

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS TELECONFERENCE MEETING
WEDNESDAY, SEPTEMBER 2, 2020**

A teleconference meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, September 2, 2020 at 9:00 A.M.

Participating by teleconference were:

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

being all 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; 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 all the Members of the Board were participating.

Approval of Meeting Minutes

The Chairman presented for consideration and approval the minutes of the Board's August 5, 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 August 5, 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 August 5, 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 meeting minutes of the August 5, 2020 SDA Board meeting were approved with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3b***.

Audit Committee

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on August 17, 2020 at which time management provided the Committee with the July 2020 New Funding Allocation and Capital Plan Update. He advised that staff reported the reallocation of \$55.6 million from the Unforeseen Events Reserve to the Capital Plan 2011 Emergent Projects

Reserve as approved by the Board at its August Meeting. He also advised that there was a \$9.3 million decrease in the 2011 Emergent Projects Reserve balance following the Board-approved release of funds for the Bridgeton Senior HS emergent project. 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 informed the Board that the Internal Audit Division provided the Committee with the results of two audits that were 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 thanked Mr. Green and the Internal Audit Division for their reports.

Next, Mr. Nixon provided the July 2020 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$8.8 million, \$2.3 million lower as compared to the budget for the corresponding period. He explained that this decrease is mainly attributable to lower personnel costs and lower expenses related to professional and other contracted services. He reported that year-to-date Authority operating expenses (Actual vs. Prior Year Actual) are \$2.2 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 36 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 \$165.8 million, \$20.8 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 grants, construction activity, and property acquisitions. He reported that project

expenditures (Actual vs. Prior Year Actual), at \$165.8 million, are \$9 million lower as compared to the corresponding prior year period. He explained that the variance is due to a decrease in grant activity and school furniture purchases offset by an increase in expenditures for design services, project insurance, and construction activity. Mr. Nixon then reported that, since program inception, approximately 87.5% 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.

Mr. Nixon said that, in compliance with changes the Board made to the SDA's Bylaws and Audit Committee Charter, the CEO updated the Committee regarding Authority personnel matters and changes. He noted that none of the items reported requires Board consideration.

Next, Mr. Nixon said that, staff updated the Committee on the progress of the Authority's HR Consultant, Cowden Associates (Cowden). He reminded the Members that Cowden was tasked with reviewing enhancements for job descriptions, functional responsibilities and compensation levels and making recommendations. He said that they are also conducting operational efficiency evaluations and interviewing staff. Mr. Nixon advised that he had a conference call with the CEO of Cowden regarding the finalization of their reports. He said that the Cowden contract deliverables are being completed and will be forwarded to the SDA for consideration. He said that Cowden's work product will be discussed at the October Board Meeting. He advised that he also will be updating the Audit Committee at its September meeting. Mr. Nixon said that the Board would be making the final decisions on any actions to be taken in response to Cowden's recommendations.

In concluding his report, Mr. Nixon said that the Internal Audit Director provided the Committee with a report on the status of Open Recommendations and Suggestions for Improvement from the various project audits that have been conducted over the past several months. He said that management makes changes as the findings dictate.

Authority Matters

CEO Report

The Chairman then asked Mr. Da Silva for the Report of the CEO. Mr. Da Silva began his report with an update on the Authority's September 2020 school deliveries. He reported that this year SDA will deliver three new schools (East Orange Sheila Y. Oliver ES, Pemberton Denbo-Crichton ES and Harrison Kennedy ES) and one major addition (Millville Senior HS). He said that these schools represent a State investment of approximately \$178 million in Total Project Costs (\$177.8 million) and the delivery of a total of 2,660 new seats and 360,800 square feet. He advised that temporary certificates of occupancy (TCO) applications have been submitted to the Department of Community Affairs (DCA) for three (3) of the four (4) school facilities. He said that SDA staff is grateful for the assistance and support of the professionals at DCA and for their dedication to these projects despite the challenges that Covid-19 has presented.

Mr. Da Silva informed the Members that the SDA is working closely with the districts to ensure that the facilities are ready and in line with the districts' plans and proposed operational use.

Next, Mr. Da Silva gave an update on design-build projects in the design phase. He said that for the Plainfield Woodland ES project, the design-builder, Epic Management (Epic), is responding to SDA comments on the first design package submission. He advised that staff

anticipates authorizing Epic to mobilize on the site this month in preparation for the commencement of site work. He noted that staff will issue a notice-to-proceed (NTP) to Cambridge Construction Management, Inc., the construction management (CM) firm on the project, in coordination with Epic's commencement of site work.

