

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

WEDNESDAY, JANUARY 7, 2015

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA” or “the Authority”) was held on Wednesday, January 7, 2015 at 9:15 AM at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
David Moore (Treasury)
Bernard Piaia (NJDOE)
Michael Capelli
Kevin Egan
Loren Lemelle
Lester Lewis-Powder
Michael Maloney
Joseph McNamara
Robert Nixon
Mario Vargas

being all the members of the Board. Ms. Lemelle, Mr. Lewis-Powder, Mr. Maloney, Mr. Moore, Mr. Piaia and Mr. Vargas participated in the meeting by telephone conference. At the Chairman’s request, Charles McKenna, chief executive officer; Jason Ballard, chief of staff; Andrew Yosha, executive vice president (by teleconference); Jane F. Kelly, vice president & assistant secretary; Donald Guarriello, vice president and chief financial officer; Raymond

Arcario, vice president; Albert Barnes, chief counsel; Ritchard Sherman, managing director; Gregory Voronov, managing director; Corrado Minervini, director; Karon Simmonds, director; and Cecelia Haney, senior counsel of the SDA, participated in the meeting.

The meeting was called to order by the Chairman of the Board, Mr. Walsh, 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 the State House in Trenton, New Jersey.

Approval of Meeting Minutes

Mr. Walsh presented for consideration and approval the Minutes of the December 3, 2014 and December 19, 2014 Open and Executive Session meetings. A copy of the minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. McNamara, and seconded by Mr. Nixon, the Open and Executive Session minutes of the December 3, 2014 and December 19, 2014 meeting were approved by the Board upon its unanimous vote in favor of the resolution attached hereto as *Exhibit 3a1.,3a2./3b1., 3b2.*

Authority Matters

CEO Report

The Chairman asked Mr. McKenna to provide the Members with the report of the Chief Executive Officer. Mr. McKenna began his report with an update regarding the Trenton Central High School project. He reported that District facilities staff vacated the Chambers Street site late December 2014. He noted that work is complete to install the HVAC equipment for the storage space that will warehouse materials and equipment that will be reutilized in the new high

school. Mr. McKenna advised that Board that CB&I, SDA's design professional, has prepared the EO215 application and submitted same to the Department of Environmental Protection (DEP) on December 11, 2014. He said a response is expected from DEP sometime this month. He noted that the abatement and demolition design documents were finalized and are currently undergoing Department of Community Affairs (DCA) review. Mr. McKenna also advised the Members that, on December 19, SDA advertised the demolition package for the existing school facility. He said that a pre-bid walk through was conducted at the site the day prior to the Board meeting. He then referenced the previously reported need to reduce the size of the school by approximately 18,000 square feet. He said that SDA is meeting with the Department of Education (DOE) and the District regarding certain program issues that may change the square footage requirements. Mr. McKenna also reported that the project is now in the schematic design phase. He said that, based upon detailed programming sessions that have been conducted, SDA is developing educational specifications and detailed room layouts for review by the District. He noted that a draft schematic design submission is anticipated to be submitted to the District and DOE for review on March 19, 2015.

Mr. McKenna reported, in regard to the Bridgeton Buckshutem Elementary School project, that the exterior masonry wall work is nearly complete. He noted that SDA issued a Limited Notice To Proceed (LNTP) for structural steel, masonry, roof, mechanical and electrical work and that the contractor is proceeding with this work.

Next, Mr. McKenna advised the Board that exterior wall masonry work continues for the Bridgeton Quarter Mile Lane Elementary School Project. He noted that underground utilities and site drainage work is nearly complete.

In regard to the Elizabeth Academic High School project, Mr. McKenna said that the cold formed metal framing has begun in anticipation of the installation of the exterior metal panel system. He said that building enclosure is anticipated for March 2015.

Mr. McKenna advised the Board that a Notice to Proceed (NTP) was issued to Torcon on December 18 and construction started December 22 for the Elizabeth New Elementary School project.

In regard to the Garfield James Madison Elementary School No. 10 demolition project, Mr. McKenna reported that building demolition began on December 8. He added that staff expects to issue separate advertisements for a general contractor and contract manager in January.

