

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD MEETING  
WEDNESDAY, JUNE 6, 2018 AT 9:00 A.M.  
32 E. FRONT STREET, TRENTON, NJ  
BOARD ROOM**

- 1. NOTICE OF PUBLIC MEETING**
- 2. ROLL CALL**
- 3. APPROVAL OF MEETING MINUTES**
  - a. Board Open Session Meeting Minutes of May 2, 2018
  - b. Board Executive Session Meeting Minutes of May 2, 2018
- 4. AUTHORITY MATTERS**
  - a. CEO Report
  - b. Chairman's Report
- 5. REPORT AND RECOMMENDATIONS OF THE AUDIT COMMITTEE (CHAIRMAN'S REPORT)**
  - a. 2017 Audited Financial Statements
  - b. 2017 Annual Report Pursuant to Executive Order No. 37 (2006)
- 6. REPORT AND RECOMMENDATIONS OF THE SCHOOL REVIEW COMMITTEE (CHAIRMAN'S REPORT) - TO BE PROVIDED IN EXECUTIVE SESSION**
- 7. REPORT AND RECOMMENDATION OF THE REAL ESTATE COMMITTEE (CHAIRMAN'S REPORT) - TO BE PROVIDED IN EXECUTIVE SESSION**
- 8. MONTHLY REPORTS**
  - a. *For Informational Purposes*
    - i. Active Projects Report
    - ii. Project Close Out Status Report
    - iii. Project Status Reports
    - iv. Contracts Executed Report/Amendments & Change Orders Executed Report
    - v. Contract Terminations Report (*no activity*)
    - vi. Settlement Activities Report (*no activity*)
    - vii. Contractor and Workforce Compliance Report
    - viii. Regular Operating District Grant Activity Report
    - ix. Notification of Amendments to Goods and Services Contracts Not Exceeding \$100,000 or 10% of the Contract Value (*no activity*)
    - x. Communications Report
    - xi. Monthly Financial Report
    - xii. Design Contract De-Obligations Report (*no activity*)
- 9. PUBLIC COMMENTS**

**10. EXECUTIVE SESSION**

- a. Recommendation for the Settlement of Cost Recovery Litigation Relating to the Egg Harbor Township High School Project
- b. Recommendation for Settlement of Outstanding Issues and Closeout of Demonstration Project Grant Agreements Relating to the New Brunswick High School, East Orange Pre-K-12 School for the Performing Arts, Trenton Daylight/Twilight Community School and Vineland Gloria M. Sabater Elementary School
- c. Recommendation for Declaration of Surplus Property, Determination of Property Value, and Authorization for Transfer of Real Property Formerly Associated with the Newark University High School Project
- d. Litigation/Contract Matter(s) – OPMA Exemption N.J.S.A. 10:4-12b (7)  
CCD Report (*no activity*)

**11. ADJOURNMENT**

**APPROVAL OF MEETING MINUTES**

**MAY 2, 2018 OPEN SESSION**

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS MEETING  
WEDNESDAY, MAY 2, 2018**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, May 2, 2018 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

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

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

At the Chairman's request, Charles McKenna, chief executive officer; Albert Alvarez, chief of staff; Andrew Yosha, executive vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Manuel Da Silva, vice president; Albert Barnes, chief counsel; and Thomas Schrum, managing director of

the SDA, participated in the meeting. Adam Sternbach of the Governor's Authorities Unit also 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 33 West State Street in Trenton, New Jersey. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

### ***Approval of Meeting Minutes***

The Chairman then presented for consideration and approval the Minutes of the April 4, 2018 Open and Executive Session meetings. Staff had provided a copy of both sets of minutes and a resolution to the Members for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Nixon, the Members unanimously approved the Open and Executive Session meeting minutes of the April 4, 2018 SDA Board meeting.

### ***Authority Matters***

#### ***CEO Report***

Mr. Walsh asked Mr. McKenna for the Report of the Chief Executive Officer. Mr. McKenna opened his report with an update on the Trenton Central HS (TCHS) project. He reported that roofing, exterior sheathing and concrete masonry unit (CMU) installation work is ongoing as is interior rough-in HVAC, fire suppression, electric, plumbing and framing, site work and parking lot curb installation.

Mr. McKenna said that for the Camden HS project, demolition of the 1916 building and site leveling work are ongoing. He advised that staff advertised for design-build services in March and proposals are due next month (June). For the East Orange George Washington Carver ES project, he reported that the design-builder's design phase services are ongoing. He said that underground detention system work is nearly complete and connection to the city system has begun.

Mr. McKenna gave an update on the Elizabeth New ES project. He reported that Torcon, the design-builder, continues to address punch-list items. He said that staff expects to file an application for a certificate of occupancy upon finalization of the testing, adjusting and balancing report. With regard to the Garfield James Madison ES No. 10 project, he informed the Members that the building is operating on permanent electrical power and is being conditioned. He noted that the school will open in September. He reported that the design-builder, Brockwell & Carrington, continues with interior finish work.

Mr. McKenna said that for the Harrison New ES project, design phase services are ongoing. He noted that Brockwell & Carrington continues with the installation of piles. With respect to the Irvington Madison Avenue ES project, he reported that structural steel erection is complete. He said that the pouring of floor slabs, masonry and concrete work all is ongoing. He added that that excavation work for the detention basin also is ongoing.

Mr. McKenna reported that for the Keansburg Port Monmouth Road ES project, LAN Associates continues with design phase services. For the addition and renovation project at the Millville HS, he said that Hall Construction, the design-builder, continues with design phase services. He added that Phase I demolition and renovation work has begun and the Department of Community Affairs (DCA) is reviewing Phase II demolition documents. Mr. McKenna said

that he, along with chief of staff Al Alvarez and program director Corrado Minervini recently traveled to Millville to meet with the residents to discuss what they might expect during construction.

Next, Mr. McKenna said that for the New Brunswick Paul Robeson ES project, site work, interior finish work and DCA final inspections are underway. He noted that the school is scheduled to open in September. He reported that for the Newark South Street ES project, also scheduled to open in September, interior partitions, painting, final electrical, plumbing, site work, ceiling grid installation, flooring and finish work are ongoing. He noted that final DCA building inspections also are underway.

Turning to projects in the Orange School District, Mr. McKenna reported that for the Cleveland ES project, DCA is currently reviewing construction documents for the project. For the Orange HS project, he said that design phase services continue.

In continuing, Mr. McKenna gave an update on projects in the Passaic School District. He said that for the Leonard Place ES project, roof installation, rooftop equipment installation, interior drywall, ceiling and mechanical electrical and plumbing work is ongoing. He advised the Members that staff recently toured the building with the district and that the district is happy with the progress there. For the Dayton Avenue Educational Campus project, he reported that design phase services and temporary classroom unit demolition is ongoing.

Mr. McKenna informed the Members that for the Paterson Union Avenue MS project (former site of Don Bosco Academy), staff advertised for design-build services the previous week. He said that demolition and removal of below grade structures and soil backfill activities are ongoing. With regard to the Pemberton Denbo-Crichton ES project, Mr. McKenna reported

that design phase services are ongoing. He said that the contractor performing early site package services is finalizing grading and fence installation.

Next, Mr. McKenna gave an update on the Perth Amboy Seaman Avenue ES project. He said that design phase services, structural steel erection, footings, foundation, site utility and curb installation work are ongoing, along with exterior building metal framing installation work. He added that CMU interior partition, ductwork and hollow-metal frame installation also is ongoing. With regard to the Vineland New MS project, he advised that final DCA building, electrical, plumbing, HVAC and site work inspections are ongoing. He noted that the school is close to being completed.

Turning next to ongoing procurement activity, Mr. McKenna said that, later in the meeting, management would be presenting construction management (CM) services awards for the Passaic Dayton Avenue Educational Campus and Pemberton Denbo-Crichton ES projects. He said that other activity currently underway includes procurements for design-build services for the Camden HS and Paterson Union Ave MS projects and demolition services for the Plainfield Woodland Avenue ES project.

Reporting on events, outreach and other SDA activities, Mr. McKenna said that SDA held a community meeting in Millville on April 23. He noted that the Passaic tour was held April 25. Next, Mr. McKenna reported that on May 7 SDA will present at Perth Amboy Board of Education meeting regarding the new High School project there.

Finally, Mr. McKenna informed the Members that SDA is scheduled to appear before the Joint Committee on the Public Schools on May 10.

### *Audit Committee*

At the Chairman's request, Mr. Nixon provided the report of the Audit Committee. He said that the Committee met on April 16, 2018 at which time management provided the Committee with the March 2018 New Funding Allocation and Capital Plan Update. He reported that there were no changes during the reporting period in any of the SDA District reserve balances. He advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$1 million during the reporting period due to reductions in state share for grant projects nearing completion.

Next, Mr. Nixon discussed management's request for Board approval of amendment No. 1 to the furniture, fixtures and equipment contract (FF&E or contract). He explained that the SDA's FF&E contract provides for the manufacture, delivery and installation of furniture, fixtures and equipment for SDA-constructed or -renovated schools. He noted that the Board approved the contract at its December 2015 meeting, authorizing the award of a contract to 29 firms to provide FF&E "goods and services" at the not-to-exceed amount of \$12,000,000 for the term of the contract. He said that the 2015 contract is scheduled to expire on March 30, 2019.

In continuing, Mr. Nixon advised the Board that, as of March 30, 2018, purchase orders have been issued with an approximate total value of \$10,100,000, leaving the contract with a balance of \$1.9 million for the remaining contract term. He said that, based on the budgets for the four (4) schools scheduled to be outfitted during the upcoming year, the remaining contract balance is inadequate to cover the anticipated purchases. He explained that the forecasted early completion of the TCHS project is responsible for approximately 54% of the additional funds requested in Amendment No. 1. Mr. Nixon advised that management and the Audit Committee recommend that the contract's not-to-exceed amount, including all awardees, be increased from

\$12,000,000 to \$20,000,000. He said that the need for this amendment results from SDA's success in completing schools ahead of schedule that were not included in the 2015 procurement.

Staff had provided the Members with a resolution pertaining to this matter in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Walsh, the Board approved the proposed Furniture Fixtures and Equipment Contract Amendment No. 1, with its unanimous vote in favor of ***Resolution 5a***.

Mr. Nixon then reported that Ernst & Young (EY or the Auditors) had presented a brief overview of the Authority's 2017 Financial Statements (Financial Statements). He noted that the Authority has just received the Governmental Accounting Standards Board (GASB) Statement No. 68 pension allocation amounts from the Department of the Treasury's Division of Pension & Benefits and that staff is reviewing the same. He advised that, upon completion of this review, the final audited Financial Statements will be presented at the June Board Meeting. He noted that EY did report that the Financial Statements, to date, present fairly, in all material respects, the financial position and changes in the financial position of the Authority, consistent with Generally Accepted Accounting Principles. He reported that EY outlined the areas of emphasis and thought processes utilized in the audit. He said that the Financial Statements contained no corrected misstatements or material uncorrected misstatements. He reported that EY did not find any matters that would rise to the level of either a material weakness or significant deficiency. He added that the independent auditors report would express an unmodified or clean opinion which suggests that the Financial Statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2017. He said that EY had commended the outstanding cooperation and professionalism that SDA staff demonstrated throughout the audit process.

In continuing, Mr. Nixon informed the Members that, in compliance with Executive Order 122, the Committee met with EY following the regular April Audit Committee meeting without management present.

Mr. Nixon then provided the Board with the March 2018 Monthly Financial report. He advised the Board that Year-to-Date Authority Operating Expenses (Actual vs. Budget) at \$5.7 million, are lower by \$441,000 as compared to the operating budget for the corresponding period. He explained that this variance is due to timing differences for capital asset expenditures. He also reported that year-to-date school facilities project expenditures, at \$65.1 million, are \$36.9 million lower as compared to the capital spending forecast for the corresponding period. He said that project expenditures (Actual vs. Prior Year Actual) have decreased by \$24.4 million as compared to the corresponding prior year. In concluding his report, Mr. Nixon reported that, currently, SDA has disbursed 80.5% of the funds authorized for the SDA Districts. Additionally, he said that, since program inception, 96% of all SDA disbursements relate to school facilities projects and 4% relate to operating expenses. Mr. Vargas congratulated the Authority on the positive audit and asked if the auditors had any recommendations for improvement. Mr. Nixon responded that there were no recommendations for improvement.

### *School Review Committee*

#### **Construction Management Services – Passaic School District – Dayton Avenue Educational Campus; Construction Management Services – Pemberton School District – Denbo-Crichton Elementary School**

Mr. Walsh asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie reported that the School Review Committee met on April 16, 2018. He said that the

Committee is recommending Board approval of a CM award for the Dayton Avenue Educational Campus project (the Project) in the Passaic School District. He informed the Members that the Project, designed to educate approximately 2,760 students in grades Pre-K through 8, will involve construction of an approximately 448,000 square foot, 4-story educational campus. He said that the campus consists of four school facilities located in a unified structure with shared central facilities. Mr. Luckie reported that in March 2012, the Board approved the Authority's 2012 Capital Plan identifying the Project for validation and advancement into pre-development. He said that in November 2013, the Board approved advancement of the Project in order to assist the district in addressing its overcrowding needs for Pre-K through 8 students, along with the preliminary charter recommending a design-build advancement approach. Mr. Luckie advised that in November 2017, the Board approved the Project's final charter and the award of a design-build construction contract to Terminal Construction (Terminal). He added that the next month, SDA issued Terminal a notice of award and, in January 2018, Terminal received the notice-to-proceed (NTP) with the design phase. He said that, thereafter, a package for CM services was advertised and subsequently re-advertised, as a "price" 40% and "other factors" 60% solicitation. He informed the Members that, after completion of the procurement process, staff recommends approval of a contract award for CM services in the amount of \$4,043,560 to Gilbane Building Company (Gilbane), in association with Epic Management. He noted that Gilbane has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. Mr. Schrum provided additional comments regarding the technical scoring on the project.

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 Mr. Nixon, the construction

manager award for the Passaic Dayton Avenue Educational Campus project was approved with the Board's unanimous vote in favor of *Resolution 6a*.

Next, Mr. Luckie said that that the Committee is also recommending approval of a CM award for the Pemberton Denbo-Crichton ES project (the Project). He said that the Project will involve construction of an approximately 126,000 square foot facility on a school site to educate 846 Pre-K through 5 students. He explained that the Project also includes demolition of the two existing school structures on the district-owned site—the Alexander Denbo ES and the Aletta Crichton ES. He informed the Members that demolition of the Crichton ES is currently underway in preparation for construction of the new school and, upon completion of the new school, the Denbo ES facility will undergo abatement and demolition. Mr. Luckie reported that in January 2014, the Board authorized SDA staff to take the required steps to advance a project for the Pemberton Denbo-Crichton ES following the Department of Education's identification of Facilities Efficiency Standard Compliance needs in the district. He said that in January 2018, the Members of the Authority approved the final project charter and the award of a design-build construction contract to Ernest Bock and Sons, Inc. (EBS). He advised that in January 2018, SDA issued EBS a notice of award for construction of the Project, and in February 2018, EBS received a NTP with the design phase of the Project. Mr. Luckie said that management now is seeking Board approval to enter into a contract for CM services. He noted that a package for CM services was advertised as a "price" (40%) and "other factors" (60%) solicitation beginning February 16, 2018. He said that, following completion of the procurement process, management recommends approval of a contract award for CM services in the amount of \$1,658,551 for the Project to Cambridge Construction Management, Inc. (Cambridge). He advised that Cambridge,

has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents. Mr. Schrum provided additional project detail.

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 Mr. Maloney, the construction manager award for the Pemberton Denbo-Crichton ES project was approved with the Board's unanimous vote in favor of ***Resolution 6b***.

At this time, Ms. Hassett announced that she was leaving the call.

### ***Public Comments***

The Chairman opened the Public Comments portion of the meeting. He asked Mr. Frank Faras to address the Board. Mr. Faras said that he lives across the street from the TCHS project site. He inquired as to why the previous month the Board had moved its regular meeting and had a special meeting prior to the meeting from which the public was excluded. He asked for a transcript of the prior meeting. Mr. McKenna responded that the meeting held prior to the regular Board meeting was an Executive Session meeting. Ms. Kelly indicated that the Open portion of the meeting was noticed for 9:15 AM and that the Executive Session was held just prior to the Open portion of the meeting. Mr. Faras asked why the Board held its Executive Session meeting prior to the Open meeting. Mr. McKenna explained that it was held prior to the Open meeting rather than following the Open meeting for logistical reasons. He explained that a dedication ceremony was scheduled to be held following the meeting. Ms. Kelly advised Mr. Faras that the public was afforded prior notice of the item that the Board would be discussing in Executive Session in advance of the public meeting. She also reminded Mr. Faras that the item that was discussed by the Board in Executive Session was described and voted on in the Open

Session meeting that day. Mr. Faras inquired as to when a transcript of the Executive Session would be available. Ms. Kelly responded that minutes of the Executive Session meeting would be subject to the Open Public Records Act (OPRA) after the matter that was under discussion is fully completed. She said that the Authority does this routinely.

Mr. Walsh then announced that the Board would be adjourning into Executive Session. Ms. Kelly said that the Board has resolved to discuss one item in Executive Session: a request to lease vacant land and to acquire temporary construction easements related to the Perth Amboy School District New HS. She said that the Board's vote 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 Committee recommends that the Board approve: 1) the lease of one Perth Amboy City-owned vacant lot and the acquisition of three temporary construction easements in Perth Amboy; and 2) establishment of a budget, inclusive of the settlement authority provided in the SDA Operating Authority, for just compensation to the property owners in connection with the New Perth Amboy HS. Upon motion duly made by Mr. Nixon and seconded by Mr. Luckie, the Board approved the Committee's recommendation 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 May 2, 2018 meeting.

*/s/ Jane F. Kelly*  
Assistant Secretary

***Resolution—3a./3b.*****Approval of Minutes**

**WHEREAS**, the By-Laws provide that the minutes of actions taken at meetings of the New Jersey Schools Development Authority be approved by the Authority's Board of Directors; and

**WHEREAS**, pursuant to Section 3(k) of P.L. 2007, Chapter 137, the minutes of the May 2, 2018 Board meeting of the New Jersey Schools Development Authority, for the Open and Executive Sessions were forwarded to the Governor on May 3, 2018.

**NOW, THEREFORE, BE IT RESOLVED**, that the minutes of the New Jersey Schools Development Authority's May 2, 2018 Open and Executive Session meetings are hereby approved.

**BE IT FURTHER RESOLVED**, that this resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10 day period, the Governor shall approve same, in which case such action shall become effective upon such approval.

Dated: June 6, 2018

## **AUTHORITY MATTERS**

**CEO REPORT (*ORAL*)**

**CHAIRMAN'S REPORT (*ORAL*)**

**REPORT AND RECOMMENDATIONS OF THE AUDIT COMMITTEE (CHAIRMAN'S REPORT)**

**2017 AUDITED FINANCIAL STATEMENTS**



STATE OF NEW JERSEY  
**SCHOOLS DEVELOPMENT AUTHORITY**

32 EAST FRONT STREET  
P.O. BOX 991  
TRENTON, NJ 08625-0991  
609-943-5955

**5**

**MEMORANDUM**

TO: The Members of the Authority

FROM: Sherman E. Cole, MBA, CPA /s/  
Controller

DATE: June 6, 2018

SUBJECT: 2017 Audited Financial Statements

The Office of the Chief Financial Officer is providing the attached report of the 2017 audited financial statements to the Members of the Authority for their review and approval as required pursuant to Executive Order 122 (2004), as amended by Executive Order 37 (2006).

Ernst & Young LLP performed the 2017 financial statement audit and has issued an unmodified or "clean" opinion, the highest level of assurance an auditor can give. Ernst & Young LLP performed the audit in accordance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS). Separately, the auditors issued a clean report on internal control over financial reporting and on compliance and other matters, which is confirmation that there were no findings of deficiencies or material weaknesses identified during the audit.

Previously on April 16, 2018, the Authority presented the draft 2017 financial statements to the Audit Committee. However, the April 16, draft financial statements did not include the updated pension amounts and disclosures pursuant to GASB Statement No. 68 as this information was not available at that time. Following an in-depth back-and-forth discussion regarding various noteworthy amounts and financial statement disclosures, Ernst & Young LLP presented its audit results and required communications in accordance with Statement of Auditing No. 114. Then on May 21, 2018, the Authority presented a revised draft of the 2017 financial statements to the Audit Committee, which included the updated GASB 68 pension information. At the conclusion of the May 21, 2018 presentation, the Audit Committee agreed it would advance the financial statements to the Board for final review and approval.

Recommendation

The Members of the Authority are recommended to approve the attached 2017 audited financial statements pursuant to Executive Order 122, as amended by Executive Order 37. The 2017 financial statements, along with Ernst & Young LLP's signed audit report, will be included in the Authority's 2017 Annual Report.