Turning to design-build projects in construction, Mr. Da Silva said that exterior wall framing continues, and interior and exterior masonry work is ongoing for the Paterson Union Avenue MS project. He added that slab on grade installation is complete. For the Millville HS addition and renovations project, he reported that Phase III exterior brick veneer work is ongoing, as well as Phase III mechanical rough in work. With respect to the Passaic Dayton Avenue Educational Campus project, he advised that exterior brick veneer work is complete. He said that mechanical, electrical and plumbing (MEP), framing work and interior concrete masonry unit (CMU) wall installation activities are being completed throughout the building. He added that block fill painting of CMU has commenced. He also noted that drywall installation work is underway, site work is ongoing and the site is being prepared for winter.

Turning to design-bid-build projects in the construction stage, Mr. Da Silva informed the Members that the construction NTP was issued on August 21 for the Keansburg Port Monmouth Road School project, following completion of a constructability review and the approval of a resulting change order. He said that a kick-off meeting will be held this month with Niram, Inc., the construction contractor. He advised that on August 21, staff also issued an NTP for CM services to Pinnacle Construction & Consulting Services.

In continuing, Mr. Da Silva gave an update on projects in the programming stages. He said that DRG, the design consultant for the Hoboken Demarest ES project, has submitted a draft options report that includes options that recognize application of the educational program.

School Review Committee

Change Order No. 23 – Terminal Construction Corporation – Trenton Central High School

The Chairman asked Mr. Luckie to provide the report of the School Review Committee (SRC). Mr. Luckie reported that the SRC met on August 17, 2020 at which time one item was discussed. He informed the Members that management is seeking Board approval of a Change Order for Terminal Construction Corporation (Terminal) for the Trenton Central HS (TCHS) project (Project). He said that the new TCHS is an approximately 374,000 square foot facility constructed to educate 1,850 students in grades ten through twelve. He reported that on March 2, 2016, the SDA Board approved a final charter and the award of a design-build construction contract to Terminal in the amount of \$116 million for the Project. He reminded the Members that Terminal was issued a NTP in April 2016 for design and construction, and that the new High School was completed and opened to students in September 2019. Mr. Luckie explained that Change Order No. 23 in the amount of \$0.00 would reallocate approximately \$535,000.00 of unused, remaining funds within the guaranteed maximum price (GMP) Reserve Allowance from three (3) scope categories where funds are no longer needed, to three (3) different scope categories where work was performed in excess of prior allowance funding. He advised that Change Order No. 23 will not increase the current, overall GMP Reserve total. He said that while the \$0.00 amount of this Change Order is well below the Operating Authority's \$500,000 threshold for change orders requiring Board approval, management is presenting this to the Board since the value of the allowance funds being reallocated exceeds \$500,000.00. He said that the Board should be aware that the reallocation of funds within the overall GMP Reserve Allowance is management's recommended alternative to the issuance of separate change orders. He noted that this allows the Authority to avoid the unnecessary duplication of bond and

insurance mark-ups. Mr. Luckie said that all documents supporting Change Order No. 23 have been reviewed by staff and were determined to be reasonable and appropriate.

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 Change Order No. 23 with its unanimous vote in favor of ***Resolution 6a***.

Public Comments

Mr. Nixon then opened the Public Comments portion of the meeting. He asked Heather Sorge to address the Board. Ms. Sorge reminded the Members that she represents the Healthy Schools Now/Work Environment Council Coalition. She said that she was hoping to obtain a status update at some point on the Authority's mercury flooring initiative. She said that she is aware that the SDA has been conducting testing at the State's school facilities.

Mr. Da Silva advised Ms. Sorge that testing of the flooring is underway and that significant progress has been made. He asked Mr. Yosha to provide additional details. Mr. Yosha said that he would first address the process that the Authority is following in advancing the initiative. He said that the Authority has completed the process of inspecting each of the approximately 140 school facilities to determine if the rubber flooring at issue was installed there. He said that the next step in the process is the performance of bulk testing at those facilities where such testing has been identified as necessary. He said that he expects this testing process to conclude by the end of the current month (September). Mr. Yosha said that, at that point, management would be in a position to provide feedback to the Districts, the SDA Board and Ms. Sorge regarding the results of the testing.

Ms. Sorge thanked Mr. Yosha for the status update. No other member of the public expressed an interest in addressing the Board.

Mr. Nixon then announced that the Board would be adjourning into Executive Session. Ms. Kelly advised that the Board would be adjourning into Executive Session to discuss the status of a proposed conveyance of SDA-owned properties in Irvington, New Jersey. She said that no Board action will be taken on this matter. She asked that the Chairman present ***Resolution 9.*** for Board consideration.

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

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 September 2, 2020 meeting.

/s/ Jane F. Kelly
Assistant Secretary