

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
WEDNESDAY, DECEMBER 4, 2019**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, December 4, 2019 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

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

being a quorum of the Board. Mr. Egan, Mr. Kanef, Ms. Lemelle, Mr. Lewis-Powder, and Mr. Piaia participated in the meeting by teleconference.

At the Vice Chairman's request, Manuel Da Silva, interim 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 Robert Ryan, director of the SDA, participated in the meeting. Joy Johnson of the Governor's Authorities Unit (GAU) also participated in the meeting.

The meeting was called to order by the Chairman of the Board, Mr. Nixon, 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 20 West State Street in Trenton, New Jersey. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

Pledge of Allegiance

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

Approval of Meeting Minutes

Mr. Nixon presented for consideration and approval the minutes of the Board's November 6, 2019 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. Maloney and seconded by Mr. Luckie, the Open Session minutes of the November 6, 2019 SDA Board meeting were approved by the Board upon the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 4a***.

Authority Matters

Chairman's Report

The Chairman recommended that the Members elect SDA Interim Chief Executive Officer Manuel Da Silva to be the Authority's Chief Executive Officer. Mr. Nixon said that since Mr. Da Silva became the Acting CEO in May, the SDA went through a pronounced amount of change, a change for the better. He said that Mr. Da Silva was not only able to stabilize the operations at the Authority but also to guide the organization through what could have been a very different outcome. He said that Mr. Da Silva instituted reforms, while focusing on getting

the job done as it relates to keeping schools and school construction the priority of the organization. He added that Mr. Da Silva has done an excellent job.

Referencing the memorandum that was provided to the Members in advance of the meeting, Mr. Nixon provided an overview of Mr. Da Silva's experience and credentials. Mr. Nixon said that Mr. Da Silva joined the SDA in 2010 as a senior manager, engineering and that he subsequently served as a director of program operations and, thereafter, as the Authority's vice president of construction operations. He said that on May 1, 2019, Mr. Da Silva was elected by the SDA Board of Directors to serve as the Authority's interim CEO. Mr. Nixon said that Mr. Da Silva has more than 20 years of experience in the fields of engineering and construction in both the public and private sectors. He noted that Mr. Da Silva graduated from New Jersey Institute of Technology with a Bachelor's of Science in Civil Engineering and a Minor in Management, and obtained his Professional Engineer's license in 1997.

Following discussion, upon a motion by Mr. Maloney and seconded by Mr. Luckie, the Board approved the nomination of Manuel Da Silva to serve as the Authority's Chief Executive Officer with the Members' unanimous vote in favor of **Resolution 5b**.

Mr. Da Silva thanked the Chairman and the Members of the Board for the opportunity to serve the Authority as its CEO. He said that he is proud of the work that staff does at the Authority, noting that its dedicated and talented staff is committed to improving educational opportunities for thousands of New Jersey students through the construction and modernization of school facilities. He said that this year was an extraordinary year for the Authority and, with that, eighteen projects were moved forward and four projects were delivered. He said that this is a true testament to the fact that this Authority is capable, that it has the right individuals in place and the right Board overseeing what the SDA does. Mr. Da Silva said that it is an honor to serve this Board and the Authority. He thanked the Members for the vote of confidence.

CEO Report

The Chairman then asked Mr. Da Silva for the Report of the CEO. Mr. Da Silva gave an update on the September 2019 school openings. He said that staff pursued a certificate of occupancy (CO) last month for the Perth Amboy Rose Lopez ES project and is working toward a CO for Trenton Central HS project.

Next, Mr. Da Silva gave an update on projects in the procurement stage. He reported that for the Perth Amboy HS project, the recommendation of award for the design-builder, the Joint Venture of Terminal Construction Corporation and Dinallo Construction Corporation, was approved at the November Board meeting. He added that the notice of award (NOA) for the project was issued on November 26. He added that staff is preparing the advertisement for construction management services. He said that a bid project was submitted which will be discussed in executive session. For the Keansburg Port Monmouth Road School project, he advised that a NOA for construction services was issued the previous month to Niram, Inc. (Niram) and, also last month, a NOA for construction management was issued to Pinnacle Consulting & Construction Services. He reported that staff anticipates issuance of a notice to proceed (NTP) later this month for Niram to perform the required constructability review. Mr. Da Silva said that proposals for design-build services are scheduled to be received on December 17 for the Plainfield Woodland ES project.

Next, Mr. Da Silva gave an update on projects in the constructability stage. He reported that for the Orange Cleveland Street ES project, negotiations with Brockwell & Carrington regarding any cost impact identified by the constructability review have been completed and the Team is finalizing its recommendation for a change order consistent with the Operating Authority and prior to the issuance of a construction NTP. For the Orange HS project, he advised the Members that the constructability review phase is complete, as well as negotiations

with Terminal for a change order representing the cost impact identified by the constructability review. He added that a recommendation for approval of that change order is on today's agenda.