Attachment

**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
(a component unit of the State of New Jersey)



**FINANCIAL STATEMENTS**  
**AND REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2017

New Jersey Schools Development Authority  
 (a component unit of the State of New Jersey)

Financial Statements and Required Supplementary Information

For the Year Ended December 31, 2017

**Table of Contents**

Report of Independent Auditors..... 1

Management’s Discussion and Analysis..... 3

Statement of Net Position and General Fund Balance Sheet ..... 10

Statement of Activities and General Fund Revenues, Expenditures  
 and Changes in Fund Balance..... 11

Notes to Financial Statements ..... 12

Required Supplementary Information

Schedule of the Authority’s Proportionate Share of the Net Pension Liability ..... 36

Schedule of the Authority’s Contributions to the Public Employees’  
 Retirement System..... 37

Schedule of Changes in the Total Postemployment Benefits Other Than  
 Pensions (OPEB) Liability and Related Ratios ..... 39



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## Report of Independent Auditors

Management and Members of the Authority  
New Jersey Schools Development Authority

We have audited the accompanying financial statements of the New Jersey Schools Development Authority (the Authority), a component unit of the State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017, and the changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

## Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of the Authority's proportionate share of the net pension liability, the schedule of the Authority's contributions to the Public Employees' Retirement System (PERS) and the schedule of changes in the total postemployment benefits other than pensions (OPEB) liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Ernst + Young LLP*

May 17, 2018

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Management's Discussion and Analysis

For the Year ended December 31, 2017

This section of the New Jersey Schools Development Authority's (the "Authority" or "SDA") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2017. This management discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

**Nature of the Authority**

The SDA was established on August 6, 2007 to replace the New Jersey Schools Construction Corporation ("SCC") pursuant to reform legislation (P.L.2007, c.137). As of the date of the legislation, the SCC was dissolved and all its functions, powers, duties and employees were transferred to the SDA. Organizationally, the Authority is situated in, but not of, the New Jersey Department of the Treasury.

The School Construction Program is the largest public construction program undertaken by the State of New Jersey ("State") and represents one of the largest school construction programs ever undertaken in the nation. The program was initiated in response to the New Jersey Supreme Court's decision in Raymond Abbott et al. v. Fred G. Burke, 153 N.J. 480 (1998), which eventually led to the Legislature's adoption of the Educational Facilities Construction and Financing Act, P.L.2000, c.72 ("EFCFA") on July 18, 2000. The EFCFA, as amended in P.L.2008, c.39, provides for an aggregate \$12.5 billion principal amount of bond proceeds ("EFCFA funding") to be issued by the New Jersey Economic Development Authority ("EDA"), the financing agent for the Schools Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 urban school districts referred to as the "SDA Districts" (formerly Abbott Districts), \$3.45 billion is for non-SDA districts ("Regular Operating Districts") and \$150 million is reserved for vocational schools.

**School Construction Program Authorized Funding and Disbursements**

The Authority does not have an economic interest in any school facility project. With the exception of interest income on invested funds, the Authority does not generate substantial operating revenues, yet it incurs significant operating expenses to administer the School Construction Program. Costs related to school facilities projects are reported as school facilities project costs in the statement of activities. Program administrative and general expenses not identifiable specifically to school facilities projects are considered eligible project costs under EFCFA and are therefore paid from EFCFA funding.

Through December 31, 2017, the Authority has received \$10.8 billion of the designated \$12.5 billion principal amount of bond proceeds authorized for the School Construction Program. In addition, as of that date, the Authority has disbursed 82.3% of the currently authorized program funding, as follows:

	<u>Bonding Cap</u>	<u>Program Funding</u> <sup>1</sup>	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$ 8,900,000,000	\$ 9,013,371,335	\$ 7,218,843,049	80.1%
Regular Operating Districts	3,450,000,000	3,494,628,799	3,088,759,315	88.4%
Vocational Schools	150,000,000	151,783,290	113,441,723	74.7%
Totals	<u>\$ 12,500,000,000</u>	<u>\$ 12,659,783,424</u>	<u>\$ 10,421,044,087</u>	82.3%

<sup>1</sup> Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$160 million of interest income and miscellaneous revenue earned through December 31, 2017.

The 31 SDA Districts are located in 14 Counties throughout the State, as follows:

<u>County</u>	<u>School District</u>	<u>County</u>	<u>School District</u>
Atlantic	Pleasantville	Hudson	Union City
Bergen	Garfield	Hudson	West New York
Burlington	Burlington City	Mercer	Trenton
Burlington	Pemberton Township	Middlesex	New Brunswick
Camden	Camden	Middlesex	Perth Amboy
Camden	Gloucester City	Monmouth	Asbury Park
Cumberland	Bridgeton	Monmouth	Keansburg
Cumberland	Millville	Monmouth	Long Branch
Cumberland	Vineland	Monmouth	Neptune Township
Essex	East Orange	Passaic	Passaic City
Essex	Irvington	Passaic	Paterson
Essex	Newark	Salem	Salem City
Essex	Orange	Union	Elizabeth
Hudson	Harrison	Union	Plainfield
Hudson	Hoboken	Warren	Phillipsburg
Hudson	Jersey City		

In 2017, the SDA celebrated the opening of 5 capital plan school facilities projects directly benefitting nearly 4,200 students in the SDA Districts. The total State investment in these 5 projects was \$230 million.

As of December 31, 2017, the SDA has 11 active construction projects in the SDA Districts. In addition, pre-construction activity has commenced on several other projects. Furthermore, the Authority is currently in construction on 3 emergent needs projects in the SDA Districts. Emergent need projects most often address roof repairs or replacements; deteriorating façades; water infiltration; heating and cooling system issues; and plumbing, electrical, mechanical and security systems. The Authority maintains separate program reserves to address such emergent conditions as well as unforeseen events.

From inception through December 31, 2017, the School Construction Program has completed 685 projects in the SDA Districts. The completed projects consist of: 80 new schools, including 6 demonstration projects; 46 extensive additions, renovations and/or rehabilitations; 31 rehabilitation projects; 354 health and safety projects; and 174 Section 13 Grants for SDA District-managed projects. The demonstration projects serve as a cornerstone of revitalization efforts and are funded by the Authority but managed by a municipal redevelopment entity and redeveloper. In addition, in the Regular Operating Districts the Authority has completed 26 projects that it managed for the districts, and state funding was provided through Section 15 Grants for 4,544 school projects throughout the 21 counties of New Jersey.

The following information provides insight into the activities of the School Construction Program during the last five years and is not intended to be presented in accordance with generally accepted accounting principles.

	\$ In thousands				
	2017	2016	2015	2014	2013
EFCFA funding received from State	\$ 350,000	\$ 342,574	\$ 500,000	\$ 585,000	\$ -
Investment earnings, net	3,787	1,730	560	170	272
Administrative and general expenses	19,821	22,256	18,924	17,293	19,835
Capital expenditures	25	124	475	115	295
School facilities project costs	341,480	388,133	429,684	282,023	172,238
Employee count at end of year	211	229	230	227	243

### 2017 Financial Highlights

- At year end, the Authority's net position is \$392.7 million.
- At year end, cash and cash equivalents total \$539.8 million.
- For the year, revenues total \$353.8 million, \$350.0 million of which is from EFCFA funding received from the State (or 98.9%).
- For the year, expenses total \$361.5 million, \$341.5 million (94.5%) of which is for school facilities project costs.
- For the year, general fund expenditures exceed general fund revenues by \$6.1 million.

### Overview of the Financial Statements

The financial section of this annual report consists of three parts: Management's Discussion and Analysis; the basic financial statements; and required supplementary information. The Authority's basic financial statements consist of three components: 1) government-wide financial statements; 2) governmental fund financial statements (these are also referred to as the "general fund" financial statements); and 3) notes to financial statements. Because the Authority operates a single governmental program, its government-wide and governmental fund financial statements have been combined using a columnar format that reconciles individual line items of general fund financial data to government-wide data in a separate column on the face of the financial statement.

Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual balance reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal period.

Governmental fund financial statements are designed to provide the reader information about an entity's various funds. A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates a single governmental fund for financial reporting purposes and this fund is considered a general fund.

The focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the fund balance sheet and the statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

### **Financial Analysis of the Authority**

The Authority's net position decreased to \$392.7 million at year-end, primarily due to 2017 expenditures for school facilities projects (\$341.5 million) and administrative and general expenses (\$19.8 million) exceeding State funding under EFCFA (\$350.0 million).

The following table summarizes the Authority's net position at December 31, 2017 and 2016.

<b>\$ In thousands</b>			
<b>2017</b>	<b>2016</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>

Current assets	\$ 540,143	\$ 558,298	\$ (18,155)	(3.3)%
Capital assets-net	523	707	(184)	(26.0)%
Total assets	540,666	559,005	(18,339)	(3.3)%
Deferred outflows of resources	19,537	21,940	(2,403)	(11.0)%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 560,203</b>	<b>\$ 580,945</b>	<b>\$ (20,742)</b>	<b>(3.6)%</b>
Current liabilities	\$ 53,000	\$ 64,880	\$ (11,880)	(18.3)%
Non-current liabilities	98,667	112,583	(13,916)	(12.4)%
Total liabilities	151,667	177,463	(25,796)	(14.5)%
Deferred inflows of resources	15,795	3,075	12,720	413.7%
Net position:				
Net investment in capital assets	523	707	(184)	(26.0)%
Restricted for schools construction	392,218	399,700	(7,482)	(1.9)%
Total net position	392,741	400,407	(7,666)	(1.9)%
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 560,203</b>	<b>\$ 580,945</b>	<b>\$ (20,742)</b>	<b>(3.6)%</b>

*Note: All percentages are calculated using unrounded figures.*

#### *Significant Account Variances for Net Position*

*Current assets:* The decrease is due to reductions in cash and cash equivalents, prepaid expenses and receivables.

*Capital assets-net:* The decrease is due largely to the recording of depreciation expense for assets in service during the year, slightly offset by new capital asset purchases.

*Deferred outflows of resources:* The decrease is due mainly to lower deferred outflows of resources associated with pensions.

*Current liabilities:* The decrease is due mostly to the reduction in accrued school facilities project costs for amounts billed but not paid for services rendered in 2017.

*Non-current liabilities:* The decrease is due primarily to the significantly lower net pension liability.

*Deferred inflows of resources:* The increase is due mainly to higher deferred inflows of resources associated with pensions and other postemployment benefit obligations.

The following table summarizes the change in net position for the years ended December 31, 2017 and 2016.

	\$ In thousands			
	2017	2016	\$ Increase/ (Decrease)	% Increase/ (Decrease)
<b>Revenues</b>				
EFCFA funding received from State	\$ 350,000	\$ 342,574	\$ 7,426	2.2%
Investment earnings	3,787	1,730	2,057	118.8%
Rental property income	41	808	(767)	(94.9)%
Other revenue	16	1	15	980.4%
Total revenues	<u>353,844</u>	<u>345,113</u>	<u>8,731</u>	<u>2.5%</u>
<b>Expenses</b>				
Administrative and general expenses	19,821	22,256	(2,435)	(10.9)%
Depreciation	209	184	25	13.6%
School facilities project costs	341,480	388,133	(46,653)	(12.0)%
Total expenses	<u>361,510</u>	<u>410,573</u>	<u>(49,063)</u>	<u>(12.0)%</u>
Change in net position	<u>(7,666)</u>	<u>(65,460)</u>	<u>57,794</u>	<u>88.3%</u>
Beginning net position	<u>400,407</u>	<u>465,867</u>	<u>(65,460)</u>	<u>(14.1)%</u>
Ending net position	<u>\$ 392,741</u>	<u>\$ 400,407</u>	<u>\$ (7,666)</u>	<u>(1.9)%</u>

*Note: All percentages are calculated using unrounded figures.*

#### *Significant Account Variances for the Change in Net Position*

*EFCFA funding received from State:* The Authority derives essentially all of its revenue from the proceeds of tax-exempt bonds issued by the EDA.

The moderate increase in the amount of bond proceeds received in 2017 is a function of the Authority's projected cash requirements, as well as market conditions and other considerations as determined by the EDA and the State of New Jersey, Department of the Treasury.

*Investment earnings:* The Authority earns interest on invested funds primarily through its participation in the State Cash Management Fund, a fund managed by the Division of Investment under the Department of Treasury. The fund consists of U.S. Treasury obligations, government agencies obligations, certificates of deposit and commercial paper.

The increase is due to higher investment return rates and a slightly larger average invested cash balance during 2017.

*Administrative and general expenses:* The decrease is due primarily to lower employee salaries and benefit costs, with the largest reduction being in pension expense. Also contributing to the decrease are lower spending for temporary staffing services and training and professional development. These decreases are partially offset by increases in spending for professional and other contracted services, information systems and facilities and general office expenses.

*School facilities project costs:* The decrease is due to lower spending in construction, school furniture, fixtures and equipment and project insurance, partially offset by spending increases in the regular operating district grant program.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide New Jersey citizens and taxpayers, and the Authority's customers, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives from the State. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, New Jersey Schools Development Authority, P.O. Box 991, Trenton, NJ 08625-0991, or visit our web site at [www.njsda.gov](http://www.njsda.gov).

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Statement of Net Position and General Fund Balance Sheet

December 31, 2017

5

	General Fund Total	Adjustments (Note 8)	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 539,839,623	\$ -	\$ 539,839,623
Receivables	37,536	-	37,536
Prepaid expenses	266,426	-	266,426
Capital assets-net	-	522,915	522,915
Total assets	<u>540,143,585</u>	<u>522,915</u>	<u>540,666,500</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount for pensions	-	19,206,757	19,206,757
Deferred amount for other postemployment benefits	-	330,000	330,000
Total deferred outflows of resources	<u>-</u>	<u>19,536,757</u>	<u>19,536,757</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 540,143,585</u></b>	<b><u>\$ 20,059,672</u></b>	<b><u>\$ 560,203,257</u></b>
<b>Current Liabilities</b>			
Accrued school facilities project costs	\$ 48,885,638	\$ -	\$ 48,885,638
Other accrued liabilities	716,501	-	716,501
Escrow deposits	3,397,638	-	3,397,638
Total current liabilities	<u>52,999,777</u>	<u>-</u>	<u>52,999,777</u>
<b>Non-Current Liabilities</b>			
Accrued school facilities project costs	-	9,285,082	9,285,082
Net pension liability	-	60,083,669	60,083,669
Total postemployment benefits liability	-	25,290,074	25,290,074
Other accrued liabilities	-	4,008,464	4,008,464
Total non-current liabilities	<u>-</u>	<u>98,667,289</u>	<u>98,667,289</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount for pensions	-	14,424,665	14,424,665
Deferred amount for other postemployment benefits	-	1,370,792	1,370,792
Total deferred inflows of resources	<u>-</u>	<u>15,795,457</u>	<u>15,795,457</u>
<b>Fund Balance/Net Position</b>			
Net investment in capital assets	-	522,915	522,915
Nonspendable:			
Prepaid expenses	266,426	(266,426)	-
Restricted for schools construction	486,877,382	(94,659,563)	392,217,819
Total fund balance/net position	<u>487,143,808</u>	<u>(94,403,074)</u>	<u>392,740,734</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</b>	<b><u>\$ 540,143,585</u></b>	<b><u>\$ 20,059,672</u></b>	<b><u>\$ 560,203,257</u></b>

See accompanying notes.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Statement of Activities and General Fund Revenues,  
Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2017

5

	<b>General Fund Total</b>	<b>Adjustments (Note 8)</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
School Construction Program:			
EFCFA funding received from State	\$ 350,000,000	\$ -	\$ 350,000,000
General:			
Investment earnings	3,786,684	-	3,786,684
Rental property income	41,000	-	41,000
Other revenue	16,011	-	16,011
Total revenues	<u>353,843,695</u>	<u>-</u>	<u>353,843,695</u>
<b>Expenditures/Expenses</b>			
Administrative and general expenses	15,739,533	4,081,693	19,821,226
Capital expenditures	24,699	(24,699)	-
Capital depreciation	-	208,888	208,888
School facilities project costs	344,200,856	(2,721,165)	341,479,691
Total expenditures/expenses	<u>359,965,088</u>	<u>1,544,717</u>	<u>361,509,805</u>
Deficiency of revenues over expenditures/Change in net position	(6,121,393)	(1,544,717)	(7,666,110)
<b>Fund Balance/Net Position</b>			
Beginning of year, January 1, 2017	493,265,201	(92,858,357)	400,406,844
End of year, December 31, 2017	<u>\$ 487,143,808</u>	<u>\$ (94,403,074)</u>	<u>\$ 392,740,734</u>

*See accompanying notes.*

**New Jersey Schools Development Authority**  
(a component unit of the State of New Jersey)

**Notes to Financial Statements**

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**1. Nature of the Authority**

The New Jersey Schools Development Authority (the “Authority” or “SDA”) was established on August 6, 2007 to replace the New Jersey Schools Construction Corporation (“SCC”) pursuant to reform legislation (P.L.2007, c.137). As of the date of the legislation, the SCC was dissolved and all its functions, powers, duties and employees were transferred to the SDA. The Authority is governed by its own Board of Directors and is fiscally dependent upon the State of New Jersey (“State”) for funding. Organizationally, the Authority is situated in, but not of, the New Jersey Department of the Treasury.

The School Construction Program was initiated in response to the New Jersey Supreme Court’s decision in *Raymond Abbott et al. v. Fred G. Burke*, 153 N.J. 480 (1998), which eventually led to the Legislature’s adoption of the Educational Facilities Construction and Financing Act, P.L.2000, c.72 (“EFCFA”) on July 18, 2000. The EFCFA, as amended in P.L.2008, c.39, provides for an aggregate \$12.5 billion principal amount of bond proceeds (“EFCFA funding”) to be issued by the New Jersey Economic Development Authority (“EDA”), the financing agent for the Schools Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 urban school districts referred to as the “SDA Districts” (formerly Abbott Districts), \$3.45 billion is for non-SDA districts (“Regular Operating Districts”) and \$150 million is reserved for vocational schools.

**2. Summary of Significant Accounting Policies**

**(a) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) EFCFA funding received from the State which monies are restricted to meeting either the operational or capital requirements of the School Construction Program.

Separate financial statements are provided for the Authority’s governmental fund (these are also referred to as the “general fund” financial statements). Because the Authority operates a single governmental program, its government-wide and governmental fund financial statements have been combined using a columnar format that reconciles individual line items of general fund financial data to government-wide data in a separate column on the face of the financial statement.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental fund is classified as a general fund and its financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting; however, expenditures related to compensated absences and certain other accruals are recorded only when payment is due. With regard to the Authority's general fund, restricted amounts are considered to have been spent only after the expenditure is incurred for which there is available restricted fund balance.

**(c) Revenue Recognition**

Rental property income is received under month-to-month lease occupancy agreements. Acquisitions of various properties for the construction of school facilities projects generate rental revenue prior to the relocation of the occupants. Rental property income is generally recognized when received.

**(d) Allocation of Employee Salaries and Benefits Costs**

The Authority allocates employee salaries and benefits costs between operating expense (i.e., administrative and general expenses) and school facilities project costs on the Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance. The allocation of employee salaries to school facilities project costs is supported by weekly time sheet data; employee benefits costs are allocated to projects based on a projected annual fringe benefit rate determined by the Authority. The fringe benefit rate utilized for 2017 is 40.75%.

For the year ended December 31, 2017, employee salary and benefit costs are allocated as follows:

Employee salary and fringe benefits costs:	
Charged to administrative and general expenses	\$ 15,232,307
Charged to school facilities project costs	<u>14,266,816</u>
Total employee salary and benefits costs	<u>\$ 29,499,123</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

**(e) Rebate Arbitrage**

Rebate arbitrage is defined by Internal Revenue Code (“IRC”) Section 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The amount of rebates due the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. The Authority, the EDA and the New Jersey Department of the Treasury, Office of Public Finance have determined that any rebate arbitrage liability associated with an issue of School Facilities Construction Bonds shall be recorded on the Authority’s books since the Authority retains the income on the investment of bond proceeds.

It is the Authority’s policy to record rebate arbitrage liabilities only when it is probable that any excess investment income, as defined above, will not be retained by the Authority. The Authority does not record rebate liabilities in cases where it is projected that the liability will be negated by the 24-month spending exception in accordance with the IRC.

Rebate arbitrage calculations have been performed for all series of School Facilities Construction Bonds up through 2017 Series DDD. As of December 31, 2017, no rebate arbitrage liabilities exist.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with original maturities of three months or less, and participation in the State of New Jersey Cash Management Fund (“NJCMF”), a fund managed by the Division of Investment under the Department of Treasury. It consists of U.S. Treasury obligations, government agencies obligations, certificates of deposit and commercial paper. Cash equivalents are stated at fair value. The fair value is measured based on net asset value (“NAV”) which approximates \$1 per share.

**(g) Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

**(h) Capital Assets**

Capital assets are reported in the governmental activity column in the government-wide financial statements and are recorded at historical cost or estimated historical cost if purchased and constructed. The Authority’s current capitalization threshold is \$10,000 for individual items meeting all other capitalization criterion. As of December 31, 2017, the Authority’s capital assets consist of leasehold improvements, automobiles, equipment, computer software

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

and furniture and fixtures. Depreciation is provided by the straight-line method over the shorter of the life of the lease or the useful life of the related asset.