Next, Mr. McKenna reported that following issuance of a LNTP to the design builder for pre-construction activities, the design phase has begun for the Gloucester Elementary School/Middle School project.

In regard to the Jersey City PS No. 20 project, Mr. McKenna reported that exterior wall masonry work continues toward building enclosure. He advised the Board that other ongoing construction activities include roofing, plumbing, electrical and HVAC work.

Mr. McKenna advised the Board that excavation for footings and foundations continues and the design phase is nearly complete for the Jersey City Elementary School No. 3 project. He added that, in coordination with Jersey City Office of Emergency Management and Department of Public Works, SDA is moving forward to install a covered sidewalk on Summit Avenue. He said that the school is located in a tight area and provided the Board with some detail as to the basis for the Authority's determination to install the sidewalk and the specifics of the sidewalk itself.

Reporting on the Keansburg Caruso Elementary School project, Mr. McKenna said that this design build project is in final design. He noted that, on November 20, SDA issued a LNTF for footings, foundations, underground utilities and structural steel work. He added that Hall Construction mobilized to commence footing work on November 24.

Next, Mr. McKenna reported that, with regard to the Newark Elliott Street Elementary School project, the building is anticipated to be fully enclosed by the end of March. He noted that site drainage and detention work is approximately 85% complete.

Mr. McKenna advised the Board that foundation work is complete on the Newark Oliver Street Elementary School project and that underground utility work outside the building footprint is on-going. He noted that steel erection is complete and construction at the building perimeter walls is underway.

Mr. McKenna reported, with regard to the Newark South Street Elementary School project, that early site package work continues with completion now targeted for early 2015. He noted that the size of the encountered foundation walls and the footings as well as the volume of rebar embedded in the concrete was unforeseen. He explained that, to date, more than 50,000 tons of replacement stone and backfill have been placed and more than 10 million gallons of contaminated water have been treated. Mr. McKenna informed the Board that schematic design of the new school building is underway by the SDA Design Studio. He said that SDA will coordinate obtaining approval by the District.

With regard to the New Brunswick Redshaw Elementary School project, Mr. McKenna reported that the punch list was completed at the end of December 2014. He said that DCA issued a Certificate of Occupancy for the entire building in December. He noted that District Staff began the move into the building in December and children occupied the building as of

January 5. Mr. McKenna said that staff is working with the Governor's Office and coordinating the planning of a ribbon cutting event at the school.

Next, Mr. McKenna reported that construction work continues to progress well on the Passaic Henry Street Elementary School project. He added that SDA anticipates building enclosure will be completed by the end of the current month.

Mr. McKenna advised the Board that slabs on metal decks work continues for the Paterson Marshall Street Elementary School project. He said that exterior and interior masonry wall construction work continues. Mr. McKenna explained that the contractor is moving to complete the exterior masonry back-up wall to enclose the building for winter. He also noted that pedestrian bridge abutment work continues on both sides of the bridge that will span the adjacent railroad. He added that SDA anticipates that bridge erection will occur in the spring 2015.

With regard to the Paterson PS 16 project, Mr. McKenna reported that masonry work continues. He said that steel fabrication is underway and he noted that steel erection began a couple of days prior to the new year.

Next, Mr. McKenna advised the Board that footings and foundation work is nearing completion for the Phillipsburg High School project. He noted that the installation of concrete slabs on grade and on metal decks continues in all areas. He added that steel erection work is nearing completion by the end of the month. Mr. McKenna also reported that steel fireproofing will begin in coordination with the start of the exterior masonry walls.

Mr. McKenna then gave an update on Procurement Activity. He reported that the construction procurement for asbestos abatement and demolition services for the TCHS project was advertised on December 19. He noted that technical and price proposals are due on

February 3. He advised the Board that the design procurement for addition and renovation services for the Orange High School project was advertised on December 30. He added that technical and price proposals are due on February 9.

Next Mr. McKenna updated the Board regarding Events, Outreach and Other Activities. He reported that, last month, SDA held a demolition event in Garfield and that Tricon has begun the demolition.