Turning to design-build projects in construction, Mr. Da Silva informed the Members that for the Paterson Union Avenue MS project, design phase services are ongoing. He said that pile caps and grade beam installation work is ongoing and underground utilities work is commencing. For the Camden HS project, he reported that Ernest Bock & Sons, Inc. continues with design phase services. He added that structural steel and masonry work continues in the building. He said that for the East Orange George Washington Carver ES project, Dobco, Inc. the design-builder, has completed design phase services. He noted that interior mechanical, electrical and plumbing (MEP) finish work is ongoing.

In continuing, Mr. Da Silva advised that for the Harrison New ES project, MEP rough-in and building enclosure, exterior masonry veneer construction, and roofing and window installation activities are all ongoing. For the Millville HS addition and renovation project, he said that Hall Construction continues with design phase services. He noted that this is a multi-phase project. He added that Phase II addition masonry and MEP rough-in activities are ongoing and Phase III footings and foundation work is ongoing. He added that structural steel activities commenced the previous month. With respect to the Passaic Dayton Avenue Educational Campus project, he said that Terminal has commenced exterior framing of upper floors and roof installation. He reported that MEP work is ongoing throughout the building. He noted that the Department Community Affairs (DCA) has released all drawings and the building permit application has been submitted. For the Pemberton Denbo Crichton ES project, he said that building enclosure work is being completed. He noted that MEP and interior wall work is also underway. He advised that documents for demolition of the existing Denbo School are being finalized for submission to DCA.

Next, Mr. Da Silva gave an update on projects in the programming stage. He said that for the Hoboken Demarest ES project, program modifications have been finalized. He added that swing space needs are being reviewed. He advised that SDA's engaged design consultant, DRG, has completed its initial report on existing building conditions. With respect to the Union City New Grade 7 to 9 School project, he reported that programming refinement discussions and SDA in-house design development are ongoing. He said that the project will be advanced through a design-build delivery method. He added that staff initiated site acquisition activities and anticipates bringing a recommendation for Board consideration in December.

Turning to Authority events, outreach and other activities, Mr. Da Silva informed the Members that due to the weather, the groundbreaking ceremony for the new middle school in Paterson was postponed. He said that staff will inform the Members when a new date is scheduled.

In concluding, Mr. Da Silva said that yesterday Andrew Yosha was the keynote speaker at a meeting of the Masonry Contractors Association of New Jersey.

Audit Committee

2020 Proposed Budget

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met on November 18, 2019 at which time management provided the Committee with the October 2019 New Funding Allocation and Capital Plan Updates. He advised that during the reporting period, there was a \$21.6 million decrease in the Planning Reserve balance resulting from Board approval of final project charters for the Perth Amboy New HS project and the Keansburg Port Monmouth Road School project. He said that the decrease is partially offset by the return of unused budgetary funds to the Planning Reserve from several completed capital plan projects. He

noted that there were no changes in the remaining SDA District Reserve balances. Mr. Nixon advised that the reserve balance for the Regular Operating Districts (RODs) increased by \$3.5 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Mr. Nixon advised the Board that the Committee was provided an informational update regarding the various options available for the extension of the SDA's Owners Protective Professional Indemnity Insurance policy (Policy). He explained that the Policy is an excess insurance policy that indemnifies the Authority for damages arising out of the professional negligence of its contracted design professionals. He noted that, at this time, the Authority is exploring a variety of options for coverage.

Next, Mr. Nixon reported that Ernst & Young (E&Y) had provided the Committee with the 2019 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's presentation also highlighted areas of audit emphasis and discussed General Accounting Standards Board (GASB) pronouncements. He said that E&Y also discussed financial reporting in accordance with the requirements of the GASB rules and provided a summary of their required communications. Mr. Nixon advised the Board that, at the conclusion of the regular meeting, E&Y met privately with the Committee Members and the Authority's director of internal audits in accordance with Executive Order 122. He said that the meetings were held without management present.

Mr. Nixon then provided the October 2019 Monthly Financial Report. He advised the Committee that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period totaled \$14 million, \$2.5 lower as compared to the budget for the corresponding period. He explained that the decrease is mainly attributable to lower than budgeted personnel costs.