The Authority does not have an economic interest in any school facility project that it finances. Therefore, costs related to school facilities projects are not recorded as capital assets in the Authority's Statement of Net Position but instead are reported as school facilities project costs in the statement of activities.

**(i) Taxes**

The Authority is exempt from all federal and state income taxes and real estate taxes under Internal Revenue Code Section 115.

**(j) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(k) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employee Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan asset investments are reported at fair value.

**(l) Accounting Standards Issued But Not Yet Adopted**

Government Accounting Standards Board ("GASB") Statement No. 85, *Omnibus 2017*, was issued in March 2017. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits ("OPEB"). Among the various topics that may pertain to the Authority financial reporting include; blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

statements prepared using the current financial resources measurement focus, and classifying employer-paid member contributions for OPEB.

The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment*, was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole-purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement is effective for fiscal years beginning after December 15, 2019. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

### 3. Deposits and Investments

#### (a) Cash Flows

Cash and cash equivalents decreased during the year by \$17.4 million to \$539.8 million as follows:

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

Cash and cash equivalents, beginning of year	\$ 557,246,319
Changes in cash:	
EFCFA funding received from State	350,000,000
Investment and interest income	3,786,684
Miscellaneous revenue	57,011
School facilities project costs	(355,980,655)
Administrative and general expenses	(15,162,386)
Capital expenditures	(24,699)
Escrow deposits	(82,651)
Cash and cash equivalents, end of year	<u>\$ 539,839,623</u>

**(b) Cash and Cash Equivalents**

Operating cash, in the form of Negotiable Order of Withdrawal (“NOW”) accounts, is held in the Authority’s name by two commercial banking institutions. At December 31, 2017, the carrying amount of operating cash is \$7,052,938 and the bank balance is \$7,204,132. Regarding the amount held by commercial banking institutions, up to \$250,000 at each institution is insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, NOW accounts are profiled in order to determine exposure, if any, to custodial credit risk (risk that in the event of failure of the counterparty the account owner would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to custodial credit risk if they are: uninsured and uncollateralized (securities not pledged to the depositor); collateralized with securities held by the pledging financial institution; or collateralized with securities held by the financial institution’s trust department or agent but not in the government’s name. At December 31, 2017, all of the Authority’s deposits were insured or collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

**(c) Investments**

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasury Notes and Bills; short-term commercial paper; U.S. Agency Bonds; corporate bonds; and certificates of deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2017, the Authority’s investments in the NJCMF total \$532,786,685. Of this amount, \$3,397,638 relates to district local share funding requirements (see Note 6).

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

*Custodial Credit Risk:* Pursuant to GASB Statement No. 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. As previously stated, the Authority does not have a policy for custodial credit risk.

*Credit Risk:* The Authority does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

*Interest Rate Risk:* The Authority does not have a policy to limit interest rate risk. The average maturity of the Authority's sole investment, the NJCMF, is less than one year.

#### 4. Prepaid Expenses

As of December 31, 2017, the Authority's prepaid expenses are as follows:

Office rents	\$ 123,587
Service contracts	108,086
Other	34,753
Total prepaid expenses	<u>\$ 266,426</u>

#### 5. Escrow Deposits

The Authority has received funds from several local school districts as required by Local Share Agreements for the funding of the local share portion of Regular Operating District school facility projects, or to cover certain ineligible costs pertaining to projects in the SDA Districts. These deposits, including investment earnings, are reflected as liabilities in the accompanying financial statements. As of December 31, 2017, deposits held in SDA bank accounts, inclusive of interest earned but not yet refunded to the district, are as follows:

City of Newark	\$ 455,499
Egg Harbor City	275,099
Gloucester City	13,137
New Brunswick	39,082
Perth Amboy	2,541,981
Phillipsburg	12,835
Other	60,005
Total escrow deposits	<u>\$ 3,397,638</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

### 6. Rental of Office Space

The Authority rents commercial office space for its headquarters facility in Trenton, as well as other office space in Newark. The remaining terms of these leases range from 1 to 6 years. Total rental expense for the year ended December 31, 2017 amounted to \$1,590,996.

Future rent commitments under operating leases as of December 31, 2017 are as follows:

2018	\$ 1,243,113
2019	1,062,008
2020	1,077,938
2021	1,094,107
2022	1,110,519
2023	<u>1,127,177</u>
Total future rent expense	<u><u>\$ 6,714,862</u></u>

### 7. Capital Assets

Capital asset activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets:				
Leasehold improvements	\$ 502,679	\$ -	\$ -	\$ 502,679
Office furniture and equipment	5,902,104	24,699	-	5,926,803
Computer software	568,993	-	-	568,993
Automobiles	463,875	-	(142,217)	321,658
Capital assets-gross	<u>7,437,651</u>	<u>24,699</u>	<u>(142,217)</u>	<u>7,320,133</u>
Less: accumulated depreciation	(6,730,547)	(208,888)	142,217	(6,797,218)
Capital assets-net	<u>\$ 707,104</u>	<u>\$ (184,189)</u>	<u>\$ -</u>	<u>\$ 522,915</u>

### 8. Reconciliation of Government-Wide and Fund Financial Statements

#### (a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

“Total fund balances” for the Authority’s general fund (\$487,143,808) differs from the “net position” reported on the statement of net position (\$392,740,734). This difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the fund balance sheet. When capital assets that are to be used in the Authority’s activities are constructed or acquired, the costs of those assets are reported as expenditures in the fund financial statements. However, the statement of net position includes

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

those capital assets among the assets of the Authority as a whole. In addition, expenses associated with depreciation, accrued school facilities project costs not currently due for payment and non-current other postemployment benefits and compensated absences are not recorded in the fund financial statements until paid.

A summary of these differences at December 31, 2017 is as follows:

Fund balances	\$ 487,143,808
Capital assets, net of accumulated depreciation of \$(6,797,218)	522,915
Deferred outflows of resources for pensions and other postemployment benefits	19,536,757
Accrued school facilities project costs	(9,285,082)
Net pension liability	(60,083,669)
Total other postemployment benefits liability	(25,290,074)
Accrued compensated absences	(1,287,359)
OPEB payable	(330,000)
Accrued pension payable	(2,391,105)
Deferred inflows of resources for pensions and other postemployment benefits	<u>(15,795,457)</u>
Net position	<u>\$ 392,740,734</u>

**(b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between excess of revenues over expenditures and changes in net position as reported in the government-wide statement of activities. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. A summary of these differences for the year ended December 31, 2017 is as follows:

Deficiency of revenues over expenditures	\$ (6,121,393)
School facilities project costs	2,721,165
Pension expense (GASB 68)	(1,945,405)
Other postemployment benefits expense (GASB 75)	(2,159,903)
Compensated absences expense	23,615
Capital asset acquisitions	24,699
Depreciation expense	<u>(208,888)</u>
Changes in net position	<u>\$ (7,666,110)</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

### 9. Pollution Remediation Obligations

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the Authority has recorded in the statement of net position a pollution remediation obligation (“PRO”) liability (net of environmental cost recoveries not yet realized) in the amount of \$1,999,849 as of December 31, 2017. This liability is included in accrued school facilities project costs reported on the statement of net position. The Authority’s PRO liability and asset are charged or credited to school facilities project costs in the statement of activities. The Authority’s PRO liability is measured based on the current cost of future activities. Also, the PRO liability was estimated using “the expected cash flow technique,” which measures the liability as the sum of probability weighted amounts in a range of possible estimated outcomes.

The Authority owns numerous properties with environmental issues that meet the criteria for “obligating events” and disclosure under GASB Statement No. 49. All of the properties meeting the criteria were acquired by the Authority for the purpose of constructing a school facilities project on behalf of an SDA District and, at the present, the Authority believes it has obligated itself to commence clean-up activities. The Authority will continue to evaluate the applicability of this Statement relating to specific project sites as adjustments are made to its portfolio of school facilities projects. The Authority’s remediation activities generally include: pre-cleanup activities including preliminary assessment and site investigation; asbestos and lead based paint removal; underground storage tank removal; neutralization, containment, removal and disposal of ground pollutants; site restoration; and post-remediation monitoring and oversight. The following table summarizes the Authority’s expected cash outlays (estimated costs), payments and cost recoveries related to numerous SDA-owned properties associated with school facilities projects in various stages of pre-development and construction.

	<b>Estimated Cost</b>	<b>Payments to Date</b>	<b>PRO at 12-31-2017</b>
Pre-cleanup activities	\$ 1,592,422	\$ 1,479,007	\$ 113,415
Site remediation work	19,327,583	16,540,687	2,786,896
Post-remediation monitoring	412,820	77,647	335,173
Asbestos and lead based paint removal	6,387,050	5,610,113	776,937
Sub-total	27,719,875	23,707,454	4,012,421
Less: Estimated environmental cost recoveries (ECR) not yet realized	2,012,572	-	2,012,572
Liability for pollution remediation obligations	<u>\$ 25,707,303</u>	<u>\$ 23,707,454</u>	<u>\$ 1,999,849</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

The following table summarizes the changes in the Authority's PRO liability during the year ended December 31, 2017:

PRO at 12-31-2016	Increase in Expected Cash Outlays	PRO Payments	Increase in ECR Not Yet Realized	PRO at 12-31-2017
\$4,288,607	\$72,981	\$(2,134,512)	\$(227,227)	\$1,999,849

## 10. Commitments and Contingencies

### (a) Contractual Commitments

At December 31, 2017, the Authority has approximately \$819 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

### (b) Contractor and Other Claims

Numerous contractor and other claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors, project management firms and school districts relating to disputes concerning school construction matters (e.g., delays, labor and material price increases). The Authority resolves contractor claims by following the administrative process noted in the relevant contract. As of December 31, 2017, the Authority's potential loss from all claims has been estimated at approximately \$7.3 million, which represents a decrease of \$0.6 million from the prior year end accrual. Accordingly, as of December 31, 2017, an accrued liability of \$7.3 million is reflected in the statement of net position as a component of accrued school facilities project costs and, for the year then ended, \$0.6 million is charged to school facilities project costs on the statement of activities.

### (c) Insurance

The Authority maintains commercial insurance coverage for, among other things, workers' compensation, tort liability (including public liability and automobile) and property damage. Additionally, in support of its construction operations the Authority has implemented an Owner Controlled Insurance Program ("OCIP") and has also purchased Builders Risk and Owners Protective Professional Indemnity Insurance ("OPPI"), all of which are discussed below. As of December 31, 2017, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage.

The Authority has implemented an OCIP that "wraps up" multiple types of insurance coverage into one program. The Authority initially implemented a three-year OCIP, effective December 31, 2003 ("OCIP I"), to provide workers' compensation, commercial general liability and umbrella/excess liability insurance for all eligible contractors performing labor on school facilities projects. OCIP I was subsequently extended to March

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

31, 2009. Policy limits for OCIP I vary depending upon, among other things, the type of insurance coverage; a \$300 million umbrella/excess liability program provides additional protection against potentially catastrophic losses resulting from workers' compensation and commercial general liability claims. Losses are subject to a \$250,000 per claim deductible. Although OCIP I is no longer enrolling new projects into the program since its expiration, completed operations coverage continues for 10 years for claims that arise after the completion of construction.

In 2009, the Authority approved the purchase of a succeeding five-year OCIP ("OCIP II") program to coincide with the expiration of the OCIP I enrollment period for new projects. OCIP II, as originally purchased, provided coverage for projects commencing construction between March 31, 2009 and March 31, 2012. The OCIP II enrollment period was extended to March 31, 2014 at no additional cost to the Authority. The extension also provided an additional two years for the completion of enrolled projects. Subsequently, the Authority authorized the purchase of a new three-year OCIP ("OCIP III") with an effective date of March 1, 2015. Similar to OCIP I, policy limits for OCIP II and OCIP III vary depending upon, among other things, the type of insurance coverage; a \$200 million umbrella/excess liability program provides additional protection against potentially catastrophic losses resulting from workers' compensation and commercial general liability claims. Losses are subject to either a \$250,000 per claim deductible or a \$350,000 deductible in the event that both a workers' compensation and general liability claim occur from the same incident. Additionally, OCIP II and OCIP III each provide 10 years of completed operations coverage for claims that arise after the completion of construction. Premiums for OCIP II and OCIP III are adjustable based upon actual construction values for enrolled contractors (not all trades are eligible for enrollment) on insured projects.

In connection with OCIP I, the Authority executed a Funded Multi-Line Deductible Program Agreement which, among other things, required the Authority to fund a Deductible Reimbursement Fund ("DRF") to collateralize the Authority's estimated deductible obligations under certain OCIP I policies. The DRF, which was established at \$37 million, consists of cash payments by the Authority totaling \$34.9 million, and a one-time credit of \$2.1 million received at inception for estimated interest. The cash portion of the DRF was funded by the Authority in installments during the period from December 2003 through December 2006, and expensed as paid as school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balance.

Concurrent with the Authority's purchase of OCIP II, the insurer agreed to transfer a portion of the remaining available funds from the Authority's DRF to a new Loss Reimbursement Fund ("LRF"). The LRF for OCIP II was initially established at approximately \$18.9 million to partially fund a maximum deductible obligation of \$26 million. Approximately \$9.9 million remained in the LRF for OCIP I. In connection with the OCIP II extension, discussed above, the maximum deductible obligation was reduced

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

to \$16 million. In 2015, concurrent with the purchase of OCIP III with a new insurer, the Authority was required to fund a new LRF in the amount of approximately \$4.5 million to partially fund a maximum deductible obligation of \$12.4 million. All monies deposited in the respective LRFs accrue interest to the benefit of the Authority and are available to pay claim costs arising from construction projects enrolled in a specific OCIP.

As of December 31, 2017, the Authority has open reserves for general liability and workers' compensation claims totaling approximately \$140,000, \$1.1 million and \$710,000, under OCIP I, OCIP II and OCIP III, respectively. All monies deposited in the LRF and not used to pay claims will be refunded to the Authority along with accrued interest. Under the terms of the contract, the Authority has no claim or interest in the LRF until six (6) months after the expiration of the program. Since their respective enrollment periods have expired, the DRF for OCIP I and the LRF for OCIP II are reviewed annually and the deductible obligation re-determined; if the respective deductible fund is determined to be overfunded based on the annual re-determination, the Authority entitled to a refund of the difference.

Since the inception of OCIP I, the Authority has purchased and maintained Builders Risk property insurance that protects the Authority from unexpected losses due to fire, vandalism, lightning, wind and similar forces during construction of a school facilities project. The current insurance policy expiration date is March 1, 2020 and provides a limit of \$200 million for any one project.

In October 2009, the Authority purchased a 5-year, \$25 million limit of liability OPPI policy designed to provide additional protection in excess of the professional liability insurance maintained by the Authority's contracted design professionals. The policy is subject to a \$500,000 self-insured retention, and provides coverage for construction projects. The policy also provides an Extended Reporting Period ("ERP") of up to 10 years to report claims, commencing on the earlier of project substantial completion or the policy expiration date of October 1, 2014.

In December 2014, the Authority approved the purchase of a new 5-year OPPI policy, including excess Contractors Pollution Liability ("CPL"), for SDA construction projects commencing construction on or after December 31, 2014 and prior to December 31, 2019. The policy provides a \$25 million limit of liability subject to a \$500,000 self-insured retention for OPPI, and a \$250,000 self-insured retention for CPL. Additionally, the policy provides an ERP of up to 8 years to report claims, commencing on the earlier of project substantial completion or the policy expiration date of December 31, 2019.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

## 11. Employee Benefits

### (a.1) Public Employees' Retirement System of New Jersey

*Plan description and benefits provided.* All active, full-time employees of the Authority are required as a condition of employment to participate in the Public Employees' Retirement System of New Jersey ("PERS" or "Plan"), a cost-sharing, and multiple-employer defined benefit plan administered by the State. The contribution policy is established by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Currently as of July 1, 2017, employees are required to contribute 7.34% (up from 7.20%) of their annual compensation to the Plan. Annual increases of 0.14% will be phased in effective each July 1 during the succeeding 5 years bringing the pension contribution rate for employees up to 7.5%. All Plan participants are categorized within membership Tiers in accordance with their enrollment date in the PERS, as follows: Tier 1 includes those members enrolled in the PERS prior to July 1, 2007; Tier 2 includes those members enrolled in the PERS on or after July 1, 2007 and prior to November 2, 2008; Tier 3 includes those members enrolled in the PERS on or after November 2, 2008 and on or before May 22, 2010; Tier 4 includes those members enrolled in the PERS after May 22, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in the PERS on or after June 28, 2011. Depending on the Tier, other factors including minimum base salary amounts and/or minimum hours worked, among other things, may impact an employee's eligibility in the PERS. As discussed below, members enrolled in the PERS on or after July 1, 2007, and who earn an annual salary in excess of established limits, are eligible to participate in a Defined Contribution Retirement Program ("DCRP") administered by Prudential Financial on behalf of the State.

The general formula for annual retirement benefits for Tier 1, Tier 2, and Tier 3 members is the final 3-year average salary divided by 55, times the employee's years of service. The formula for Tier 4 and Tier 5 members is the final 5-year average salary divided by 60, times the employee's years of service. Pension benefits for all members fully vest upon reaching 10 years of credited service. Tier 1 and Tier 2 members are eligible for normal retirement at age 60, while Tier 3 and Tier 4 members are eligible for normal retirement at age 62. Tier 5 members are eligible for normal retirement at age 65. No minimum years of service is required once an employee reaches the applicable retirement age.

Tier 1 members who have 25 years or more of credited service may elect early retirement without penalty at or after age 55, and receive full retirement benefits; however, the retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 2 members with 25 years or more of credited service the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 60 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 3 and Tier 4 members the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 62 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. Lastly, for Tier 5 members the

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 65.

The PERS also provides death and disability benefits. The State of New Jersey, as established by N.J.S.A. 43:15A, has the authority to establish and/or amend any of the benefit provisions and contribution requirements.

**(a.2) Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

In accordance with GASB 68, the Authority recognized a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (“TPL”) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (“FNP”).

At December 31, 2017, the Authority reported a liability of \$60.1 million in the statement of net position for its proportionate share of the net pension liability for the PERS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The actuarial valuation was rolled forward to June 30, 2017 using update procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the Plan relative to the projected contributions of all participating State agencies, actuarially determined. At June 30, 2017, the Authority’s proportionate share was estimated to be 0.25811%. The change in proportion since the prior measurement date was an increase of 0.01352%.

In accordance with GASB 68, for the year ended December 31, 2017, the Authority recognized pension expense of \$4,118,272, of which \$2,172,867 (the amount of the Authority’s 2017 contractually required pension contribution to the PERS) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The amount of the Authority’s pension contribution due on April 1, 2018 is \$2,391,105. Pension expense is reported in the Authority’s financial statements as a component of administrative and general expenses.

The Authority’s contractually required contribution to the PERS for the year ended December 31, 2017 was \$2,172,867, which is 13.2% of annual covered payroll. Based on the recommendation of the State of New Jersey Department of the Treasury, the investment rate of return used to calculate the actuarially determined contribution effective with the July 1, 2017 valuation was 7.50% per annum. The Department of the Treasury recommendation also calls for the rate to be reduced further to 7.30% per annum effective with the July 1, 2019 valuation, and to 7.00% per annum effective with the July 1, 2021 valuation. The actuarially determined employer contribution amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

At December 31, 2017, the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 409,129	\$ -
Differences between expected and actual experience	1,414,763	-
Changes in assumptions or other inputs	12,104,789	12,060,410
Changes in proportion	2,886,971	2,364,255
Contributions subsequent to the measurement date	2,391,105	-
Total deferred outflows and inflows of resources	<u>\$ 19,206,757</u>	<u>\$ 14,424,665</u>

Deferred outflows of resources of \$2,391,105 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2018)	\$ 1,500,809
Year 2 (2019)	1,500,809
Year 3 (2020)	1,400,899
Year 4 (2021)	(1,089,793)
Year 5 (2022)	(921,737)
Total	<u>\$ 2,390,987</u>

***Actuarial methods and assumptions***

The collective total pension liability in the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The key actuarial assumptions are summarized as follows:

Rate of inflation	2.25%
Salary increase:	
Through 2026	1.65% – 4.15% (based on age)
Thereafter	2.65% – 5.15% (based on age)
Investment rate of return	7.00%
Cost of living adjustment	None assumed

Mortality rates were based on the RP-2000 Mortality Table for Males and Females, as appropriate, with adjustments for future mortality improvements based on Scale AA.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

***Discount rate***

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent five-year period. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2040. Accordingly, the long-term expected rate on Plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

***Expected rate of return on investments***

The long-term expected rate of return on Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

***Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.00% as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Point Decrease	Discount Rate Assumption	1% Point Increase
PERS (4.00%, 5.00%, 6.00%)	\$74,537,870	\$60,083,669	\$48,041,530

***Pension plan fiduciary net position***

Detailed information about the Plan's fiduciary net position is available in a separately issued financial report. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. Information on the total Plan funding status and progress, required contributions and trend information is available on the State's web site at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml) in the Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits.