Mr. McKenna then reported that SDA held a groundbreaking ceremony for the Caruso Elementary School in Keansburg on December 16. He said that this building will be the first new school in Keansburg built by the SDA. He noted that this kindergarten to fourth grade school is anticipated for student occupancy in September 2016.

Mr. McKenna advised the Board that SDA will hold a groundbreaking ceremony for the new ES 3 in Jersey City on Friday January 9. He noted that this will be a pre-kindergarten to fifth grade, 123,000 square foot school that is anticipated to be open to students in September 2016.

Mr. McKenna again noted reported that staff is working to schedule a ribbon cutting ceremony for the New Brunswick Redshaw Elementary School. He also advised the Board that he appeared before the Joint Committee on the Public Schools on Wednesday, December 17. He added that some organizations spoke positively of certain changes the Board has made.

Mr. McKenna also reported that the SDA continued with its season of service efforts last month. He said that 40-45 SDA staff members joined him and volunteered at the Community FoodBank where they packed food bags for senior citizens.

Mr. McKenna reminded the Board that, as was reported at the December Board meeting, staff has added links to project webcams to the SDA website.

Mr. McKenna reported that SDA has begun advertising its application for the 2015 Small Women/Minority Business Enterprise Contractor Training program and has received a handful of applicants already. He added that the training program is scheduled to begin with an orientation on February 18.

Mr. Walsh requested that a discussion take place in an upcoming SRC meeting to review and summarize the Catrambone and Redshaw school projects. He said that he is interested in receiving a review of current and historic program operations processes and procedures, change orders, audit/closeout schedules, and bidding processes and procedures. He added that he would like to have the project manager present for this discussion.

Audit Committee Report

The Chairman then requested that Mr. Nixon provide the report of the Audit Committee. Mr. Nixon reported that the Audit Committee met on December 15, 2014. He said that Management had provided the Committee with the November 2014 New Funding Allocation and Capital Plan Update. He advised the Board that there was a decrease of \$500,000 in the Planning Reserve balance due to advancement of the final project charter for the Elizabeth New Elementary School project at the December 3, 2014 Board Meeting. He said that there were no changes in commitments reported in the Unforeseen Events Reserve or the 2008 and 2011 Capital Plan Emergent Project Reserve balances during the reporting period.

Mr. Nixon reported that the reserve balance for the Regular Operating Districts ("RODs") increased by \$1 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Nixon reported that Management provided the Committee with the Capital Spending Forecast for 2015 for informational purposes. He advised the Board that the forecast

anticipates expenditures of roughly \$398 million for School Facilities Projects. He explained that this amount represents an approximately \$97 million increase over the estimated actual amount for 2014. He explained that the forecast is based on Treasury Updated Spending Models that 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.

Next, Mr. Nixon reported that Management presented the Committee with the results of one statutorily required audit focusing on processes and procedures. He noted that the audit looked at documentation supporting execution of the capital construction project and disbursement of funds. He advised that the audit determined that the state funds were expended in accordance with the grant agreement, applicable laws and regulations. He reported that the one audit observation/recommendation noted is being addressed by Management.

In continuing, Mr. Nixon advised the Board that the Committee was provided with the November 2014 Monthly Financial Report with Management advising that, as of November 2014, the Authority's operating expenditures totaled \$16.1 million which is \$2.9 million lower than the operating budget for the corresponding period. He said that this is a \$2.3 million decrease from actual expenses for the corresponding period in the prior year. He explained that this decrease is largely due to lower monthly rent expenses and cost savings related to MIS projects. He then reported that, as of November 2014, year to date project expenditures are \$257.6 million, down \$49.8 million as compared to the 2014 Capital spending forecast for the corresponding period. He explained that the decrease is attributable to lower than anticipated expenditures in grant activity and construction activity, partially offset by an increase in other project related costs. He then reported that year to date project expenditures, actual vs. the prior year actual, have increased \$67.1 million as compared to actual expenses in the corresponding

prior year. He said that this is attributable to construction costs of \$61 million and other project related activity of \$15.6 million, as well as an insurance claim cost recovery of \$15.1, offset by a decrease in grant activity of \$24.6 million.