He then reported that project expenditures (Actual vs. Forecast) at \$262.1 million, are \$10.8 million lower as compared to the corresponding prior year period. He explained that the variance is due to decreased grant activity, design services – net of cost recovery settlements, property acquisitions, lower spending for project management related expenses and other project related costs. He reported that this decreased spending is offset by an increase in spending for construction work and school furniture purchases. He then reported that project expenditures (Actual vs. Prior Year Actual), at \$262.1 million, are \$1.4 million lower as compared to the corresponding prior year period. He explained that the variance is due to decreased grant activity, project insurance costs, design services – net of cost recovery settlements and other project related costs. He reported that this decreased spending is offset by an increase in spending for construction work and school furniture purchases.

He said that, since program inception, approximately 85% 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 that the estimated value of active school facilities capital, emergent and regular operating district grant projects is approximately \$2 billion.

Mr. Nixon then presented the proposed 2020 Operating Budget (Budget) that had been provided to the Members in advance of the meeting. He advised that the Budget was discussed in detail at the October and November meetings of the Audit Committee. He noted that the Audit Committee's input has been incorporated into the proposed budget. He reminded the Members that this year, for the first time, the SDA was required to obtain the approval of the Legislature's Joint Budget Oversight Committee (JBOC) prior to advancing its Budget to the Board. He advised that JBOC has reviewed and approved this Budget. He reported that the proposed 2020 Budget totals \$17.4 million—excluding non-cash accruals for other post-employment benefits

(OPEB) and pensions, representing a decrease of \$1.8 million as compared to the current year's budget. He said that the Budget includes a proposed headcount of 205 full-time equivalents (FTEs), which is a reduction from the current year budget of 257 FTEs. Mr. Nixon noted that, consistent with prior years, a portion of the Authority's employee salary and benefit costs will be appropriately charged to school facilities projects based upon weekly employee time sheets. He advised that the Authority has estimated the amount of \$13.6 million of employee salaries will be charged to school facilities projects for the budget year 2020. He said that the Audit Committee recommends Board approval of the 2020 Budget as presented by management. Mr. Guarriello noted that this budget "right sizes" the Authority for the work it is has advancing. Mr. Nixon thanked everyone for putting together a well-managed Budget. Mr. Vargas asked if the headcount will support the projected work. Mr. Da Silva noted that, although there was in the past a budgeted headcount of 257, the Authority was not staffed at that capacity level. He explained that the cuts were mostly associated with external affairs and that the remaining staff is appropriate to support the planned projects and delivery of schools on time and on budget. Mr. Luckie asked why the budget for contracted services is \$1 million more than the previous year's budget. Mr. Nixon said that the increase is attributable to anticipated legal fees due, in part, to investigations that were required by the Attorney General's Office. He stressed that he continues to believe it inequitable for the Attorney General's Office to hire outside attorneys to conduct a review of the Authority and then charge the Authority for legal fees incurred as a result. Mr. Guarriello advised that the cost will be incurred over a two year period. Mr. Da Silva noted that a small portion of the increase is due to the planned engagement of a human resources consultant to assist the Authority in implementing necessary internal administrative changes. Mr. Nixon asked if there were any further questions or comments regarding the Budget. Hearing none, he called for a vote to approve the 2020 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 2020 Operating Budget with its unanimous vote in favor of *Resolution 6a*.

School Review Committee

Change Order No. 2 Terminal Construction Corporation; Notification of Completion of Pre-Design Phase Services and Authorization to Proceed with Design Phase Services - Newark Public School District – Roberto Clemente Elementary School – Boiler Room Vault Emergent Project – [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 November 18, 2019 at which time three items were discussed. He introduced the first item for Board consideration, advising the Members that management is seeking approval for a change order for Terminal Construction Corporation (Terminal). He reported that the Orange HS (HS) project (the Project) is a 145,294 square foot facility educating 804 students in grades 10 to 12. He advised the Members that the Orange HS's project scope includes an approximately 50,000 square foot, two story addition to the existing facility, an enclosed connecting bridge between the HS and the Orange Preparatory Academy (OPA), and selective renovations to address facilities conditions deficiencies at the existing HS. Mr. Luckie said that on March 6, 2019, the Board approved the award of a contract in the amount of \$37,000,000 to Terminal for construction services for the Project and also approved the Project's final charter. Mr. Luckie explained that prior to beginning construction, Terminal was contractually required to perform a constructability review in order to identify any potential conflicts in the Project documents and, if any conflicts are identified, the corresponding cost to address them. He said that the constructability review also requires Terminal to verify and confirm that the existing site conditions are as they are represented in the construction documents, and also to identify costs to address any differences. He added that the

constructability review performed by Terminal was completed on November 15, 2019. He said that consolidated Change Order No. 2, valued at an aggregate amount of \$1,011,000 (inclusive of \$50,000.00 in allowances), is required to address necessary additional construction services identified as a result of the constructability review. He added that Change Order No. 2 represents items that have been aggregated for reasons of efficiency and consolidated resolution prior to the start of construction work and, as an aggregated value, this consolidated change order singularly exceeds \$500,000. Mr. Luckie noted that the project charter approved by the Board in March includes a construction contingency from which to address the potential cost impact resulting from the constructability review and stipulates that any such cost impact would result in a change order to the contract. He said that staff has determined that the items included in the change order are justified and that the aggregate amount is reasonable and appropriate.