**(b) Defined Contribution Retirement Program and Early Retirement Changes for Employees Enrolled in the PERS on or after July 1, 2007**

The DCRP was established on July 1, 2007 under the provisions of P.L.2007, c.92 and P.L.2007, c.103. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with death and disability benefits. A PERS member who becomes eligible and is enrolled in the DCRP is immediately vested in the DCRP. To be eligible for the DCRP, an employee is required to have enrolled in the PERS on or after July 1, 2007 (Tiers 2 through 5), and they must earn an annual salary in excess of established "maximum compensation" limits. The maximum compensation is based on the annual maximum wage for Social Security and is subject to change at the start of each calendar year. A PERS member who is eligible for the DCRP may voluntarily choose to waive participation in the DCRP for a reduced retirement benefit from the State. If a member waives DCRP participation and later wishes to participate, the member may apply for DCRP enrollment, with membership to be effective January 1 of the following calendar year. PERS members who participate in the DCRP continue to receive service credit and are eligible to retire under the rules of the PERS, with their final salary at retirement limited to the maximum compensation amounts in effect when the salary was earned. The participating member would also be entitled to a supplementary benefit at retirement based on both the employee (above the maximum compensation limit) and employer contributions to the DCRP. For the direct benefit of those participating in the DCRP, the Authority would be required to contribute 3% to the DCRP

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

("employer matching") based on the member's annual compensation (base salary) in excess of the maximum compensation limit.

For the year ending December 31, 2017, the Authority had 10 active employees enrolled in the DCRP and made matching contributions totaling \$9,705. Employer matching contributions relating to 2016, 2015 and 2014 totaled \$12,019, \$11,485 and \$9,239, respectively.

**(c) Deferred Compensation**

The Authority has established an Employees Deferred Compensation Plan under section 457 of the Internal Revenue Code. All active, full-time employees are eligible to participate in the plan, which permits participants to defer a portion of their pay in accordance with the contribution limits established in section 457(b) of the Internal Revenue Code. The Authority does not make any contributions to the plan.

**(d) Other Postemployment Benefits**

*Plan description and benefits provided.* The Authority provides postemployment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey State Health Benefits Program, as sponsored and administered by the State of New Jersey, to eligible retirees having either: (1) 25 years or more of service in the PERS if hired on or prior to June 28, 2011, or; (2) 30 years or more of service in the PERS if hired after June 28, 2011, or (3) to those individuals approved for disability retirement. These postemployment benefits also extend to the retirees' covered dependents. Health benefits and prescription benefits provided by the plan are at no cost to eligible retirees who had accumulated at least 20 years of service credit as of June 30, 2010; all other eligible retirees must contribute a portion of the premium costs based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the monthly retirement allowance is required. Upon turning 65 years of age, a retiree must opt for Medicare as their primary coverage, with State benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment. The State pays the cost of this benefit. The State has the authority to establish and amend the benefit provisions offered and contribution requirements. The plan is considered a single employer defined benefit plan for financial reporting purposes. The Authority has elected to fund postretirement health benefits on a pay-as-you-go basis since it is not authorized to pre-fund an OPEB trust from the proceeds of tax-exempt bonds (nor from the income earned on the investment of those proceeds) from which it presently derives essentially all of its revenue. Therefore, no plan assets exist in a trust that meets the specified criteria in paragraph 4 of GASB 75.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

***Retirees and employees covered by OPEB Plan***

At December 31, 2017, the following employees were covered by the benefit terms:

Retired employees and/or beneficiaries currently receiving benefit payments	24
Active employees	<u>211</u>
Total	<u>235</u>

***Total OPEB liability***

The Authority's total OPEB liability of \$25,290,074 was measured as of January 1, 2017, and was based upon an actuarial valuation as of January 1, 2016. The results of the January 1, 2016 valuation were rolled forward to January 1, 2017. The Authority has fully recognized this liability in the statement of net position as of December 31, 2017 in accordance with GASB 75.

***Actuarial methods and assumptions***

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Rate of inflation	2.50%
Annual salary increases	3.00%
Discount rate	3.76%
Retirees' share of benefit related premium costs	None for retirees with at least 20 years of service credit as of June 30, 2010. All other retirees to contribute based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the retirement allowance is required.

The entry age - level percent-of-pay actuarial cost method was used. No investment return was assumed in the current valuation since there are no OPEB plan assets. The discount rate was based on the average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields.

The actuarial valuation included the use of the latest available mortality improvement scale published by the Society of Actuaries ("SOA"). The assumed mortality is the SOA RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted mortality with Scale MP-2016 full generational improvement. The actuarial assumptions used in the December 31, 2016 valuation report and the December 31, 2017 roll forward report were derived from the

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

results of an actuarial experience study for the period 1950-2013 based on Social Security Administration (“SSA”) mortality data.

The annual healthcare cost inflation rate for retiree benefits is 10.5% for prescription drug and 5.9% for Medical-Pre Medicare for 2017. The trend on prescription drug costs is assumed to reach an ultimate rate of 5% in 2026. The trend on medical-pre Medicare costs is assumed to reach an ultimate rate of 5% in 2027. A flat trend of 4.5% to ultimate is assumed to apply to medical-post Medicare costs and Medicare Part B premium reimbursements.

The actuarial valuation included the impact of the healthcare reform law (i.e., excise “Cadillac” tax). Accordingly, a 10% load is applied to the present value costs results.

The decrement assumptions (i.e., retirement, turnover and disability) and age based costs for the Authority were estimated using information from the State of New Jersey Health Benefits Program OPEB report dated June 30, 2016. The age-based costs include medical and prescription drug with a reduction in prescription drug costs for the Employer Group Waiver Plan (“EGWP”) for those on Medicare.

As required for any actuarial valuation with a measurement date on or after March 31, 2015, Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, was used in performing the Authority’s actuarial valuation for OPEB.

***Changes in total OPEB liability***

Service cost	\$ 1,634,702
Interest cost	927,740
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	(1,476,238)
Benefit payments	<u>(297,093)</u>
Net change in total OPEB liability	789,111
Total OPEB liability – beginning of year	<u>24,500,963</u>
Total OPEB liability – end of year	<u><u>\$ 25,290,074</u></u>

The schedule of changes in the Authority’s total OPEB liability and related ratios are presented for multiple years as required supplementary information following the notes to financial statements.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

*Sensitivity of the total OPEB liability to changes in the discount rate*

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate assumed for the current valuation:

	<b>1% Point Decrease</b>	<b>Discount Rate Assumption</b>	<b>1% Point Increase</b>
Total OPEB liability (2.76%, 3.76%, 4.76%)	\$31,249,432	\$25,290,074	\$20,719,321

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than assumed for the current valuation:

	<b>1% Point Decrease</b>	<b>Healthcare Cost Trend Assumption</b>	<b>1% Point Increase</b>
Total OPEB liability (3.5%, 4.5%, 5.5%)	\$19,691,064	\$25,290,074	\$32,984,680

*OPEB expense and deferred outflows of resources and deferred inflows of resources*

For the year ended December 31, 2017, the Authority recognized OPEB expense of \$2,464,952 in the statement of activities as a component of administrative and general expenses. The accumulated amount of deferred outflows of resources and deferred inflows of resources are as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	1,370,792
Contributions subsequent to the measurement date and prior to reporting date	330,000	-
Total deferred outflows and inflows of resources	<u>\$ 330,000</u>	<u>\$ 1,370,792</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

Deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year 1 (2018)	\$ (105,446)
Year 2 (2019)	(105,446)
Year 3 (2020)	(105,446)
Year 4 (2021)	(105,446)
Year 5 (2022)	(105,446)
Year 6 (2023) and thereafter	(843,562)
Total	<u>\$ (1,370,792)</u>

### 12. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded a liability in the amount of \$1,287,359 as of December 31, 2017 in the statement of net position. The liability is the value of employee accrued vacation time as of the balance sheet date and vested sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to future retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or \$15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by the Authority's policy; therefore, such unvested benefits are not accrued.

### 13. Long-Term Liabilities

During the year, the following changes in long-term liabilities are reflected in the statement of net position:

	<b>Beginning Balance</b>		<b>Additions</b>		<b>Deductions</b>		<b>Ending Balance</b>
Accrued school facilities							
project costs	\$ 12,159,047	\$ -	\$ (2,873,965)	\$ 9,285,082			
Net pension liability	72,439,355	-	(12,355,686)	60,083,669			
Total other postemployment							
benefits liability	24,500,963	789,111	-	25,290,074			
Accrued OPEB payable	-	330,000	-	330,000			
Accrued pension payable	2,172,867	2,391,105	(2,172,867)	2,391,105			
Compensated absences	1,310,974	-	(23,615)	1,287,359			
Total long-term liabilities	<u>\$ 112,583,206</u>	<u>\$ 3,510,216</u>	<u>\$ (17,426,133)</u>	<u>\$ 98,667,289</u>			

For further information, see Notes 11 and 12.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

5

**14. Net Position**

The Authority's net position is categorized as either invested in capital assets, or restricted for schools construction. At December 31, 2017, the Authority's net position is \$392.7 million. Invested in capital assets includes leasehold improvements, automobiles, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation.

The changes in net position during 2016 and 2017 are as follows:

	Net Investment in Capital Assets	Restricted for Schools Construction	Totals
Net position, January 1, 2016	\$ 766,872	\$ 465,099,806	\$ 465,866,678
(Loss)/excess before receipt of EFCFA funding and transfers	(183,951)	(19,716,175)	(19,900,126)
Capital assets acquired	124,183	(124,183)	-
EFCFA funding received from State	-	342,573,648	342,573,648
School facilities project costs	-	(388,133,356)	(388,133,356)
Net position, December 31, 2016	707,104	399,699,740	400,406,844
(Loss)/excess before receipt of EFCFA funding and transfers	(208,888)	(15,977,531)	(16,186,419)
Capital assets acquired	24,699	(24,699)	-
EFCFA funding received from State	-	350,000,000	350,000,000
School facilities project costs	-	(341,479,691)	(341,479,691)
Net position, December 31, 2017	<u>\$ 522,915</u>	<u>\$ 392,217,819</u>	<u>\$ 392,740,734</u>

**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
(a component unit of the State of New Jersey)

**REQUIRED SUPPLEMENTARY INFORMATION**

**New Jersey Schools Development Authority**  
(a component unit of the State of New Jersey)

**Schedule of Authority's Proportionate  
Share of the Net Pension Liability**

	<b>2017 *</b>	<b>2016</b>	<b>2015</b>
Authority's proportion of the net	0.25811%	0.24459%	0.26024%
Authority's proportionate share of the net pension liability	\$ 60,083,669	\$ 72,439,355	\$ 58,417,776
Authority's covered employee payroll	\$ 18,573,489	\$ 18,574,888	\$ 18,072,739
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	323.5%	390.0%	323.2%
Plan fiduciary net position as a percentage of the total pension liability	36.8%	31.2%	38.2%

\* The amounts presented in the table above were determined as of June 30, 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Authority's Contributions  
to the Public Employees' Retirement System (Continued)

Mortality

RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females for 2016 through 2013. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Plan actuary's modified MP-2014 projection scale. The RP-2000 Employee Preretirement Mortality table was used and was set back 2 years for males and 7 years for females for 2012, and was set back 4 years for females prior to 2012.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Changes in the Total Postemployment Benefits  
Other Than Pensions (OPEB) Liability and Related Ratios

	<u>2017</u>	<u>2016</u>
Service cost	\$ 1,634,702	\$ 1,578,355
Interest cost	927,740	849,309
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Changes in assumptions	(1,476,238)	-
Benefit payments	<u>(297,093)</u>	<u>(277,001)</u>
Net change in total OPEB liability	789,111	2,150,663
Total OPEB liability – beginning of year	<u>24,500,963</u>	<u>22,350,300</u>
Total OPEB liability – end of year	<u>\$ 25,290,074</u>	<u>\$ 24,500,963</u>
Covered employee payroll	\$ 18,451,700	\$ 17,954,600
Total OPEB liability as a percentage of covered employee payroll	137.06%	136.64%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule:**

For 2017, there is a deferred inflow of resources resulting from a change in the discount rate from 3.57% to 3.76%.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

***Resolution—5a.*****Resolution Approving the 2017 SDA Audited Financial Statements**

**WHEREAS**, the New Jersey Schools Development Authority (SDA or the Authority) was established by law pursuant to P.L.2007, C.137 (N.J.S.A. 52:18A-235 et. seq.) as an entity “in but not of” the New Jersey State Department of the Treasury; and

**WHEREAS**, pursuant to law, the Authority is authorized to “adopt bylaws for the regulation of its affairs and the conduct of its business”, which bylaws were adopted by the Authority on August 15, 2007; and

**WHEREAS**, consistent with N.J.S.A 52:18A-237(1), the Authority’s bylaws, at Article VIII, Section 8.2, provide that “the Authority shall provide for an annual audit of the financial statements of the Authority by a certified public accountant, and cause a copy thereof to be filed with the Secretary of State, the Director of the Division of Budget and Accounting in the Department of Treasury, and the State Auditor”; and

**WHEREAS**, in accordance with Executive Order No. 122 (2004) as amended by Executive Order No. 37 (2006) and consistent with Article VIII, Section 8.3 of the Authority’s bylaws, the Authority shall prepare a comprehensive report regarding its operations and, following approval of same by the members of the Authority, submit the report to the Governor’s Authorities Unit and the State Treasurer and post it on the Authority’s website; and

**WHEREAS**, the comprehensive report shall, among other things, include “authority financial statements”; and

**WHEREAS**, the independent accounting firm of Ernst & Young (E&Y) has completed an audit of the Authority’s financial statements for 2017; and

**WHEREAS**, E&Y has expressed its intent to issue an “unmodified” opinion on the financial statements, the highest level of assurance that an audit firm can provide for a financial statements audit; and

**WHEREAS**, pursuant to Article IX, Section 9.5 of the Authority’s bylaws and Article VI of the SDA Audit Committee Charter, the Audit Committee met on April 16, 2018 and May 21, 2018 to review and discuss the integrity and quality of the Authority’s financial statements and E&Y’s audit of the Authority’s 2017 financial statements; and

**WHEREAS**, following presentation of the 2017 financial statements to the Committee by executive management and E&Y and following the Committee’s discussions with executive management and E&Y, and following its deliberations, the Committee recommends approval of same by the Authority’s Board of Directors; and

**WHEREAS**, the 2017 financial statements are presented as an attachment hereto.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby approve the Authority's 2017 financial statements as presented by executive management and the accounting firm Ernst & Young and as recommended by the SDA Audit Committee and appended hereto.

**BE IT FURTHER RESOLVED**, that this resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10 day period, the Governor shall approve same, in which case such action shall become effective upon such approval.

Attached: Memorandum 2017 Audited Financial Statements, dated June 6, 2018

Dated: June 6, 2018

**2017 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER NO. 37 (2006)**

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**New Jersey Schools  
Development Authority**

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**Annual Report  
2017**



## About the Annual Report

The 2017 Annual Report on the operations of the New Jersey Schools Development Authority (SDA) is presented pursuant to the provisions of Executive Order No. 37 (Corzine), issued on September 26, 2006. The report provides a comprehensive overview of the SDA's operations, highlighting significant actions taken in 2017.

The SDA operates under the Educational Facilities Construction and Financing Act (EFCFA) of 2000 and subsequent August 2007 legislative amendments.

For more information, please refer to the SDA website at [www.njsda.gov](http://www.njsda.gov) or the most recent Biannual Report on the School Construction Program (for the period April 1 through September 30, 2017) at [https://www.njsda.gov/SDA/Content/public/Biannual\\_Report/2017\\_2.PDF](https://www.njsda.gov/SDA/Content/public/Biannual_Report/2017_2.PDF).

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**The Mission of the New Jersey Schools Development Authority is to deliver high-quality educational facilities that best meet the needs of the students of the State of New Jersey. While providing efficiently designed facilities that enhance the academic environment, we promote fiscal responsibility in the management of taxpayers' resources.**

## SDA Executive Staff

**Charles B. McKenna**  
*Chief Executive Officer*

**Albert J. Alvarez**  
*Chief of Staff*

**Andrew D. Yosha**  
*Executive Vice President – Program Operations and Strategic Planning*

**Donald R. Guarriello**  
*Vice President and Chief Financial Officer*

**Jane F. Kelly**  
*Vice President – Corporate Governance and Operations*

**Manuel M. Da Silva**  
*Vice President – Construction Operations*

**2017** **SDA: YEAR IN REVIEW**

**5**   
**New or Renovated schools opened**

**3,100** **New seats provided for children throughout New Jersey**

**More than \$230 million** **invested by the State of New Jersey in schools opened this year alone**

**\$260 Million** **value of contracts awarded** 

 **15** **Emergent Projects Approved**

**5 Schools completed steel erection** 

**51**  **ROD Grants Executed**

**2 Schools broke ground** 

# TABLE OF CONTENTS

CEO MESSAGE ..... 5

PROJECT ACCOMPLISHMENTS ..... 7

    School Openings..... 7

    Breaking Ground ..... 8

    Capital Construction..... 9

    Spotlight on Camden..... 10

    Emergent Projects..... 11

    Construction Opportunities Continue..... 12

    Regular Operating Districts ..... 12

    Positive Safety Record..... 14

SUPPORT FOR NEW JERSEY’S BUSINESSES AND CONSTRUCTION WORKFORCE ..... 15

    SMWBE Contractor Training Program..... 15

    Providing Opportunities for New Jersey’s Small Businesses..... 15

    NJ-GIVS Helps Students Pursuing Careers in the Construction Industry ..... 16

FINANCIAL INFORMATION ..... 17

    2017 Bond Sales ..... 17

    Budgetary and Financial Controls ..... 17

CERTIFICATIONS PURSUANT TO SECTION 22C OF EXECUTIVE ORDER 37 (2006) ..... 20

CERTIFICATION PURSUANT TO SECTION 2 OF EXECUTIVE ORDER 37 (2006) ..... 21

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION ..... 22

## CEO MESSAGE

We at the Schools Development Authority have good things to report for 2017. We opened new or refurbished schools in Bridgeton, Elizabeth, Jersey City, Gloucester and West New York. These projects represent a collective \$230.4 million in expenditures and in addition to providing state-of-the-art learning facilities for our children, provide quality jobs for our construction professionals making the work we do a total win-win for the State. To put this in perspective, over the last four years, the SDA has delivered 17 new or refurbished buildings representing 500,000 square feet of space impacting more than 4,200 students. The state investment in these projects was \$927 million. Given the benefits, it was money well-spent.

We are constructing and planning for schools across the spectrum of our 31 districts. Work continues in Trenton on the new high school which will be completed in 2019. Projects are progressing in Garfield, Newark, Irvington, New Brunswick, Passaic, Perth Amboy, Trenton and Vineland. In Camden, demolition of the existing high school is ongoing and will be replaced with a new, state-of-the-art facility to serve the educational needs of that City. Also in 2017, work progressed on 21 emergent projects (with an estimated cost of \$16 million) to address health and safety issues.

SDA saw great strides in the Regular Operating Districts as well. In 2017, the SDA executed 51 grants to 17 school districts so that they could address health and safety issues and other critical needs. The state share for these grants was \$45 million. When leveraged with the local share, the ROD program accounted for approximately \$68 million in statewide improvements.

SDA put a new public face on the organization with an overhaul of the website. While being more user-friendly, the website provides important information about the progress of projects as well as critical information for the contracting community on upcoming bid opportunities.

The construction business is one that can be dangerous due to uneven sites, large equipment maneuvering in small spaces, workers high up on buildings, and construction work often performed in harsh conditions. All of these factors can lead to injuries if not properly managed. SDA is proud of the safety record of the people who work on our projects. That is due to the care that we and our contractors take in ensuring that safety regulations are delineated clearly, delivered regularly and policed tenaciously.

SDA is proud of its record of contracting with small business owners as well as our minority outreach and training programs. The SDA consistently achieves far greater than the mandated 25% Small Business Enterprise (SBE) participation, including 40% participation in 2017. In addition, minority workers comprised approximately 28% of the work hours on our construction projects. The SDA operates an excellent Small, Minority, Woman Business Enterprise (SWMBE) training program that provides training not only in doing business with the state but on growing and maintaining a business.

Finally, I would be remiss if I did not thank the men and women of the SDA who every day come to work and further the mission of the organization. New and refurbished schools can be the difference in education for many children in the districts we serve. SDA employees understand that and the mission drives them to excellence each day. It is a pleasure to serve with them.



Charles McKenna

## PROJECT ACCOMPLISHMENTS

### *School Openings*

In 2017, the SDA continued to deliver quality educational facilities for New Jersey students with the opening of five new or renovated schools. These new and renovated facilities provide more than 3,100 additional seats for students throughout New Jersey and positively impact nearly 4,200 students overall. These schools have an operational impact as well, significantly reducing the overcrowding experienced by their districts.

