistant Secretary