Mr. Ryan said that the constructability process was a long and difficult process that involved eleven meetings to review plans. He added that it involved site visits to view and walk through the existing building. He said that the constructability review has generated over one thousand Requests for Information (RsFI) and, of those, forty-two led to change order requests, two of which are credit change orders. He added that the change order was approximately \$1.8M but through negotiations the change order is now appropriately \$1M.

A resolution pertaining to this matter was provided to the Board in advance of the meeting. Upon motion by Mr. Vargas, and seconded by Mr. Maloney, the Board approved the proposed Change Order No. 2 with its unanimous vote in favor of ***Resolution 7a***.

Next, Mr. Luckie said that the Committee discussed an informational item regarding the Newark Roberto Clemente ES emergent project. He explained that management is advancing an emergent project to address water infiltration, spalling concrete and structural conditions in the underground boiler room vault at the Newark Roberto Clemente ES. He advised that SSP

Architectural Group (SSP) was engaged by the SDA through the design consultant task order contract to perform pre-design phase services (inclusive of investigation and testing) in order to provide SDA with recommendations for addressing the conditions. He said that, based upon the results of those services and the SDA's review of SSP's reports, the Authority has determined that the appropriate scope of work to address the conditions includes the following: 1) removal of the existing concrete roof structure, concrete columns and beams; 2) installation of new steel columns and beams, a new concrete roof structure and the waterproofing of the membrane assembly; and 3) installation of a new sidewalk and driveway paving. Mr. Luckie noted that this will provide long-term structural stability and address the water infiltration condition over the shortest time duration and at a reasonable cost. He added that advancement of these Design Consultant Services will authorize SSP to complete design documents for the emergent project. He said that, upon completion of the design documents, SDA will engage a general contractor through the General Construction Task Order (GCTO) contract to perform the necessary demolition and construction to implement this design. He added that the value of this GCTO assignment is estimated to be \$535,200 at this time. He explained that while advancement of the design services does not require Board approval, the estimated value of the construction contract anticipates that Board approval will be required prior to engagement of the contractor. He reiterated that this matter is just for the Board's information and no formal Board action is required today.

Finally, Mr. Luckie informed the Members that management also discussed with the Committee a proposed real property acquisition and a revised preliminary project charter for the Union City School District. He said that Mr. Vargas will cover this in Executive Session in his Real Estate Committee report.

Public Comments

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

The Chairman then announced that the Board would be adjourning into Executive Session. Ms. Kelly said that the Board had resolved to adjourn into Executive Session to discuss two items 1) a Recommendation for Declaration of Surplus Property, Determination of Property Value and Authorization for Sale and Conveyance of thirty-three parcels of Real Property in the Township of Irvington; and 2) a Request for approval of Real Property Acquisition and Revised Preliminary Charter for Union City New Grades 7 to 9 School. She said that the Board's votes on these matters would proceed upon its return to Open Session.

Thereafter, upon motion by the Chairman and with unanimous consent, the meeting adjourned into Executive Session.

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

Mr. Vargas said that, following discussion in Executive Session, the Real Estate Committee recommends that the Board approve management's recommendation that the Board declare the 33 Irvington Properties Surplus, determine their Value consistent with the meeting materials and authorize management to proceed with a Public Sale and Conveyance of the Properties following a public process. Upon motion duly made by the Chairman, with Ms. Lemelle, Mr. Vargas, Mr. Martorana, Mr. Piaia, Mr. Luckie, Mr. Kanef, Mr. Nixon and Mr. Egan voting in the affirmative and with Mr. Lewis-Powder and Mr. Maloney voting in the negative, the Board approved the Committee's recommendations in this matter with its vote in favor of ***Resolution A1***.

Next, Mr. Vargas said that, following discussion in Executive Session, the Real Estate Committee recommends that the Board authorize and approve the acquisition of four (4)

properties necessary to support the Union City School District's New Grades 7 to 9 School. He said that the Committee also recommends that the Board approve revisions to the Project Charter as proposed. Upon motion duly made by Mr. Luckie and seconded by Mr. Maloney, the Board approved the Committee's recommendations in this matter 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 December 4, 2019 meeting.

/s/ Jane F. Kelly
Assistant Secretary