The five completed school projects represent a state investment of more than \$230 million and include Bridgeton Quarter Mile Lane Elementary School, Elizabeth Halloran Elementary School, Gloucester City Middle School, Jersey City Patricia M. Noonan Elementary School, and the West New York Harry L. Bain Elementary School.

In Jersey City, the sisters of Patricia M. Noonan spoke to students about the impact Ms. Noonan had on the education of the youth in the city. Together with the students and state and local officials, they cut the ribbon and ceremoniously opened the 123,000 square-foot school designed to educate approximately 850 students in grades prekindergarten through five.



In Gloucester City, students were able to leave behind the antiquated Mary Costello E.S. as they began the 2017-2018 school year in the new Gloucester City Middle School. SDA completed this \$65.3 million facility in early 2017. In September, the 122,000 square-foot facility opened to more than 750 students in grades four to eight.



In West New York, students and teachers were in awe as they entered the rehabilitated Harry L. Bain Elementary School. At a reopening ceremony in September, students were welcomed back to their community school following the completion of significant exterior and interior rehabilitation work that was completed on budget and as scheduled.

Students in Elizabeth, gained a new 140,000 square-foot, four-story school in September with the opening of the William F. Halloran Elementary School. A \$55.3 million investment will benefit students in grades two to six.

Finally, in Bridgeton, the renovations to the Quarter Mile Lane Elementary School were completed in 2017, following the completion of the addition in 2016. The \$39 million project increased student capacity from approximately 250 students to 730.

Each of the newly opened schools/addition were designed incorporating the guidelines developed by the United States Green Building Council (USGBC) known as the "Leadership in Energy & Environmental Design ("LEED®") program in order to achieve maximum energy efficiency and environmental sustainability in the design of schools.

<b>NJSDA 2017 School Openings</b>				
<b>School District</b>	<b>School Name</b>	<b>Project Type</b>	<b>Delivery Type</b>	<b>Cost</b>
Bridgeton	Quarter Mile Lane E.S.	Addition/Renovation	Design-Build	\$ 39M
Elizabeth	Halloran E.S.	New School	Design- Build	\$ 55.3M
Gloucester City	Gloucester City Middle School	New School	Design-Build	\$ 65.3M
Jersey City	Patricia M. Noonan E.S.	New School	Design- Build	\$ 54M
West New York	Harry L. Bain E.S.	Renovation	Design-Bid-Build	\$ 16.8M
<b>Total Project Costs for 2017 Openings</b>				<b>\$230.4M</b>

The SDA continues to use the design-build approach with the kit of parts as the design foundation for many projects. The three new schools and addition project all used design-build. Design-Build project delivery has yielded significant success, supporting shortened schedules through advancement of early-stage construction work during design completion. In certain projects, like the Harry L. Bain E.S., design-bid-build remains the preferred option. As in prior years, both the design-build and design-bid-build approaches have proven successful with the projects opened this year, importantly providing predictability in terms of schedule and cost. We expect to employ both delivery methods going forward.

With the opening of these five new or renovated schools, SDA delivered nearly 500,000 square-feet of new construction in 2017 alone. This represents an investment of more than \$230 million and exemplifies the State's commitment to providing New Jersey students with the facilities they need.

### ***Breaking Ground***

Two new schools broke ground in 2017, marking the start of construction for projects that will provide students with inviting learning environments that will help to alleviate the overcrowding experienced by

the districts. The Seaman Avenue School in Perth Amboy will be a new 128,000-square-foot facility designed to educate approximately 800 students in grades kindergarten through five.

The new Madison Avenue Elementary School in Irvington will replace the former school that was demolished. The SDA is building a 73,000 square-foot, 3-story school facility designed to educate approximately 500 students in grades prekindergarten through five. SDA will construct both projects utilizing a design-build approach.



### ***Capital Construction***

In 2017, the SDA held beam-signing ceremonies for five projects, marking a significant milestone in the construction of each project.



At ceremonies in New Brunswick, Newark, Passaic City, Trenton and Vineland, students and local officials joined together to sign their names to a steel beam that would become a lasting part of each of their new schools.

With steel erection complete, the surrounding communities can envision their new school facilities and the educational opportunities that they will afford to their students.

With the start of construction for projects in Irvington and Perth Amboy, the SDA ended 2017 with eight projects in construction.

Representing nearly \$500 million in total estimated project costs, the State continues to invest heavily in the educational facilities students need to receive a quality education and support lifelong success. These eight school facility projects will impact 6,661 students, addressing overcrowding and replacing deficient learning environments.

In addition to projects that are in construction, significant work is ongoing in connection with many others. Early site preparation activities commenced for the Paterson Union Avenue Middle School project and the Camden High School project. The design phase of a design-build contract is in progress for the Dayton Avenue Educational Complex in Passaic City, the Millville Senior High School, and the

Pemberton Denbo Elementary School. Design services are ongoing for the Cleveland Elementary School and High School in Orange, and the Port Monmouth Road School in Keansburg.

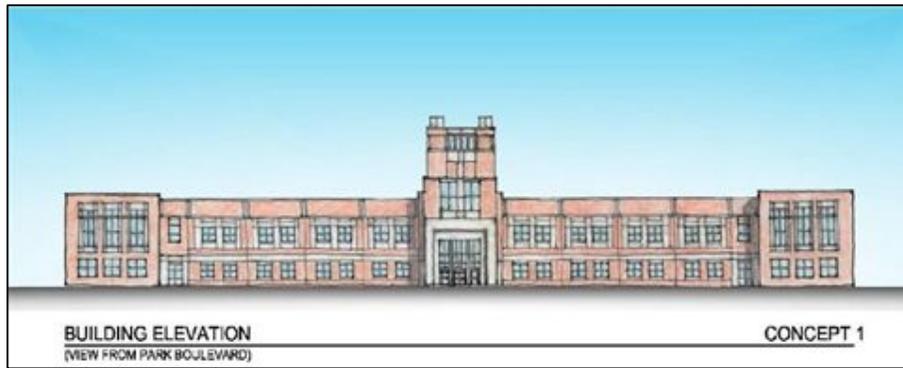
<b>SDA Capital Projects in Construction (As of December 31, 2017)</b>				
<b>District</b>	<b>School</b>	<b>Project Type</b>	<b>Max Student Capacity</b>	<b>Total Project Costs</b>
Garfield	James Madison E.S.	New Construction	305	\$29.7 Million
Irvington	Madison Avenue E.S.	New Construction	504	\$35.4 Million
New Brunswick	Paul Robeson Community Theme School for the Arts	Addition/Renovation	893	\$47 Million
Newark	South Street E.S.	New Construction	657	\$69.9 Million
Passaic City	E.S. at Leonard Place	New Construction	698	\$55.9 Million
Perth Amboy	Seaman Avenue E.S.	New Construction	804	\$56.8 Million
Trenton	Trenton Central H.S.	New Construction	2,176	\$155.4 Million
Vineland	Lincoln Road M.S.	New Construction	624	\$49.8 Million
<b>Total (8 Projects)</b>			<b>6,661</b>	<b>\$499.9 Million</b>

### ***Spotlight on Camden***

Throughout 2017, SDA made significant progress toward the construction of a new Camden High School. Once complete, the new 242,000 square-foot facility will educate approximately 1,200 students in grades nine to twelve.

SDA issued a notice-to-proceed (NTP) with demolition services to USA Environmental Management, Inc. on September 26, 2017, and abatement activities commenced soon thereafter. The Authority completed abatement activities for the annex and circular buildings in December 2017 and demolition activities began. Abatement activities at the main building (built in 1916) were ongoing through the end of the year.

More than 260 Camden students, staff, alumni, and community members helped to choose the design concept for the new Camden High School, SDA presented three design options and, following consideration, the district selected a design that honors the previous school's Castle on the Hill.



## ***Emergent Projects***

At the end of 2017, the SDA was managing 21 emergent projects. These projects will address emergent conditions in SDA District facilities in order to alleviate conditions that, if not remedied, could affect the health and/or safety of students or staff. These projects have a preliminary cost estimate of nearly \$16 million. The status of 21 SDA-managed projects at year-end was:

- two in construction
- four in the design phase
- fifteen in scope development

Among the 21 active emergent projects, 15 were approved by the New Jersey Department of Education in June 2017. All of the projects involve the repair or replacement of existing systems that are failing or are anticipated to fail and can no longer be addressed through general maintenance.

<b>Emergent Projects Approved in 2017</b>		
<b>District</b>	<b>School Name</b>	<b>Project Scope</b>
Bridgeton	Bridgeton High School	Building Envelope - Roof and Masonry
Camden	Forest Hill Elementary School	HVAC
Newark	Malcolm X Shabazz High School	Structural
Newark	Technology High School	Structural
Newark	Luis Munoz Marin School	HVAC
Newark	Cleveland Street School	Structural
Newark	Dr. E. Alma Flagg School	Building Envelope - Roof and Exterior Doors
Newark	Harriet Tubman School	Water Infiltration
Newark	Hawkins Street School	Structural
Newark	Ivy Hill School	Structural
Newark	Lafayette Street School	Building Envelope - Roof and Exterior Doors
Newark	Roberto Clemente School	Structural
Newark	Wilson Avenue School	Structural
Plainfield	Plainfield High School	Structural
Plainfield	Plainfield High School	Structural - Exterior Stairs

In addition, two SDA Districts were managing ten emergent projects previously delegated to the districts. Four of the delegated projects are in the construction phase and six are in the design phase.

### ***Construction Opportunities Continue***

During 2017, the SDA issued advertisements to contract for work related to 12 capital and emergent projects resulting in awards of more than \$195 million. This included a large addition/renovation project at the Millville Senior High School and a project for the new George Washington Carver Elementary School in East Orange. In addition, at its December 2017 meeting, the SDA Board approved a design-build award for \$163 million to deliver the Dayton Avenue Educational Campus project in Passaic City, a campus consisting of four facilities in a unified structure that will educate 2,760 students in grades prekindergarten to 8.

All of the projects at the SDA provide important economic opportunities to New Jersey's construction companies and workforce. State investment in school projects creates jobs and spurs other private and public investments in communities that need it the most.

In 2018, the SDA expects to continue this strong investment through the procurement of several new contracts valued at between \$400 and \$500 million in the aggregate. The 2018 forecast includes advertisements for site preparation work, emergent work and new construction. The portfolio includes the Camden High School design-build project estimated at \$90-100 million, as well as the Perth Amboy High School design-build project with a construction cost estimate valued at \$180-\$200 million.

The SDA's 2018 construction forecast is available on our website at:  
[https://www.njsda.gov/SDA/Content/Business/PDFs/Project\\_Forecast.pdf](https://www.njsda.gov/SDA/Content/Business/PDFs/Project_Forecast.pdf).

### ***Regular Operating Districts***

SDA's Regular Operating District (ROD) grants fund at least 40 percent of eligible costs for projects in the New Jersey's ROD Districts, addressing health and safety issues and other critical needs. In 2017, the SDA executed 51 grants to 17 school districts for school improvement projects. This state investment totaling more than \$45 million leverages a local contribution of an additional \$23 million.

Grants executed in 2017 include funding for the new construction component of the Park Ave ES/Freehold Intermediate MS and Freehold Learning Center addition and renovation projects. Pursuant to a 2016 decision of the New Jersey Commissioner of Education, the SDA will fund 100% of the cost

of the additions. Renovation work at the schools is funded by the district. The total estimated cost of the projects is approximately \$25 million.

The SDA funded Park Avenue ES/Freehold Intermediate MS project includes an approximately 23,000-square-foot addition that is comprised of a media center and computer instruction area, intermediate school gymnasium and locker room, cafeteria expansion, kitchen support and receiving area, four general classrooms and support spaces.

The Freehold Learning Center project includes an approximately 20,000-square-foot addition that includes seven kindergarten classrooms, four pre-kindergarten classrooms, small group instruction spaces, and a new kitchen.

Examples of ROD Grant project executions in 2017 include:

- Black Horse Pike Regional School District - Timber Creek Regional High School (Camden County): Security Upgrades. State share: \$290,495; Estimated total project costs: \$507,651.
- Central Regional School District – Central Regional High School (Ocean County): Partial Window Replacements. State share \$64,725.20; Estimated total project costs: \$161,813.
- Hasbrouck Heights School District - Hasbrouck Heights High School (Bergen County): Mechanical Upgrades. State share: \$1,510,659; Estimated total project costs: \$3,776,647.
- North Bergen School District – Robert Fulton No. 2 Elementary School (Hudson County): Complete window replacement, exterior door replacement. State share: \$1,387,825; Estimated total project costs: \$2,510,379.
- Swedesboro-Woolwich School District - Walter H. Hill Elementary School (Gloucester County): Roof replacement. State share: \$350,710; Estimated total project costs: \$722,906.
- Madison School District – Madison High School (Morris County): Partial Roof replacement. State share: \$1,291,710. Estimated total project costs: \$3,229,275.
- Berkeley Heights School District – Columbia Middle School (Union County): Site Work - Replace approximately 23,000 square feet of roofing. Asbestos removal in boiler room. State share: \$819,762. Estimated total project costs: \$2,049,404.
- Bloomingdale School District – Walter T. Bergen Middle School (Passaic County): Site Work - Remove existing concrete sidewalks and curbs along front of school; Install new concrete curbing and concrete sidewalk and install new drop curbs for handicap accessibility. State share: \$29,118. Estimated total project costs: \$72,796.

<b>REGULAR OPERATING DISTRICT GRANTS</b>			
<b>2017 Grant Executions</b>		<b>Grant Executions Since Inception</b>	
No. of Grants Executed	51	No. of Grants Executed	5,409
State Share	\$45,309,027	State Share	\$3,022,293,605
Local Share	\$23,158,183	Local Share	\$5,948,852,737
Total Est. Costs	\$68,467,210	Total Est. Costs	\$8,972,796,729
No. of Districts Impacted	17	No. of Districts Impacted	524
No. of Counties Impacted	10	No. of Counties Impacted	21

### ***Positive Safety Record***

Construction sites can be dangerous and SDA staff strives every day to ensure that our sites are as safe as possible. In 2017, SDA continued to demonstrate an excellent safety record. SDA's Field Compliance Inspectors were active, each conducting approximately 400 safety inspections on their assigned SDA projects. The SDA received no OSHA citations in 2017. SDA conducted Occupational Safety and Health Administration (OSHA) training for seven SBE firms, providing 30-hour OSHA cards. OSHA Training provides workers with basic and more advanced training about common safety and health hazards on the job. Certain positions require a 30-hour OSHA card, signifying a level of safety awareness.

In addition, due primarily to SDA's positive safety trend, the SDA obtained a 38% premium reduction for its new Owner Controlled Insurance Program coverage commencing March 1, 2018.

## **SUPPORT FOR NEW JERSEY'S BUSINESSES AND CONSTRUCTION WORKFORCE**

### ***SMWBE Contractor Training Program***

With our Small, Minority and Women-owned Business Enterprise (SMWBE) Contractor Training Program, SDA provides assistance to small business entities throughout the State of New Jersey and promotes our SBE goals.

The 2017 program offered eight weeks of instructional classes followed by a graduation/networking event. SDA offered training classes at locations in both Trenton and Newark. The program provided participants with information on business planning, marketing services, finding the work, pre-qualification, estimating and budgeting, procurement, prevailing wage and finding the funding.

Twenty-two small business enterprises successfully completed the 2017 SMWBE Contractor Training Program.

### ***Providing Opportunities for New Jersey's Small Businesses***

In conformance with the State set-aside laws and Executive Order 71 (2003), SDA's Small Business Enterprise (SBE) program consistently exceeds the mandated 25 percent SBE participation level calculated on the total dollar value of publicly advertised contracts awarded by SDA. In 2017, SBE participation was 40 percent. This represents \$50,781,276 million in SDA contract values for SBE companies.

At the end of 2017, the SDA had 1,730 firms pre-qualified to do business with both the SDA and the Regular Operating Districts. The New Jersey Department of the Treasury certified 723 of these firms (or 42% of all firms) as SBE firms.

SDA also verifies contractor-reported data regarding the number of women and minority workers on SDA's construction sites to ensure that prime contractors make good faith efforts to meet appropriate workforce goals for the hiring of women and minorities. In 2017, minority and female workers performed approximately 29 percent of construction work on SDA projects.

## ***NJ-GIVS Helps Students Pursuing Careers in the Construction Industry***

In the fourth full year of the program, SDA and the New Jersey Higher Education Student Assistance Authority continued the Governor's Industry Vocations Scholarship for Women and Minorities (NJ-GIVS). Funding for the NJ-GIVS program is in furtherance of the SDA's effort to provide funding for on-the-job or off-the-job outreach and training programs for minority group members and women in construction trade occupations or other occupations – including engineering and management occupations – utilized in the performance of public works contracts.

NJ-GIVS pays up to \$2,000 per year to women and minority students who reside in New Jersey towards the cost of enrollment in a NJ-GIVS eligible program at one of New Jersey's approved county colleges or vocational schools. During 2017, SDA provided \$199,752 to 106 qualifying students throughout New Jersey. Grant recipients are attending eligible programs at schools including Sussex Community College, Middlesex County College, Morris County Vocational & Technical Schools, Ocean County Vocational-Technical School, Union County College and the Hohokus School of Trade. The grants benefit women and minority students who are pursuing programs that will prepare them for careers in the construction industry.

## FINANCIAL INFORMATION

<b>2017 PROJECT EXPENDITURES</b>	
SDA District Capital Projects	\$243.6 Million
SDA District Emergent Projects	\$19 Million
ROD Grant Projects	\$91.2 Million
Other Project Costs – Program	\$2.6 Million
<b>TOTAL PROJECT EXPENDITURES</b>	<b>\$356.5 Million</b>

### ***2017 Bond Sales***

School Facilities Construction Bonds, issued by the New Jersey Economic Development Authority (EDA) on behalf of the SDA, provide SDA with the funds it needs to sustain an active project portfolio and cover operating expenses. Bond sales generally coincide with forecasted cash flow requirements for already committed projects in SDA's portfolio, enabling SDA to pay its vendors promptly as the projects advance.

In October 2017, EDA sold bonds that provided an additional \$350 million to SDA to support the state's school construction program. To date, \$10.80 billion in bonds were issued to fund the program. Approximately \$1.7 billion in bonding authority remains.

### ***Budgetary and Financial Controls***

The Authority maintains a system of internal controls to provide reasonable assurance that: transactions are executed in accordance with management's requirements and authority; responsibilities are appropriately segregated; financial statements are prepared in accordance with accounting principles generally accepted in the United States; and that the assets of the Authority are properly safeguarded. Since internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met, there are inherent limitations in the effectiveness of any system of internal controls. The concept of reasonable assurance generally recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and

judgments by management. These internal controls are subject to continuous evaluation by SDA management.

## **Budgetary Controls**

The Authority maintains budgetary controls to ensure operating expenditures do not exceed the annual levels approved by the Board of Directors in the Authority's annual operating budget. A variance analysis of accounts is performed monthly and the results are summarized and presented to the SDA Audit Committee in a monthly report. As appropriate, the Authority may also allocate expenditures in its operating budget for various internal capital projects including amounts for the acquisition of equipment, computer software, furniture and fixtures and leasehold improvements. The Authority's Capitalization & Depreciation policy prescribes when capitalization of an asset is appropriate.

In addition, the Authority develops and maintains comprehensive project budgets, approved by the Board of Directors, for each of the school facilities projects that it manages. The Authority uses project management software for planning, recording and monitoring project budgets and schedules. Other software and tools are used by the Authority for cost estimating and financial analyses. The data obtained from regular monthly re-forecasting sessions is used to monitor the status of projects and to review and analyze costs in comparison to approved budgets. The information obtained from these sessions is summarized and presented to the Audit Committee in a monthly report.

## **Financial Controls**

The Authority maintains effective financial controls in part with an integrated accounting and budgeting system, which enables the Authority to view, analyze and report on various financial data. The Authority utilizes separate financial reporting software to: (1) efficiently and effectively monitor the Authority's financial performance; (2) identify financial trends; and (3) generate accurate and timely financial data and reports.

Additionally, the Authority has implemented effective financial controls in key risk areas as documented in numerous written policies, procedures, standard operating procedures (SOPs), processes, guidelines, checklists and standards. The Authority has implemented policies and procedures (or other analogous documents) in the areas of accounting, accounts payable, procurement, information technology, corporate governance and program operations. The Board of Directors has also adopted an Ethics Code for all employees, which is intended to foster a strong ethical climate at the Authority. Together, these policies and procedures (or other analogous documents) provide a system of internal controls and accountability designed to safeguard the Authority's assets. The Authority's internal auditors conduct periodic reviews to ensure the Authority's adherence to internal control policies and procedures.

The Board of Directors periodically reviews and approves modifications to the SDA's Operating Authority policy. The Operating Authority designates those persons at the Authority who are authorized by the Board (either generally or in specific transactions) to: (1) approve contracts and contract changes (i.e., change orders and amendments), (2) execute documents legally binding on the Authority, and (3) sign checks and approve disbursements on behalf of the Authority.