Mr. Nixon then reported that, since inception, 70% of the funds authorized for the SDA districts have been disbursed. He also reported that 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses.

Mr. Nixon then advised the Members that Management brought a proposal to the Committee to extend a Memorandum of Agreement (“MOA”) between the SDA and the Department of the Treasury Transportation Services (“Treasury”). He noted that this is a follow-up to an MOA approved by the Board in October 2011 and extended in 2012. He explained that the proposed extension is for a 5 year period for various vehicle services including maintenance, fuel and car repairs for the SDA fiscal budget years 2015 thru December 31, 2019. He advised that the MOA continues to be advantageous to the Authority both operationally and financially. After discussion, Mr. Nixon asked if there were any questions regarding the proposed extension of the MOA. There were none. Mr. Nixon then called for a vote on the matter.

A resolution pertaining to the proposed extension of the Memorandum of Agreement between the SDA and the Department of the Treasury Transportation Services for the SDA fiscal budget years 2015 thru December 31, 2019 had been provided to the Members in advance of the meeting. Upon a motion by Mr. Walsh, and seconded by Mr. Egan, the resolution attached hereto as *Exhibit 5a* was unanimously approved by the Board.

Mr. Walsh inquired about the insurance claim cost recovery of \$15.1 referenced in Mr. Nixon’s monthly financial report. Ms. Simmonds explained that Mr. Nixon had been referring to

the Newark Elliot Street School which sustained lightning damage. She provided details regarding the incident and the \$15.1 million collected from the Newark School District's insurer.

School Review Committee Report

1) Harrison School District - New Elementary School - Preliminary Charter; 2) Millville School District – High School Grade Level Project – Revised Project Scope and Preliminary Charter; 3) Proposed Readoption With Amendments: School Facilities Projects: Section 15 Grant Procedures, N.J.A.C. 19:32

The Chairman then asked Mr. Luckie to provide the report of the School Review Committee (SRC). Mr. Luckie said that the Committee met on December 15, 2014 and discussed three items.

He presented Management's request that the Board approve a Preliminary Charter for the New Elementary School project in the Harrison School District. Mr. Luckie reported that, in March 2012, the Board approved the Authority's 2012 Capital Plan, which identified a high priority educational need at the middle school grade levels in the Harrison School District which required further discussion with the District for project definition. He noted that a Working Group comprised of District, Department of Education (DOE) and SDA staffs, then convened and reviewed and validated the District's needs. Mr. Luckie reported that the Working Group is recommending construction of an approximately 65,000 square foot Pre-K to 1 school on a District-owned site. He added that by providing the New Elementary School Project, the District's capacity needs in grades Pre-K through 8 will be fully addressed. Mr. Luckie then advised that the estimated cost of \$33.5 million for the Project reflected in the Preliminary Project Charter is inclusive of estimated future costs necessary for advancement of the current project scope. Mr. Sherman then provided additional details. He said that the approach towards

the project was considered for a number of years and discussed the several options that were considered. Mr. Voronov discussed the project from a financial perspective.

Mr. Luckie said that the Committee recommends that the Board approve the Preliminary Project Charter for the Harrison School District New Elementary School project, specifically authorizing the SDA to proceed with in-house design activities and to procure necessary professional and construction services in relation thereto. He requested a vote on *Resolution 6a*.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made Mr. McNamara and seconded by Mr. Vargas, the Preliminary Project Charter for the New Elementary School project in the Harrison School District was approved with the Board's unanimous vote in favor of *Resolution 6a*.

Next, Mr. Luckie discussed Management's request that the Board approve a Revised Project Scope and Preliminary Charter for the High School Grade Level Project in the Millville School District. He reported that, in September 2013, the Board approved the Project Planning Charters and initiation of procurement for bridging design consultant services in order to advance the work necessary to address overcrowding in grades 9-12 in the Millville School District. He noted that, last April, the Board approved the award of a contract for bridging design services along with Preliminary Project Charters for two projects to address the need. Mr. Luckie explained that, with the concurrence of the District, the bridging design consultant has now proposed advancement of the Millville High School Addition-Renovation project as a single project. He noted that evaluation of this option reveals that it addresses previously identified concerns and offers additional advantages. He said that the final design concept proposes 228,544 square feet of additions, 54,950 square feet of alterations, and 54,480 square feet of demolition. Mr. Luckie also reported that the revised total project budget of \$110 million, which

is reflected in the Revised Preliminary Project Charter before the Board, is inclusive of all prior expenditures related to pre-design services performed by the bridging design consultant and also is inclusive of estimated future costs necessary for advancement of the recommended project scope.