## **CERTIFICATIONS PURSUANT TO SECTION 22C OF EXECUTIVE ORDER 37 (2006)**

I certify that, to the best of my knowledge, the financial information provided to the Authority's independent auditors in connection with their audit of the 2017 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2017 and for the year then ended.

Donald Guarriello, Jr.  
Chief Financial Officer

I certify that, to the best of my knowledge, the financial information provided to the Authority's independent auditors in connection with their audit of the 2017 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2017 and for the year then ended.

Charles B. McKenna  
Chief Executive Officer

## **CERTIFICATION PURSUANT TO SECTION 2 OF EXECUTIVE ORDER 37 (2006)**

In accordance with Executive Order 37 (2006), please find enclosed the New Jersey Schools Development Authority's (the "Authority") 2017 comprehensive report of Authority operations (the "2017 Annual Report"). This report highlights the significant actions of the Authority for the year ending December 31, 2017, including the degree of success the SDA had in promoting the State's economic growth strategies and other policies during the year.

The report of independent auditors, issued by Ernst and Young LLP is included within the financial statements section of the 2017 Annual Report. The completion of the audit report fulfills the Authority's requirements under Executive Order 37 and the audit requirements of Executive Order 122 (2004).

Executive Order 37 Section 2 Certification:

I, Charles B. McKenna, certify that, from January 1, 2017, to December 31, 2017, the Authority has, to the best of my knowledge, followed all of its standards, procedures and internal controls.

Charles B. McKenna  
Chief Executive Officer

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY**  
(a component unit of the State of New Jersey)



**FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2017

**Resolution—5b.****Resolution Approving the SDA Annual Report**

**WHEREAS**, the New Jersey Schools Development Authority (SDA or the Authority) was established by law pursuant to P.L.2007, C.137 (N.J.S.A. 52:18A-235 et. seq.) as an entity “in but not of” the New Jersey State Department of the Treasury; and

**WHEREAS**, pursuant to law, the Authority is authorized to “adopt bylaws for the regulation of its affairs and the conduct of its business” which bylaws were adopted by the Authority on August 15, 2007; and

**WHEREAS**, consistent with Article VIII, Section 8.3 of the Authority’s bylaws, and in accordance with Executive Order No. 37 (2006), the Authority has prepared a comprehensive report including, among other things, Authority financial statements, and an identification of internal controls that govern expenditures, procurement and other financial matters and transactions; and

**WHEREAS**, the Authority’s financial statements were presented to the SDA Audit Committee on April 16, 2018 and May 21, 2018 and are presented for Board approval on this date; and

**WHEREAS**, consistent with Article VIII, Section 8.3 of the Authority’s bylaws, and in accordance with Executive Order No. 37 (2006), following approval of the Authority’s Annual Report by the Members, a copy of same shall be submitted to the Governor’s Authorities Unit and the posted on the Authority’s website; and

**WHEREAS**, the 2017 SDA Annual Report has been prepared by executive management consistent with Executive Order No. 37 and is presented as an attachment hereto with a recommendation for Board approval.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby approve the New Jersey Schools Development Authority’s 2017 Annual Report as presented by executive management on this date.

**BE IT FURTHER RESOLVED**, that this resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10 day period, the Governor shall approve same, in which case such action shall become effective upon such approval.

Attached: Memorandum and 2016 SDA Annual Report, dated June 6, 2018

Dated: June 6, 2018

**MONTHLY REPORTS**  
**(For Informational Purposes)**

**ACTIVE PROJECTS STATUS REPORT**



STATE OF NEW JERSEY  
**SCHOOLS DEVELOPMENT AUTHORITY**

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**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director

DATE: June 6, 2018

SUBJECT: Active Project Status Report  
(For Informational Purposes Only)

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The 1<sup>st</sup> section of the report includes an Activities Summary of projects identified for advancement in the Authority's Capital Plans.

The 2<sup>nd</sup> part of the report displays project completion milestones for all other active major capital projects and emergent projects for which a contract for construction has been awarded.



2011 & 2012 Portfolio Projects Activities Summary

as of 5/21/18

2011 Portfolio Projects - sorted by District

1

District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Bridgeton	Buckshutem ES	K-8	581	645	\$23.3	Kit of Parts/ Design-Build	School occupied Sep. 2016. (Bock)	5/31/13
Bridgeton	Quarter Mile Lane ES	PK-8	731	795	\$39.0	Kit of Parts/ Design-Build	Award for D-B approved Oct. 2013 Board. (Bock)	5/31/13
Elizabeth	Frank J. Cicarell Academy (Academic HS)	9-12	1,091	1,284	\$64.1	Existing Design	School occupied Sep. 2016. (Patock)	12/8/11 7/11/12
Jersey City	Patricia M. Noonan ES (ES 3)	PK-5	778	848	\$54.0	Kit of Parts/ Design-Build	School occupied Sep. 2017. (Dobco, Inc.)	6/25/12 2/25/13
Jersey City	Dr. Maya Angelou PS #20	K-5	628	698	\$49.3	Existing Design	School occupied Sep. 2016. (Dobco, Inc.)	4/17/12 3/6/13
Long Branch	Catrambone ES	PK-5	794	867	\$40.0	Existing Design	School occupied Sep. 2014. (Terminal Construction)	12/20/11
New Brunswick	Redshaw ES	PK-5	906	990	\$51.2	Kit of Parts/ Design-Build	School occupied Jan. 2015. (Hall Construction)	5/29/12
Newark	Oliver St. ES	PK-8	848	932	\$73.6	Kit of Parts/ Design-Build	School occupied May 2016. (Epic Management)	6/27/12 11/29/12
Paterson	Dr. Hani Awadallah ES (Marshall St. ES)	K-8	650	722	\$55.2	Existing Design	School occupied Sep. 2016. (Dobco, Inc.)	6/13/12 2/12/13
Paterson	PS 16	PK-8	641	705	\$62.4	Kit of Parts/ Design-Build	School occupied Sep. 2016. (Hall Construction)	3/27/12 8/28/13
West New York	Harry L. Bain PS 6	PK-6	736	814	\$16.8	Design-Bid-Build	School occupied Sep. 2017. (Paul Otto)	2/27/12 12/29/15

\*PLEASE NOTE - Dates in the Past are ACTUAL. Includes Advertisement dates for Early Site Preparation Construction & School Construction where applicable.  
 NOTE # 1 - Estimated Costs, Grade Alignment and Capacity are based upon approved Project Charters where applicable. For projects without an approved charter, Estimated Costs, Grade Alignment and Capacity are based upon Planning Assumptions.  
 Recommendations of DOE/SDA/District Working Groups may impact this information in the future.



2011 & 2012 Portfolio Projects Activities Summary

as of 5/21/18

2012 Portfolio Projects - sorted by District

1

District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Gloucester City	Elementary/Middle School	4-8	687	763	\$65.3	Kit of Parts/ Design-Build	School occupied Sep. 2017. (Terminal)	3/4/14
Keansburg	Caruso ES	K-4	758	842	\$50.9	Kit of Parts/ Design-Build	School occupied Sep. 2016. (Hall Construction)	10/20/11 6/27/13
Keansburg	Port Monmouth Road School	PK	318	318	\$25.8	Design-Bid-Build	Revised Planning Charter approved Aug. 2017 Board.	1 QTR 19
New Brunswick	Robeson ES	PK-5	823	893	\$48.5	Kit of Parts/ Design-Build	Award for D-B approved Sep. 2015 Board. (Hall Construction)	4/22/15
Newark	Elliot Street ES	PK-8	848	932	\$46.7	Kit of Parts/ Design-Build	School occupied Jan. 2016. (Hall Construction)	12/27/12
Newark	South Street ES	PK-8	597	657	\$69.9	Kit of Parts/ Design-Build	Award for D-B approved Oct. 2015 Board. (Bock)	6/28/13 6/29/15
Passaic	Dayton Ave. Campus	PK-8	2,760	3,020	\$240.9	Kit of Parts/ Design-Build	Award for D-B approved Nov. 2017 Board. (Terminal)	6/13/17
Phillipsburg	High School	9-12	1,846	2,172	\$127.5	Existing Design	School occupied Sep. 2016. (Epic Management)	9/27/12
West New York	Memorial HS	9-12	1,859	2,194	\$16.0	Alternative Delivery (acquisition) & Renovation	Acquisition of Existing St. Joseph's HS complete. Renovation work delegated to District via Grant.	n/a

**\*PLEASE NOTE** - Dates in the Past are ACTUAL. Includes Advertisement dates for Early Site Preparation Construction & School Construction where applicable.  
**NOTE # 1** - Estimated Costs, Grade Alignment and Capacity are based upon approved Project Charters where applicable. For projects without an approved charter, Estimated Costs, Grade Alignment and Capacity are based upon Planning Assumptions.  
 Recommendations of DOE/SDA/District Working Groups may impact this information in the future.

6



2011 & 2012 Portfolio Projects Activities Summary

as of 5/21/18

2012 Portfolio Projects (Educational Priority that require further conversations with District & 2013 Amended Projects) - sorted by District

1								
District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
East Orange	George Washington Carver ES	PK-5	470	512	\$41.2	Kit of Parts/ Design-Build	Award for D-B approved Jun. 2017 Board. (Dobco)	4/26/16 1/20/17
Elizabeth	New ES @ Halloran PS #22 ES Site	2-8	860	956	\$55.3	Kit of Parts/ Design-Build	School occupied Sep. 2017. (Torcon)	6/9/14
Garfield	James Madison ES	K-5	275	305	\$29.7	Existing Design	Award for GC approved Oct. 2015 Board. (Brockwell & Carrington)	2/19/14 6/30/15
Harrison	New ES	PK - 1	392	432	\$36.1	Kit of Parts/ Design-Build	Award for D-B approved Nov. 2016 Board. (Brockwell and Carrington)	11/10/15 7/13/16
Irvington	Madison Avenue ES	PK-5	463	504	\$35.4	Kit of Parts/ Design-Build	Award for D-B approved Dec. 2016 Board. (Bock)	11/19/15 8/16/16
Millville	Senior HS Addition/Renovation	HS	2,026	2,384	\$137.5	Design-Build	Award for D-B approved Apr. 2017 Board. (Hall Construction)	9/30/16
Passaic	New ES @ Leonard Place	K-5	628	698	\$55.9	Kit of Parts/ Design-Build	Award for D-B approved Dec. 2015 Board. (Dobco, Inc.)	8/13/15
Paterson	New MS @ Union Ave.	6-8	996	1107	\$112.9	Design-Build	Advertisement for DB 4/26/18. Proposals Due 7/18/18.	3/2/17 4/26/18
Pemberton	Denbo-Crichton ES	PK-5	846	930	\$58.7	Design-Build	Award for D-B approved Jan. 2018 Board. (Bock)	3/1/17 9/13/17
Perth Amboy	High School	HS	2,800	3,304	\$234.4	Design-Build	Preliminary Charter approved Jun. 2016 Board.	TBD
Perth Amboy	Seaman Avenue ES	K-5	724	804	\$56.8	Kit of Parts/ Design-Build	Award for D-B approved Jul. 2016 Board. (Epic Management).	2/3/16
Plainfield	New Woodland ES	K-5	756	839	\$56.9	Kit of Parts/ Design-Build	Preliminary Charter approved Sep. 2016 Board. ESP originally advertised 3/28/18 to be re-advertised.	TBD TBD
Union City	New Grade 7 to 9 School	7-9	756	840	\$64.2	Kit of Parts/ Design-Build	Preliminary Charter approved Mar. 2017 Board.	TBD
Vineland	Lincoln Ave. MS (New MS)	6-8	562	624	\$49.8	Kit of Parts/ Design-Build	Award for D-B approved Jan. 2016 Board. (Bock)	9/24/15

\*PLEASE NOTE - Projected Construction Advertisement Date reflects the first construction activity for the Project. Dates in the Past are ACTUAL.  
 NOTE # 1 - Estimated Costs, Grade Alignment and Capacity are based upon approved Project Charters where applicable. For projects without an approved charter, Estimated Costs, Grade Alignment and Capacity are based upon Planning Assumptions.  
 Recommendations of DOE/SDA/District Working Groups may impact this information in the future.



**2011 & 2012 Portfolio Projects Activities Summary**

as of 5/21/18

**2012 Portfolio Projects (Facilities Deficiencies) - sorted by District**

1								
District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Camden	High School	9-12	1,244	1,468	\$132.7	Design-Build	Preliminary Charter approved Oct. 2016 Board. DB Advertisement 3/23/18. Proposals due 6/7/18.	6/9/17 3/23/18
Hoboken	Demarest ES	ES	TBD	TBD	TBD	TBD	Substitution of Demarest ES approved Jul. 2017 Board.	TBD
Orange	Cleveland St. ES	PK-6	306	336	\$24.3	Design-Bid-Build	Preliminary Charter approved Mar. 2017 Board.	2/21/17 3 QTR 18
Orange	High School	9-12	1,440	1,694	\$46.2	Design-Bid-Build	Preliminary Charter approved Oct. 2017 Board.	3 QTR 18
Trenton	Central HS	9-12	1,850	2,176	\$155.4	Design-Build	Award for D-B approved Mar. 2016 Board. (Terminal)	12/19/14 9/29/15

**\*PLEASE NOTE -** Projected Construction Advertisement Date reflects the first construction activity for the Project. Dates in the Past are ACTUAL.  
**NOTE # 1** - Estimated Costs, Grade Alignment and Capacity are based upon approved Project Charters where applicable. For projects without an approved charter, Estimated Costs, Grade Alignment and Capacity are based upon Planning Assumptions.  
 Recommendations of DOE/SDA/District Working Groups may impact this information in the future.

**6**



## Active Project Status Report Status as of 5/1/2018

### Major Capital Projects - With Contract for Building Construction Awarded

#	District	Project Name	Project Scope	Project Status	Substantial Completion	Status Substantial Completion	School Opening	Status of School Opening	Total Estimated Project Cost
1	East Orange	New GW Carver ES	New Construction	Construction	4Q 2019	On-target	1Q 2020	On-target	\$ 41,179,670
2	Garfield	New James Madison ES	New Construction	Construction	2Q 2018	On-target	Sep-18	On-target	\$ 29,650,092
3	Harrison	New Elementary School	New Construction	Construction	2Q 2019	On-target	Sep-19	On-target	\$ 36,115,640
4	Irvington	New Madison Ave ES	New Construction	Construction	2Q 2019	On-target	Sep-19	On-target	\$ 38,589,795
5	Millville	Millville Senior High School	Addition/Renovation	Construction	3Q 2022	On-target	Phased	On-target	\$ 137,503,832
6	New Brunswick	Paul Robeson Community ES	Addition/Renovation	Construction	3Q 2018	On-target	Sep-18	On-target	\$ 48,553,199
7	Newark	South Street ES	New Construction	Construction	2Q 2018	On-target	Sep-18	On-target	\$ 69,876,694
8	Passaic City	New ES at Leonard Place	New Construction	Construction	1Q 2019	On-target	Sep-19	On-target	\$ 55,884,039
9	Passaic City	New Dayton Avenue Educational Campus	New Construction	Design-Build Design Phase	2Q 2022	On-target	Sep-22	On-target	\$ 240,923,270
10	Perth Amboy	New Seaman Ave ES	New Construction	Construction	1Q 2019	On-target	Sep-19	On-target	\$ 56,435,971
11	Pemberton	New Denbo ES	New Construction	Design-Build Design Phase	2Q 2020	On-target	Sep-20	On-target	\$ 58,703,414
12	Trenton	New Central HS	New Construction	Construction	2Q 2019	On-target	Sep-19	On-target	\$ 155,404,000
13	Vineland	Lincoln Road MS (New Middle School)	New Construction	Construction	2Q 2018	On-target	Sep-18	On-target	\$ 49,787,025



**Active Project Status Report  
Status as of 5/1/2018**

**Emergent Projects - With Contract for Construction Awarded**

#	District	Project Name	Project Scope	Project Phase	Substantial Completion	Status Substantial Completion	Final Completion	Status of Final Completion	Total Estimated Project Cost
1	Camden City	Cramer ES	Structural Repairs - Complete Window Replacement - On-Going	GC TO w/ Design	3Q 2018	On-Target	4Q 2018	On-Target	\$ 3,854,429
2	Paterson	New Roberto Clemente	HVAC & Corrective Work	GC TO w/ Design	1Q 2019	On-Target	2Q 2019	On-Target	\$ 2,528,884

**PROJECT CLOSEOUT STATUS REPORT**



32 EAST FRONT STREET  
P.O. BOX 991  
TRENTON, NJ 08625-0991  
609-858-5395

To: Members of the Authority  
 From: /s/ Ayisha Cooper, Research Specialist  
 Date: June 6, 2018  
 Subject: Project Close-Out Status Report

The attached report, provided by the Special Projects Division, shows a listing of all SDA managed Capital and Emergent projects which have achieved school occupancy but have not yet been contractually and administratively closed. The listing further details projects which have achieved project transfer to the district yet have outstanding open contracts, and a running total of all school facilities projects, health and safety contracts, and suspended design contracts which have been closed.

We continue to advance projects and contracts through the close-out process. The following project has been transferred since the last Board Meeting:

Year of Occupancy	Project #	Project Type	District	School	Status
2017	1770-N01-03-0188	Capital Plan	Gloucester City	Gloucester City Middle School	Transferred



<b>SPECIAL PROJECTS DIVISION</b>					
<b>PROJECT STATUS REPORT - As of May 1, 2018</b>					
<b>Year of Occupancy</b>	<b>DOE #</b>	<b>School</b>	<b>Disposition</b>	<b>Project Transfer Date</b>	<b>Outstanding Issues Preventing Complete Close-out</b>
<b>Bridgeton</b>					
2016	0540-050-13-0ACN	Buckshutem Road Elementary School			
2017	0540-100-13-0ACO	Quarter Mile Lane Elementary School			
<b>Burlington City</b>					
2007	0600-020-01-0957	New High School	Project Transferred	12/29/11	Open contract(s) - Legal matter pending
<b>Camden</b>					
2007	0680-140-01-0939	Octavius V. Catto Community School - Demonstration Project	Project Transferred	01/09/12	Open contract(s) - Pending audit completion
2009	0680-350-01-0938	HB Wilson Elementary School	Project Transferred	04/14/10	Open contract(s)
2009	0680-190-01-0927	Dudley Elementary School	Project Transferred	02/06/12	Open contract(s)
2011	0680-245-01-0930	Morgan Village Academy	Project Transferred	02/25/13	
<b>Cumberland</b>					
2009	0997-030-02-0926	Cumberland Regional High School	Project Transferred	06/25/10	Open contract(s) - Legal matter pending
<b>East Orange</b>					
2009	1210-150-01-1178	Cicely Tyson School of Performing and Fine Arts - Demonstration Project	Project Transferred	12/01/09	Open contract(s) - Pending audit completion
<b>Egg Harbor City</b>					
2010	1300-X01-04-0ADY	New Middle School	Project Transferred	01/01/12	Open contract(s)
<b>Egg Harbor Township</b>					
2011	1310-005-04-0AEB	Egg Harbor Township High School			
<b>Elizabeth</b>					
Legacy	1320-X06-01-0866	#30 Ronald Reagan Academy	Project Transferred	07/09/12	Open contract(s) - Legal matter pending
2013	1320-240-03-0339	Victor Mravlag Elementary School # 21			
2016	1320-x07-01-0867	Frank J. Cicarell Academy (New Academic HS)			
2017	1320-N20-13-0AEG	Halloran Elementary School			
<b>Garfield</b>					
2007	1700-N01-02-0114	Garfield Middle School	Project Transferred	06/25/09	Open contract(s) - Legal matter pending
<b>Gloucester City</b>					
Legacy	1770-160-01-0245	Cold Springs Elementary School	Project Transferred	06/05/09	Open contract(s)
2017	1770-N01-03-0188	Gloucester City Middle School	Project Transferred	04/17/18	Open contract(s)
<b>Harrison</b>					
2007	2060-X01-01-0832	New Harrison High School	Project Transferred	10/23/12	Open contract(s)

<b>SPECIAL PROJECTS DIVISION</b>					
<b>PROJECT STATUS REPORT - As of May 1, 2018</b>					
<b>Year of Occupancy</b>	<b>DOE #</b>	<b>School</b>	<b>Disposition</b>	<b>Project Transfer Date</b>	<b>Outstanding Issues Preventing Complete Close-out</b>
<b>Jersey City</b>					
Legacy	2390-N01-99-0227	New Elementary School #3 (Frank R. Conwell ES #3)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
Legacy	2390-N02-99-0228	Jersey City Middle School # 4 (Frank R. Conwell MS #4)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
2016	2390-190-01-0581	New Public School #20	Project Transferred	08/11/17	Open contract(s)
2017	2390-X03-01-0587	Patricia M. Noonan ES (New PS #3)	Project Transferred	12/14/17	Open contract(s)
2007	2390-N03-99-0147	Heights Middle School #7			
<b>Keansburg</b>					
2016	2400-E01-02-0116	New Caruso Elementary School			
<b>Long Branch</b>					
2008	2770-X03-01-0635	Long Branch High School & Athletic Fields	Project Transferred	12/07/12	Open contract(s) - Legal matter pending
<b>New Brunswick</b>					
2010	3530-N05-03-0791	New Brunswick High School - Demonstration Project	Project Transferred	08/19/11	Open contract(s) - Pending audit completion
<b>Newark</b>					
Legacy	3570-X01-01-0617	Science Park	Project Transferred	05/03/13	Open contract(s) - Legal matter pending
2008	3570-X03-01-0665	Central High School	Project Transferred	03/28/12	Open contract(s) - Legal matter pending
2010	3570-X07-01-0693	Speedway Elementary School	Project Transferred	10/21/15	Open contract(s)
2016	3570-590-02-0315	Oliver Street Elementary School	Project Transferred	05/18/17	Open contract(s)
<b>Passaic</b>					
2015	3970-X01-01-X760	New Henry Street Elementary School			
<b>Paterson</b>					
Legacy	4010-N02-02-0393	Roberto Clemente Elementary School	Project Transferred	04/12/13	Unable to close due to upcoming repairs
2016	4010-N09-04-00HP	New Public School #16	Project Transferred	07/31/17	Open Contract(s)
2016	4010-N01-02-0169	Dr. Hami Awadallah School (New Marshall Street ES)	Project Transferred	03/15/18	
2008	4010 -S01-02-0101	International High School			
2008	4010-270-02-0608	#24 Elementary School			
<b>Pemberton</b>					
2011	4050-E01-02-0082	Pemberton Early Childhood Education Center	Project Transferred	02/01/13	Open contract(s)
<b>Phillipsburg</b>					
2016	4100-X01-99-0464	New High School			
<b>Trenton</b>					
2008	5210-N02-01-0912	Daylight/Twilight Alternative School - Demonstration Project	Project Transferred	12/01/08	Open contract(s) - Pending audit completion
<b>Union City</b>					
2009	5240-X07-01-0571	Union City High School and Athletic Complex - Demonstration Project	Project Transferred	10/27/11	Open contract(s) - Pending audit completion
2012	5240-N03-02-0397	Columbus Elementary School	Project Transferred	02/24/15	Open contract(s) - Legal matter pending
<b>Vineland</b>					
2007	5390-N05-04-000C	Gloria M. Sabater Elementary School - Demonstration Project	Project Transferred	05/06/11	Open contract(s) - Pending audit completion

<b>SPECIAL PROJECTS DIVISION</b>					
<b>PROJECT STATUS REPORT - As of May 1, 2018</b>					
<b>Year of Occupancy</b>	<b>DOE #</b>	<b>School</b>	<b>Disposition</b>	<b>Project Transfer Date</b>	<b>Outstanding Issues Preventing Complete Close-out</b>
<b>West New York</b>					
2009	5670-065-01-0559	Elementary School #2	Project Transferred	05/14/13	Open contract(s) - Legal matter pending
2012	5670-070-01-0556	West New York #3	Project Transferred	01/29/14	Open contract(s) - Legal matter pending
2017	5670-100-12-0AEE	Harry L. Bain E.S.			
<b>Capital and Demonstration Projects Totals</b>					
<b>Total Capital and Demonstration</b>			<b>147</b>		
<b>Closed Capital and Demonstration Projects</b>			<b>101</b>		
<b>Capital and Demonstration Projects Not Closed</b>			<b>46</b>		
<b>Capital and Demonstration Projects Not Closed, Project Transferred</b>			<b>31</b>		
			<b>Legal Matter</b>	<b>12</b>	
			<b>Pending Audit</b>	<b>6</b>	
			<b>Miscellaneous</b>	<b>13</b>	
<b>Emergent Projects</b>					
<b>Camden</b>					
	0680-170-12-0ACF	Cramer Elementary School			
<b>Irvington</b>					
	2330-090-12-0ACT	Chancellor Avenue Elementary School	Project Transferred	3/20/2018	Open contract(s)
<b>Salem</b>					
	4630-090-17-0AEQ	Salem Middle School			
<b>Trenton</b>					
	5210-080-12-0ABZ	Hedgepeth-Williams School	Project Transferred	03/01/18	Open contract(s)
<b>Vineland</b>					
	5390-050-12-0ACK	Vineland High School South			
<b>Emergent Project Totals</b>					
<b>Total Emergent Projects</b>			<b>72</b>		
<b>Emergent Projects Closed</b>			<b>67</b>		
<b>Emergent Projects Not Closed</b>			<b>5</b>		
<b>Emergent Projects Not Closed but Transferred</b>			<b>2</b>		
<b>Health and Safety Contract Totals</b>					
<b>Total Contracts</b>			<b>399</b>		
<b># of Contracts Closed</b>			<b>394</b>		
<b># of Open Contracts</b>			<b>5</b>		
<b>Open Design Contracts</b>					
<b>Total Contracts</b>			<b>109</b>		
<b># of Contracts Closed</b>			<b>98</b>		
<b># of Open Contracts</b>			<b>11</b>		

**PROJECT STATUS REPORT**



**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director – Program Operations

DATE: June 6, 2018

SUBJECT: Executive Summary – Monthly Project Status Reports

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**MONTHLY PROJECT STATUS REPORT**

**Projects that have Expended 75% or More of Board Approved Contingency:**

No activity during the reporting period

**Projects Greater than 90 Days Behind Schedule:**

No activity during the reporting period

**Revisions to 3 Project Charters:**

- Plainfield New Woodland ES – Revised Preliminary Project Charter
- Camden Cramer ES – Revised Emergent Project Charter
- Newark Science Park HS – Revised Final Project Charter



**Projects that have Expended 75% or More of Board Approved Contingency**

Reporting Period: Jan. 1, 2008 to April 30, 2018

District	Project	Board Approved Project Charter Contingency	Contingency Expended/Committed	Contingency Remaining <sup>1</sup>	% of Contingency Expended/Committed	Project Completion %	Cause(s)	Current Status
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**In Construction**

New Brunswick	Paul Robeson Community ES	\$1,599,650	\$2,180,000	\$0	100.0%	90%	Unforeseen structural repairs. On Oct. 4, 2017 Change Order No. 1 for the value of \$2,180,000 was approved by the Member to address unforeseen structural repairs to the existing Robeson ES which served to fully exhaust the project contingency.	The project schedule for a September 2018 occupancy by the school district has been maintained. A revised project charter has been approved by the CEO, consistent with the Operating Authority, to provide necessary funding for the approved Change Order No. 1 and additional contingency through the completion of the project.
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**Substantially Complete & Building Occupied**

Please refer to the Project Close-Out Activity Report for status of close-out activities

Burlington City	Burlington City H.S.	\$19,180,848	\$19,100,848	\$80,000	99.6%	99%	1. Unforeseen soil remediation 2. Unforeseen asbestos abatement. 3. Unforeseen HVAC corrective work	Project complete and building occupied. Working towards project close-out.
Camden	Dudley E.S.	\$3,215,000	\$2,615,168	\$599,832	81.3%	99%	1. Installation of IT/AV systems	Project complete and building occupied. Working towards project close-out.
East Orange	Mildred B. Garvin E.S.	\$1,429,632	\$1,305,993	\$123,639	91.4%	99%	1. Unforeseen soil remediation 2. Modifications to security system	Project complete and building occupied. Working towards project close-out.
Newark	Speedway Avenue E.S.	\$1,826,000	\$1,754,119	\$71,881	96.1%	99%	1. Removal of unforeseen impacted materials	Project complete and building occupied. Working towards project close-out.
Orange	Lincoln Ave E.S.	\$5,615,000	\$4,906,339	\$708,661	87.4%	99%	1. Unforeseen asbestos abatement 2. Structural repairs to interior walls 3. Extended general conditions	Project complete and building occupied. Working towards project close-out.
Orange	Park Avenue E.S.	\$3,360,000	\$3,275,103	\$84,897	97.5%	99%	1. Unforeseen asbestos abatement	Project complete and building occupied. Working towards project close-out.
Paterson	E.S. #24	\$4,616,120	\$4,313,389	\$302,731	93.4%	99%	1. Unforeseen soil remediation and clean fill.	Project complete and building occupied. Working towards project close-out.
West New York	West New York P.S. #2	\$2,708,883	\$2,708,883	\$0	100.0%	99%	1. Unforeseen site foundation issues	Project complete and building occupied. Working towards project close-out.

<sup>1</sup> Does not include expended contingency or contingency funds allocated for change orders, amendment;



**Projects Greater than 90 Days Behind Schedule or with Occupancy Date in Jeopardy**  
 Reporting Period: April 2018

#	Event Date	District	Project	Board Approved Project Charter SubComp Date	Current Contract SubComp Date	Forecasted Contract SubComp Date	# of Days Behind Schedule	Cause(s)	Current Status
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No Activity During the Reporting Period



**Revisions to Project Charters**  
Reporting Period: April 2018

#	District	Project	Financial & Schedule Impacts	Additional Funds Approved	Additional Funds as % of Total Project Budget	Operating Authority Approval Requirement	Description of Revision
1	Plainfield	New Woodland ES	Budget Increase & Project Resequencing	\$ 5,125,000	9.01%	Board Approved	Board Approved revision to the Preliminary Project Charter to reflect change in project scope due to flood plain considerations. The project scope has been revised to include demolition of the existing Woodland ES prior to construction of the new school and provision of temporary space to accommodate the Woodland ES students during demolition and construction.
2	Camden	Crame ES	Scope and Budget Increase	\$ 1,922,000	99.46%	Board Approved	Board Approved revision to the Emergent Project Charter to reflect added scope of window replacement not anticipated in the original approved project scope.
3	Newark	Science Park HS	Budget Increase	\$ 444,705	16.15%	Board Approved	Board Approved revision to the Final Project Charter to reflect change order necessary to provide smoke dampers necessary to obtain a Certificate of Occupancy.

**CONTRACTS EXECUTED REPORT**



**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director, Program Operations

DATE: June 6, 2018

SUBJECT: Contracts Executed Report and Amendments & Change Orders Report  
(For Informational Purposes Only)

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**Contracts Executed Report**

This report contains the activity of Contracts executed during the period April 1 through April 30, 2018.

**Noteworthy Items during the reporting period:**

- No noteworthy items during the reporting period.

**Amendments & Change Orders Report**

This report contains the activity of Amendments and Change Orders executed during the period April 1 through April 30, 2018.

**Noteworthy Items during the reporting period:**

- Execution of 2 Professional Service Amendment totaling \$118k, of the 2 executed amendments none require board approval.
- Execution of 6 Construction Services Change Orders totaling \$1.6M, of the 6 executed change orders 1 required board approval totaling \$1.85M.

**Report of change orders less than \$10,000 yet requiring Board Approval**

In accordance with the Operating Authority adopted by the Members on December 1, 2010 as amended on March 7, 2012, the Members are to be provided a report of any change order which received delegated approval by the CEO due to the fact that they are valued at less than \$10,000 yet require Board approval due the total change orders exceeding 10% of the contract value.

- No Activity to Report



### Amendments & Change Orders Report

Reporting Period: 4/1/2018 through: 4/30/2018

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cummulative CO %	
<b>Professional Services</b>														
<b>Design Consultant</b>														
City Of Orange Township	Orange H.S.	ES-0042-A01	05/05/2015	5	Kliment Halsband Architects LLP	04/17/2018	\$3,520,022	\$35,123	\$91,092			\$3,646,237	3.59%	
Newark	New Science Park HS	NE-0071-A01	04/01/2014	1	USA Architects, Planners + Interior Designers, PA	04/27/2018	\$311,140	\$0	\$27,372			\$338,512	8.79%	
<b>Design Consultant</b>														
<b>Professional Services</b>														
									<b>\$118,464</b>					
<b>Construction Services</b>														
<b>Contractor</b>														
Camden City	Cramer E.S.	EP-0080-C01	06/14/2017	1	T.N. Ward Company	04/03/2018	\$1,349,235	\$0	\$1,850,000	YES	3/7/2018	\$3,199,235	137.11%	
Garfield	James Madison Elementary School #10	NT-0014-C03	12/03/2015	16	Brockwell & Carrington Contractors, Inc.	04/16/2018	\$16,725,000	\$337,782	\$1,785			\$17,064,567	2.03%	
Garfield	James Madison Elementary School #10	NT-0014-C03	12/03/2015	17	Brockwell & Carrington Contractors, Inc.	04/19/2018	\$16,725,000	\$339,567	\$4,193			\$17,068,760	2.05%	
Irvington Township	Madison Avenue E.S.	ES-0027-N01	04/04/2016	4	D&K Construction Co., Inc.	04/03/2018	\$3,043,185	(\$254,479)	(\$21,277)			\$2,767,430	-9.06%	
Salem City	Salem M.S.	EP-0101-C01	07/06/2017	1	Santorini Construction Inc.	04/16/2018	\$1,684,660	\$0	(\$220,635)			\$1,464,025	-13.09%	
Pemberton Township	Alexander Denbo E.S.	WT-0023-B01	02/14/2018	1	Ernest Bock & Sons, Inc.	04/30/2018	\$43,185,000	\$0	\$30,000			\$43,215,000	0.06%	
<b>Contractor</b>														
<b>Construction Services</b>														
									<b>\$1,644,066</b>					
										<b>Total Change Order Summary</b>		<b>Total Change Orders</b>		
<b>Grand Totals</b>										<b>\$1,762,530</b>		<b>8</b>		

**Column Description Legend**

CO Execution Date	Date the Change Order was entered into the SIMS system
Revised Contract Amount	Current value of the contract (excluding additional assignments) including current change order

6

**CONTRACT TERMINATIONS REPORT** *(no activity)*

**SETTLEMENT CLAIMS** *(no activity)*

**CONTRACTOR AND WORKFORCE COMPLIANCE REPORT**



**MEMORANDUM**

TO: Members of the Authority

FROM: Karon Simmonds /s/ Karon Simmonds  
Director Risk Management and Vendor Services  
Office of the Chief Financial Officer

DATE: June 6, 2018

SUBJECT: Contractor and Workforce Compliance Monthly Update for March 2018

Vendor Services staff continues to participate at mandatory pre-bid and pre-construction meetings to instruct and inform bidders regarding SDA's SBE goals, policies and procedures, including:

- Small Business Enterprise subcontracting goal of 25% of all contracts
- County workforce goals for minorities and females
- Detailed process procedures to monitor and track the progress made toward these goals throughout the life cycle of each project

At these meetings, vendors are strongly encouraged to identify and hire minority-owned and women-owned firms, as well as locally-based enterprises, for diverse business participation on all school building projects. Additional outreach strategies are discussed and utilized.

**SMALL BUSINESS ENTERPRISE (SBE) COMPLIANCE MONITORING**

The SDA regularly exceeds the State-mandated 25% SBE goal. The total SDA contract dollars awarded through March 31, 2018 was \$13,119,173. The figures below demonstrate compliance with this requirement.

**SBE Breakdown**

The total contract dollars awarded to all SBE contractors was \$5,661,800 (including minorities and women). This represents 43.15% of all SDA contracts.

Type of Business Enterprise	Contract Amount	% of Total SDA Contracts
Small Business Enterprises	\$ 4,026,800	30.69%
Small/ Minority Business Enterprises	\$ -0-	0.00%
Small/Women Business Enterprises	\$ 1,625,000	12.46%
Small/Veteran Owned Business Enterprises	\$ -0-	0.00%
Small/Minority/Women Business Enterprises	\$ -0-	0.00%
<b>TOTAL SBE CONTRACTS</b>	<b>\$ 5,661,800</b>	<b>43.15%</b>

Members of the Authority  
 Contractor and Workforce Compliance Monthly Update  
 June 6, 2018  
 Page 2 of 4

### **Ethnic Breakdown**

Through the month of March 31, 2018 the total SBE contracts awarded with minority participation was 0.00%.

<b>Ethnicity</b>	<b>Contract Amount</b>	<b>Percentage</b>
American Indian	\$ -0-	0.00%
Asian	\$ -0-	0.00%
Black	\$ -0-	0.00%
Hispanic	\$ -0-	0.00%
<b>Total</b>	<b>\$ -0-</b>	<b>0.00%</b>

### **WORKFORCE COMPLIANCE MONITORING**

For the month of March 2018, there was a contractor workforce of 849 on SDA projects. This represents a total of 71,319 contractor workforce hours as follows:

<b>Contractor Workforce Breakdown (All Trades/Districts/Counties)</b>			
<b>Ethnicity</b>	<b>Total Workforce</b>	<b>Total Workforce Hours</b>	<b>Workforce Hours Percentage</b>
Black	92	9,594	13.45%
Hispanic	109	8,645	12.12%
American Indian	3	261	0.37%
Asian	2	128	0.18%
<b>Total Minority Participation</b>	<b>206</b>	<b>18,628</b>	<b>26.12%</b>
Total Non-Minority Participation	643	52,691	73.88%

Members of the Authority  
 Contractor and Workforce Compliance Monthly Update  
 June 6, 2018  
 Page 3 of 4

There was a contractor workforce of 198,447 total workforce hours and 2,563 total female workforce hours on SDA projects for the period of January 1, 2018 through March 31, 2018. The following table highlights the *Local County Contractor Workforce* participation for that period:

<b>Local County Workforce Participation</b>	<b>Workforce Hours</b>	<b>Percentage</b>
*Total Workforce Hours	198,447	100.00%
<b>*Total Local County Workforce Hours</b>	<b>20,592</b>	<b>10.38%</b>
<b>Total Local County Non-Minority Workforce Hours</b>	<b>10,896</b>	<b>5.50%</b>
<b>Total Local County Female Workforce Hours</b>	<b>0</b>	<b>0.00%</b>
<b>Total Local County Minority Workforce Hours</b>	<b>9,696</b>	<b>4.89%</b>
<b>**Local County Workforce Hours by Ethnicity:</b>		
Black	7,077	3.57%
Hispanic	2,619	1.32%
American Indian	0	0.00%
Asian	0	0.00%

\*Total workforce and total local county workforce represent all laborers including females.

\*\*Minority breakdown represents Black, Hispanic, American Indian, and Asian laborers. Minority female laborers are captured as female laborers only and are not included in the minority breakdown.

Members of the Authority  
 Contractor and Workforce Compliance Monthly Update  
 June 6, 2018  
 Page 4 of 4

The following table represents contractor and female workforce for all SDA active Capital Projects and all active and completed Emergent Projects for the period of January 1, 2018 through March 31, 2018.

<b>SDA Managed Project</b>	<b>Total Workforce Hours</b>	<b>Minority Workforce Hours &amp; Percentage</b>		<b>Local County Workforce Hours &amp; Percentage</b>	
East Orange, George W Carver ES	36	32	<b>88.89%</b>	0	<b>0.00%</b>
Garfield, James Madison ES	13,603	2,081	<b>15.30%</b>	0	<b>0.00%</b>
Harrison ES	395	76	<b>19.24%</b>	0	<b>0.00%</b>
Irvington, Madison Avenue	8,841	3,419	<b>38.67%</b>	1,173	<b>13.27%</b>
Millville, High School	8	0	<b>0.00%</b>	0	<b>0.00%</b>
New Brunswick, Paul Robeson School	8,044	1,162	<b>15.72%</b>	8	<b>0.10%</b>
Newark, South Street ES	21,053	7,647	<b>36.32%</b>	1,686	<b>8.01%</b>
Passaic, Leonard Place ES	21,810	5,377	<b>24.66%</b>	4,413	<b>20.24%</b>
Perth Amboy, Seaman Avenue	9,309	731	<b>7.85%</b>	823	<b>8.84%</b>
Trenton HS	92,787	25,544	<b>27.53%</b>	10,441	<b>11.25%</b>
Vineland, Lincoln Ave MS	16,008	1,368	<b>8.55%</b>	0	<b>0.00%</b>
Emergent Projects	6,553	3,358	<b>51.24%</b>	2,048	<b>31.25%</b>

Prepared by: Charlotte Brooks  
 JaDawna Brown-Mooney

**REGULAR OPERATING DISTRICTS (RODs) ACTIVITY REPORT**



**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director, Program Operations

DATE: June 6, 2018

SUBJECT: Regular Operating District Grant Activity Report  
(For Informational Purposes Only)

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This report summarizes the Regular Operating District Grant activity from inception to date and for the month of April 2018. Also included is a detailed list of grants executed and grants offered during the reporting period.

**Monthly Update:**

- No grants were offered during the reporting period.
- 2 grants impacting 1 district were executed during the reporting period representing \$1.3M in total project costs and state share of \$0.5M.
- 21 grants impacting 10 districts were closed out during the reporting period representing \$43.9M in total project costs and state share of \$18.6M.
- Since inception, over \$2.8B has been disbursed to 524 regular operating districts through the grant program.
- Since inception over \$3.3B in funding has been approved by the Department of Education and offered to regular operating districts through the grant program.