Mr. Luckie said that the Committee recommends that the Board approve the Revised Project Scope and Preliminary Project Charter for the Millville High School Addition-Renovation Project in the Millville School District. He indicated that a vote on *Resolution 6b* is in order.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made Ms. Hassett and seconded by Mr. McNamara, the Revised Project Scope and Preliminary Charter for the Millville High School Addition-Renovation Project in the Millville School District was approved with the Board's unanimous vote in favor of *Resolution 6b*.

Next, Mr. Luckie introduced Management's recommendation for Board approval of Readoption of the SDA's Section 15 Grant Procedures rules. He reported that the new rules, adopted in 2008, as Chapter 32, govern the issuance of grants by SDA to Regular Operating Districts for the state share of school facilities construction projects. He explained that Chapter 32 is scheduled to expire on January 7, 2015. Mr. Luckie noted that, essentially, these Rules, which are proposed for re-adoption with amendments, provide a mechanism by which eligible "non-SDA" school districts can receive Section 15 grants and provide guidelines to ensure that such grant funds are used properly by the grantee districts. He also reported that the proposed amendments to and repeal of provisions of the current Rules are intended to conform the regulations to statutory changes and to the current practices of the SDA with respect to the

administration of the grant program and the disbursement of grant funds. Mr. Luckie then asked Ms. Haney to provide the Board with an overview of the amendments. Ms. Haney discussed the background of the existing rules and provided a detailed overview of the amendments as proposed.

Mr. Luckie said that the Committee, along with Management, recommends that the Board authorize and approve the proposed re-adoption of the Authority's Section 15 Grant Procedures Rules and authorize the issuance of the Notice of Readoption as presented to the Board, and the filing of the Notice with the Office of Administrative Law (OAL). He asked for a vote on *Resolution 6c*.

A resolution pertaining to this matter had been provided to the Board in advance of the meeting. Upon motion duly made by Mr. Nixon and seconded by Mr. Capelli, the proposed re-adoption was approved with the Board's unanimous vote in favor of *Resolution 6c*.

Corporate Governance and Operations [Informational]

Readoption of Affirmative Action Regulations N.J.A.C. 19:39 – Modifications In Response to Comments from Office of Administrative Law, Rules Division

Next, Mr. Luckie asked Ms. Haney to provide the Board with an overview of the Readoption of Affirmative Action Regulations N.J.A.C. 19:39 – Modifications In Response to Comments from Office of Administrative Law, Rules Division. Ms. Haney advised the Board that this matter is being presented for informational purposes. She referenced her memorandum that was previously distributed to the Board for review and explained that the modifications presented are in response to comments received from the OAL upon SDA's submission of the rules for publication. She said that the changes are to ensure that, at OAL's request, the rules will be revised to reflect the SDA's current SWMBE program/approach and to eliminate

references to other programs/approaches that SDA does not presently employ. She explained that some of these are approaches which SDA has employed in the past but does not employ at the present time.

Public Comments

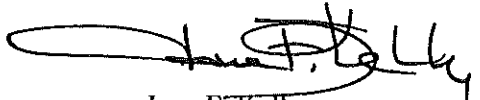
Ms. Kelly then informed the Members that the Board will be adjourning into Executive Session to discuss a proposed design consultant task order matter.

Mr. Walsh then asked for a motion to adjourn the meeting into Executive Session. Upon motion and with unanimous consent, the Open Session of the meeting adjourned into Executive Session.

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

Mr. Walsh then asked for a motion to adjourn the meeting. Upon motion and with unanimous consent, the meeting 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 7, 2015 meeting.



Jane F. Kelly
Assistant Secretary