**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
 Monthly Regular Operating District Grant Report - Summary  
 April 2018

6

ROD Grant Summary Since Program Inception				
	Offered <sup>1</sup>	Executed	Closed-Out	Active
Districts Impacted	9	524	514	189
Number of Grant Projects	19	5,409	4,641	768
Total Project Cost Estimate	\$ 13,468,430	\$ 8,972,428,827	\$ 8,158,882,535	\$ 813,546,292
Grant Amount	\$ 5,698,664	\$ 3,022,133,870	\$ 2,674,230,375	\$ 347,903,495
Amount Disbursed	N/A	\$ 2,802,343,312	\$ 2,674,230,375	\$ 128,112,938

Total Funding Offered to School Districts via Grant Program	\$ 3,342,209,450
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Total ROD Grant Funding remaining for new Grant Projects	\$ 74,416,795
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1. Includes grants that have been offered to District's but have not yet been executed.

Monthly Activity ROD Grant Summary		
	Executed	Closed-Out
Districts Impacted	1	10
Number of Grant Projects	2	21
Total Project Cost Estimate	\$ 1,302,423	\$ 43,893,950
Grant Amount	\$ 520,969	\$ 18,602,861
Amount Disbursed	NA	\$ 18,602,861

\* Report is inclusive of all Regular Operating Districts grants (including vocational school districts).

\*\* Total Project Cost Estimate and Grant Amount may be adjusted as the projects advance. Grant Amount is capped at the value approved in the DOE Final Eligible Cost Approval.



Monthly Regular Operating District Grant Report - Monthly Executed Grant Detail

April 2018

County	District	School Name	Total Project Cost Estimate	Grant Amount	Project Description
Burlington	Burlington County Vocational School District	Inst of Tech - Medford Campus	\$ 1,141,693	\$ 456,677	Rehabilitation: ADA Renovations
Burlington	Burlington County Vocational School District	Inst of Tech - Westampton	\$ 160,730	\$ 64,292	Renovation of 2 toilet rooms to accommodate ADA standards
<b>Grand Total</b>		<b>Grants Executed - 2</b>	<b>\$ 1,302,423</b>	<b>\$ 520,969</b>	

**NOTIFICATION OF AMENDMENTS TO GOODS AND SERVICES CONTRACTS NOT EXCEEDING \$100,000 OR 10% OF THE CONTRACT VALUE *(no activity)***

**COMMUNICATIONS MONTHLY REPORT**

**MEMORANDUM**

TO: Members of the Authority

FROM: /s/ Kristen MacLean, Director of Communications

DATE: June 6, 2018

SUBJECT: Monthly Communications Report

**SDA Breaks Ground for George Washington Carver E.S. in East Orange**



On Tuesday, May 22, the SDA joined East Orange School District students and local officials to break ground for the new George Washington Carver Elementary School. Once completed, the school will be the fourth new facility built by the SDA in East Orange.

The new 77,000 square-foot George Washington Carver Elementary School will provide the East Orange School District with space to educate 470 students in grades Prekindergarten to five. The school will include 24 general classrooms, two self-contained special education classrooms, a science lab, a cafeteria, multi-purpose room with stage, a media center, a music room, an art room, a technology lab and necessary support spaces.

**CEO Charles McKenna Testifies Before Joint Committee on the Public Schools**

On May 8, 2018, SDA CEO Charles McKenna appeared before the Joint Committee on the Public Schools to provide an update on the status of the SDA program. He answered questions from the Members regarding funding, emergent projects, ROD grants and SDA-owned property.

Reviewed by: Jane F. Kelly

**MONTHLY FINANCIAL REPORT**

**MEMORANDUM**

**TO:** The Members of the Authority

**FROM:** Sherman E. Cole, MBA, CPA /s/  
Controller

**DATE:** June 6, 2018

**SUBJECT:** Monthly Financial Report – April 2018

The Office of the Chief Financial Officer is providing the attached monthly financial report to the Members of the Authority for their information. Included on pages 1 and 2 of this report is a “Financial Summary” of the Authority’s activities for the year. On pages 3 and 4 of the report is a summary of the Authority’s operating expenditures. Page 5 contains a breakdown of the Authority’s headcount information by department. The basic financial statements follow on pages 6 and 7.

**Fund Reporting Operating Expenses (Year-to-Date Actual vs. Budget)**

For April 2018 year to date, Authority operating expenses, **\$7.0 million**, are lower by **\$562K** as compared to the operating budget for the corresponding period. The positive variance is attributed primarily to a timing differences for the scheduled replacement of the Primavera Contract Management system (**\$451K**).

**Fund Reporting Operating Expenses (Year-to-Date Actual vs. Prior Year Actual)**

For April 2018 year to date, Authority operating expenses, **\$7.0 million**, are **\$243K** higher as compared to the corresponding prior year. The negative variance is comparable to a lower allocation of employee salaries and benefits to project costs.

**School Facilities Project Expenditures (Year-to-Date Actual vs. Forecast)**

For April 2018 year to date, project expenditures, **\$97.2 million**, are lower by **\$36.5 million** as compared to the capital-spending forecast for the *corresponding period*. The variance is due primarily to a decrease in construction expenditures, **\$24.6M**, as well as cost reductions in school furniture, fixtures and equipment **\$5M**, project insurance **\$3.5M** and grant activity **\$1.6M**.

**School Facilities Project Expenditures (Year-to-Date Actual vs. Prior Year Actual)**

For April 2018 year to date, project expenditures, **\$97.2 million**, have decreased by **\$33.9 million** as compared to the *corresponding prior year*. The variance is due to reduced activity in construction **\$9.9M**, grant activity **\$17.5M** as well as school furniture, fixtures and equipment **\$8.0M**. Offsetting these spending reductions is a \$2.3M increase in Project Insurance, resulting in part, from the 2017 OCIP II premium audit credit for general liability and workman’s compensation, from Ace Insurance.

*The Members of the Authority*

*June 6, 2018*

*Page 2*

**Other**

Since program inception, 80.9% of the funds authorized for the SDA Districts have been disbursed. Additionally, since program inception 96% of all SDA disbursements relate to school facilities projects and 4% relate to operating expense.

The *estimated value* of active school facilities projects is approximately \$2.2B.

Attachment

**New Jersey Schools Development Authority  
Preliminary Monthly Financial Report  
April 2018  
(Unaudited)**

## New Jersey Schools Development Authority Overview of Financial Position April 30, 2018

6

**To:** The Audit Committee

**From:** Sherman E. Cole, Controller

The information contained in this monthly financial report is for the period as of, and for the year-to-date ending, April 30, 2018.

► Overall **Cash and Cash Equivalents** have decreased by \$102.0 million to \$437.9 million, as follows:

■ Receipt of bond and note proceeds (Issued by EDA)	\$ -
■ Investment earnings	2,348,253
■ Miscellaneous revenue	30
■ Project costs	(97,211,601)
■ SDA operating expenses	(7,462,203)
■ SDA capital expenditures	(53,997)
■ Deposits (primarily district local shares)	407,515
Net Change in Cash	\$ (101,972,003)

► **Prepaid Expenses** total \$536,816 as follows:

- Prepaid insurance of \$282,579.
- Prepaid rents of \$123,587 for the Authority's leased office space in Trenton and Newark.
- Prepaid MIS maintenance service contracts of \$95,800.
- Other prepaids of \$34,850.

► **Capital Assets** total \$507,981 (net of accumulated depreciation of \$6,866,148), consisting of leasehold improvements (SDA offices), and capitalized software, equipment, furniture and fixtures in support of SDA operations. Depreciation on capital assets is generally calculated using the straight-line method over the life of each asset. For the year to date, **Capital Expenditures** are \$53,997 and **Depreciation Expense** is \$68,931.

► **Accrued Liabilities** total \$121.4 million, as follows:

- Accrued project costs of \$24.7 million consisting of unpaid invoices (\$5.9 million); and retainage (\$18.8 million).
- Accrued net pension liability of \$60.1 million.
- Post-employment benefits obligation of \$26.0 million.
- Accrued OPEB payable of \$0.3 million.
- Pollution remediation obligations (PRO) under GASB 49 net to \$2.0 million (PRO liability \$4.0 million, offset by expected cost recoveries of \$2.0 million).
- Estimated liability for loss contingencies totaling \$6.6 million.
- Payroll related liabilities of \$1.6 million.
- Other accrued liabilities of \$0.1 million.

► **Deposits** total \$3.8 million, as follows:

- \$3.7 million is held for local share agreements (pass-through item).

► The Authority's **Net Position** at month end is \$315.1 million.

## New Jersey Schools Development Authority

### School Facilities Project Expenditures & Funding Allocation

#### April 30, 2018

6

#### ► School Facilities Construction Bond / Note Proceeds & Project Expenditures

- During the current year to date, the SDA has received \$0 million bond and note proceeds. The total amount of proceeds received since program inception is \$10.798 billion.
- Project expenditures for the month and year-to-date periods total \$32.1 million and \$97.2 million, respectively, as follows:

<u>Category</u>	<u>Current Month</u>	<u>Current Year-To-Date</u>	<u>Since Program Inception</u>
Construction	\$ 12,817,045	\$ 50,236,757	\$ 4,725,057,649
Design Services	148,102	868,182	413,228,688
PMF/CM Services	378,613	1,492,909	452,585,198
SDA Project Management	913,416	4,374,846	76,015,071
Property Acquisition, Relocation & Enviro	445,130	1,131,269	582,568,085
School Furniture, Fixtures & Equipment	45,139	365,405	154,750,390
Project Insurance	2,111,138	2,287,600	101,615,784
NJ State Inter-Agency Transfers	0	166,367	49,804,438
SDA District Grant & Funding Agreements	62,658	5,391,210	852,646,679
Regular Operating District Grant Agreements	14,921,689	29,123,002	2,811,198,860
Real-Time Project Audits	0	-	468,867
Property Management, Maintenance & Utils	26,181	128,976	16,507,084
Outside Legal & Claims Resolution Services	10,137	296,145	8,887,081
Other Project Costs	232,840	1,348,933	65,300,576
Project Credits	0	-	(54,902,944)
<b>Total Project Expenditures</b>	<b>32,112,088</b>	<b>97,211,601</b>	<b>10,255,731,506</b>
Less: Local Share Contributions	-	-	(182,958,444)
<b>Project Expenditures (State Share)</b>	<b>\$ 32,112,088</b>	<b>\$ 97,211,601</b>	<b>\$ 10,072,773,062</b>
 2018 Capital Spending Forecast	 <u>\$ 31,710,239</u>	 <u>\$133,731,181</u>	

#### Allocations Since Program Inception

#### ► Program Funding & Expenditures

	<u>Bonding Caps</u> <sup>1</sup>	<u>Total Funding</u> <sup>2</sup>	<u>Paid to Date</u> <sup>3</sup>
■ SDA Districts	\$ 8,900,000,000	\$ 9,015,009,681	\$ 7,291,106,635
■ Regular Operating Districts	3,450,000,000	3,495,311,430	3,121,136,131
■ Vocational Schools	150,000,000	151,810,596	113,529,122
<b>Total - State Share</b>	<b>\$ 12,500,000,000</b>	<b>\$ 12,662,131,707</b>	<b>\$ 10,525,771,888</b>

#### ► Percentage of Total Funding Paid to Date

■ SDA Districts	80.9%
■ Regular Operating Districts	89.3%
■ Vocational Schools	74.8%
<b>Total - State Share</b>	<b>83.1%</b>

1 Of the \$12.5 billion authorized for the school construction program, \$10,797,702,648 principal amount of bond and note proceeds have been received to date.

2 Includes bonding cap amounts and other income and miscellaneous revenue earned to date (i.e., interest income on invested funds and State appropriations).

3 These amounts include the allocation of SDA operating expenses and capital expenditures totaling \$452,998,826.

## New Jersey Schools Development Authority Fund Reporting Operating Expenses vs Budget April 30, 2018

6

<u>Category</u>	<u>Actual Year-To-Date</u>	<u>Budget Year-To-Date</u>	<u>Over/ (Under)</u>
<b>Personnel Expenses:</b>			
Employee Salaries	\$ 5,842,740	\$ 6,212,316	\$ (369,576)
Employee Benefits	4,000,617	4,197,561	(196,944)
Direct Hire Temporary Employee Costs	31,466	96,880	(65,414)
Total Employee Salaries & Benefits Costs	9,874,823	10,506,757	(631,934)
<b>Less:</b> Employee Salaries & Benefits Costs			
Charged to Projects	4,374,846	5,205,855	(831,009)
Salaries & Benefits Charged to Operating Expense	5,499,977	5,300,902	199,075
Temporary Staffing Services	19,569	50,000	(30,431)
Travel & Expense Reimbursements	3,916	11,211	(7,295)
Training & Professional Development	12,540	43,299	(30,759)
Total Personnel Expenses	5,536,002	5,405,412	130,590
<b>Non-Personnel Operating Expenses:</b>			
Facilities & General Office Expenses	825,914	887,280	(61,366)
Information Systems	342,010	371,800	(29,790)
Professional & Other Contracted Services	89,677	204,068	(114,391)
Property & Casualty Insurance	112,527	114,332	(1,805)
SDA-Owned Automobiles	21,032	38,332	(17,300)
Communications & Outreach	75	336	(261)
Reserve for Unforeseen Events & New Initiatives	-	16,668	(16,668)
<b>Total Operating Expenses (Non-Capital)</b>	<b>6,927,237</b>	<b>7,038,228</b>	<b>(110,991)</b>
<b>Capitalized Operating Expenses</b>	<b>53,997</b>	<b>505,332</b>	<b>(451,335)</b>
<b>Total Authority Operating Expenses</b>	<b>\$ 6,981,234</b>	<b>\$ 7,543,560</b>	<b>\$ (562,326)</b>

2018 Annual Operating Budget

\$ 19,282,271

## New Jersey Schools Development Authority Fund Reporting Operating Expenses vs Prior Year April 30, 2018

6

<u>Category</u>	<u>Actual Year-To-Date</u>	<u>2017 Year-To-Date</u>	<u>Increase/ (Decrease)</u>
<b>Personnel Expenses:</b>			
Employee Salaries	\$ 5,842,740	\$ 6,008,606	\$ (165,866)
Employee Benefits	4,000,617	3,889,050	111,567
Direct Hire Temporary Employee Costs	31,466	63,776	(32,310)
Total Employee Salaries & Benefits Costs	9,874,823	9,961,432	(86,609)
<b>Less:</b> Employee Salaries & Benefits Costs Charged to Projects	4,374,846	4,673,831	(298,985)
Salaries & Benefits Charged to Operating Expense	5,499,977	5,287,601	212,376
Temporary Staffing Services	19,569	40,611	(21,042)
Travel & Expense Reimbursements	3,916	3,471	445
Training & Professional Development	12,540	13,111	(571)
Total Personnel Expenses	5,536,002	5,344,794	191,208
<b>Non-Personnel Operating Expenses:</b>			
Facilities & General Office Expenses	825,914	782,398	43,516
Information Systems	342,010	340,091	1,919
Professional & Other Contracted Services	89,677	106,197	(16,520)
Property & Casualty Insurance	112,527	134,691	(22,164)
SDA-Owned Automobiles	21,032	26,945	(5,913)
Communications & Outreach	75	-	75
Reserve for Unforeseen Events & New Initiatives	-	2,892	(2,892)
<b>Total Operating Expenses (Non-Capital)</b>	<b>6,927,237</b>	<b>6,738,008</b>	<b>189,229</b>
<b>Capitalized Operating Expenses</b>	<b>53,997</b>	<b>-</b>	<b>53,997</b>
<b>Total Authority Operating Expenses</b>	<b>\$ 6,981,234</b>	<b>\$ 6,738,008</b>	<b>\$ 243,226</b>

# New Jersey Schools Development Authority

## Employee Headcount

### April 30, 2018

6

<b><u>SDA Department</u></b>	<b><u>Current Month End</u></b>	<b><u>Budget</u></b>	<b><u>Increase/ (Decrease)</u></b>
Office of Chief Executive Officer (CEO)	3	2	1
CEO, Contract Management	9	11	-2
COS, Program Assessment & Development	5	8	-3
COS, Special Projects	10	10	0
Program Operations, Executive	4	5	-1
Program Operations, Capital Planning & Grants Admin.	23	25	-2
Program Operations, Safety	8	8	0
Program Operations - Design Studio	16	16	0
Program Operations, Project Teams	48	48	0
Corp Governance & Operations, Executive	3	3	0
Corporate Governance & Operations, Human Resources	5	6	-1
Corporate Governance & Operations, Chief Counsel	12	13	-1
Corporate Governance & Operations, Information Systems	16	16	0
Corporate Governance & Operations, Facilities	5	4	1
Corporate Governance & Operations, Communications	7	7	0
Financial Operations, Executive	5	5	0
Financial Operations, Controller	12	12	0
Financial Operations, Real Estate Services	4	5	-1
Financial Operations, Procurement & Contract Services	8	9	-1
Financial Operations, Risk Management & Vendor Services	<u>11</u>	<u>11</u>	<u>0</u>
<b>Total Full-Time Employees</b>	<b><u>214</u></b>	<b><u>224</u></b>	<b><u>-10</u></b>

**New Jersey Schools Development Authority**  
**Statement of Net Position**  
**April 30, 2018**

6

	<u>Current Month End</u>	<u>2017 Year End</u>	<u>Increase/ (Decrease)</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 437,867,620	\$ 539,839,623	\$ (101,972,003)
Receivables	27,175	37,536	(10,361)
Prepaid Expenses	536,816	266,426	270,390
Capital Assets (Net of Accumulated Depr.)	507,981	522,915	(14,934)
Total Assets	<u>438,939,592</u>	<u>540,666,500</u>	<u>(101,726,908)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount for Pensions & OPEB	<u>17,145,652</u>	<u>19,536,757</u>	<u>(2,391,105)</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 456,085,244</u>	<u>\$ 560,203,257</u>	<u>\$ (104,118,013)</u>
<b>LIABILITIES</b>			
Accrued Project Costs	\$ 33,262,727	\$ 58,170,720	\$ (24,907,993)
Net Pension Liability	60,083,669	60,083,669	-
Accrued Other Post-Employment Benefits	26,017,496	25,290,074	727,422
Other Accrued Liabilities	2,065,280	4,724,965	(2,659,685)
Deposits	3,805,153	3,397,638	407,515
Total Liabilities	<u>125,234,325</u>	<u>151,667,066</u>	<u>(26,432,741)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount for Pensions & OPEB	<u>15,795,457</u>	<u>15,795,457</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in Capital Assets	507,981	522,915	(14,934)
Restricted for Schools Construction:			
Special Revenue Fund	<u>314,547,481</u>	<u>392,217,819</u>	<u>(77,670,338)</u>
Net Position	<u>315,055,462</u>	<u>392,740,734</u>	<u>(77,685,272)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>			
	<u>\$ 456,085,244</u>	<u>\$ 560,203,257</u>	<u>\$ (104,118,013)</u>

**New Jersey Schools Development Authority**  
**Statement of Activities**  
**April 30, 2018**

6

	<u>Current</u> <u>Year-To Date</u>	<u>2017</u> <u>Year-To Date</u>	<u>Increase/</u> <u>(Decrease)</u>
<b>REVENUES</b>			
Program Revenues:			
Bond and Note Proceeds (Issued by EDA)	\$ -	\$ -	-
Bidding Fees-Plans & Specs	-	-	-
General Revenues:			
Investment Earnings	2,348,253	972,573	1,375,680
Rental Income	-	20,016	(20,016)
Other Revenue-OPRA	30	20	10
<b>Total Revenues</b>	<b>2,348,283</b>	<b>992,609</b>	<b>1,355,674</b>
<b>EXPENSES</b>			
Administrative & General Expenses	7,654,659	8,033,689	(379,030)
Capital Depreciation	68,931	68,867	64
School Facilities Project Costs	72,309,965	90,919,161	(18,609,196)
<b>Total Expenses</b>	<b>80,033,555</b>	<b>99,021,717</b>	<b>(18,988,162)</b>
<b>CHANGE IN NET POSITION</b>	<b>(77,685,272)</b>	<b>(98,029,108)</b>	<b>20,343,836</b>
Beginning of Period Net Position	392,740,734	400,406,844	(7,666,110)
<b>NET POSITION END OF PERIOD</b>	<b>\$ 315,055,462</b>	<b>\$ 302,377,736</b>	<b>\$ 12,677,726</b>

**DESIGN CONTRACT DE-OBLIGATIONS REPORT** *(no activity)*

**PUBLIC COMMENT STATEMENT**

**We will now begin the Public Comment Portion of the Meeting consistent with the New Jersey Open Public Meetings Act.**

**We would ask that any member of the public who wishes to address the Board limit their comments to 3 minutes. If there are multiple individuals from the same organization or district who wish to address the Board on the same matter, we would ask that you come up together to offer your remarks.**

**Please keep in mind that public comment is to afford citizens the opportunity to comment on matters pertinent to the Authority's business. Should you seek answers to questions on any topic, please contact the Authority at 609-943-4585 at your convenience.**